ANNUAL REPORT 2022/23

Future Reimagined

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2022/23 HIGHLIGHTS

RURAL AND ENTERPRISE FINANCE AND BUSINESS SUPPORT

R48m
loan disbursements

526 jobs
jobs facilitated through enterprise finance

95%
average loan collection rate short-term products

Jobs Stimulus Fund

R24,6m
Jobs Stimulus Fund disbursed

1,116 jobs
saved via Jobs Stimulus Fund

R11,160m
Jobs Stimulus Fund disbursed to save jobs

R13,6m
of Jobs Stimulus Fund for working capital

R18,7m
Imvaba Cooperatives Fund disbursed

32 cooperatives
received Imvaba incentive

242 MSMEs
received direct business development services

INVESTMENT MANAGEMENT, TRADE AND INVESTMENT PROMOTION

R122m
value of exports facilitated

R5,2bn
value of investments facilitated

PROPERTIES AND INFRASTRUCTURE MANAGEMENT SERVICES

R56m
raised from property disposals

R16,7m
from external project management fees

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GENERAL INFORMATION

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PUBLISHED BY
Eastern Cape Development Corporation
TITLE OF PUBLICATION
Eastern Cape Development Corporation
Annual Report 2022/2023
PR: 172/2023
ISBN: 978-0-621-51277-9

EASTERN CAPE DEVELOPMENT CORPORATION

ABBREVIATIONS

AGOA	Annual Financial Statements
AIDC	Automotive Industry Development Centre
ARC	Audit, Risk and Compliance
ATR	Annual Training Report
ECDC	Eastern Cape Development Corporation
DALRRD	Department of Agriculture, Land Reform and Rural Development
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DFI	Development Finance Institute
EAP	Economically Active Population
ECDC	Eastern Cape Development Corporation
FY	Financial Year
EC OSS	Eastern Cape One Stop Shop
EOI	Expression of Interest
EU	European Union
GBS	Global Business Services
GIZ	German Agency for Technical Co-operation
IBSP	Informal Business Support Programme
ICF	Imvaba Cooperative Fund
ILO	International Labour Organisation
IFRS	International Financial Reporting Standards
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards on Auditing
MEC	Member of the Executive Council
MoU	Memorandum of Understanding
OD	Organisational Development
MSME	Micro, Small and Medium Enterprises
NDP	National Development Plan
PACTOA	Public Assets Community-based Tenants and Owners Association
PDP	Provincial Development Plan
PEDS	Provincial Economic Development Strategy
PFMA	Public Finance Management Act
PESF	Provincial Economic Stimulus Fund
SAEEC	South African Electro-Technical Council
SADC	Southern African Development Community
STTREP	Small Towns, Township, Rural Enterprise Support Programme
UAE	United Arab Emirates
UIF	Unemployment Insurance Fund
US	United States
USAID	United States Agency for International Development
WSP	Workplace Skills Plan
YTD	Year-To-Date

ECDC BOARD MEMBERS

Vuyani Jarana
Chairperson of the Board
Committees:
- Governance & Nominations

Simpiwe Somdyala
Deputy Chairperson
Committees:
- Funding & Investment
- Governance & Nominations

Tracy Cumming CA(SA)
Committees:
- Audit, Risk & Compliance

Nolitha Pietersen CA(SA)
Committees:
- Audit, Risk & Compliance
- Funding & Investment

Pumeza Bono
Committees:
- Human Resources & Social & Ethics

Dr Makaziwe Makamba
Committees:
- Human Resources & Social & Ethics

Thobile Buthelezi
Committees:
- Human Resources & Social & Ethics
- Funding & Investment

Siyabuka Siko CA(SA)
Committees:
- Human Resources & Social & Ethics
- Funding & Investment

Boniswa Koneti
Committees:
- Human Resources & Social & Ethics
- Funding & Investment

A CHAIRMAN'S FOREWORD

The ECDC is on an exciting realignment, refocussing and capacity-building trajectory as a trusted steward of empowering development services, financial products, economic stimulus packages as well as enabling Micro, Small and Medium Enterprises (MSMEs) support programmes.

This work is an off-shoot of ECDCs reimagined future premised on the overall socio-economic development of the Eastern Cape and its people while managing and coordinating the prudent use of shareholder and partner resources. The ECDC is cognisant of the reality that stakeholder collaborations will form a central pillar in the attainment of a reimagined and capable organisation.

The Corporation is actively involved in economic coordination programmes which are aimed at supporting the development and retention of a sustainable MSME sector which creates job and economic opportunities. The ECDC's revised strategy creates space for creative project and investment facilitation, trade promotion, investment in economic infrastructure, access facilitation to finance for small and micro enterprises and co-operatives, promotion of entrepreneurship, and the development of sector development strategies and plans.

The ECDC is actively pursuant of these realities. In mitigating the economic disruptions visited by the COVID-19 pandemic, ECDC has introduced economic stimulus packages and sector-specific interventions which are aimed at accelerated economic recovery by extending impactful MSME support. These came in the form of additional incubation support, export incentives, support for informal business as well as rural, small towns and township support packages.

In 2022/23, the Small Towns, Township and Rural Enterprise Support Programme (STTREP) provided integrated support to formal and informal MSMEs by providing financial and non-financial business development services to MSMEs in these marginalised localities. The once-off Informal Business Support Programme (IBSP) is aimed at extending post-COVID business support to the informal business sector. In 2022/23, the ECDC also established the Export Market Access Fund which will incentivise companies that have secured export orders in new international markets.

The ECDC's lending and business support services and products are continually being simplified and customised for the specific needs of the MSME community. These services are packaged in a manner that takes into account the realities facing the MSME with a view to removing bottlenecks, simplifying access to funding and business support, and structuring finance and business support terms and repayments arrangements in a manner that takes into account business operations and cashflows.

The ECDC is on a firm growth trajectory with interventions underway for building capable and resilient systems, a strong human resource pool, and capital and governance structures that entrench its position as a capable agent of socio-economic change. The organisation is forging ahead with the turnaround of its property business with the gradual implementation of the property development and modernisation strategy. The property portfolio remains one of the most effective vehicles to assure ECDC's long-term viability. The astute utilisation of these property assets will demonstrate ECDC's acumen in managing resource allocation and in attracting new capital sources.

The modernisation strategy has resulted in a property refurbishment programme which is being implemented over a three-year period. A total of 65 properties with holding the potential for high investment returns have been identified for refurbishment. In 2022/23, R81 million was secured from the Provincial budget allocation for the programme against an allocation request of R273 million. The total budget per the property development and modernisation strategy implementation over the three year period to 2024/25 is R546m of which the ECDC is to raise 50% from the disposal of non-core and non-strategic assets. The refurbishments are geared to increase yields on the portfolio from the current average of 7% to between 12% and 15% over the next three years.

R81m
from provincial budget for property refurbishment & development

R546m
property development and modernisation strategy implementation budget over three years

50% of this amount will be raised from the disposal of non-core and non-strategic assets and commercial partnerships

The disposal of non-core assets continues to free capital for further investment into the ECDC's core business. Disposals generated R55,989 million in 2022/23. Land claims affected the pace of disposals in key nodes such as Mthatha forcing ECDC to divert its attention to other areas such as Butterworth. In the next two years, we expect to dispose of the remaining residential properties constituting of stand-alone houses and vacant land lesser than 2000 sqms.

We are also ramping up the ECDC's internal capacity to deliver a superior socio-economic dividend which will translate into an improved customer experience. Our stakeholders should look forward to a capacitated ECDC with the requisite sector-based skills in provincial priority economic sectors such as manufacturing, agro-processing, oceans economy, industrialisation, creative industries, digital economy, renewable energy, and tourism. This internal capacity will allow ECDC to respond efficiently and intelligently to the specific and varied development needs. This should boost economic coordination, growth prospects, job creation and the establishment of innovative and inventive development models.

Moving forward, the ECDC reaffirms its commitment to a customer-centric MSME development paradigm. Our value system will be premised on the development of a world-class and globally-competitive organisation with a performance culture which puts people at the centre of the development project.
I am grateful to the MSME community for their patience as ECDC evolves into an astute and effective agent of socio-economic redress. We are building partnerships which will allow us to leverage the resources of our stakeholder ecosystem in order to broaden the scope and impact of development initiatives.

My gratitude extends to ECDC employees for their enduring patience and fortitude in a deeply challenging and unsettling socio-economic environment. The success of the ECDC project rests on your collective resolve to effect the desired mandate delivery aspirations.

Finally, I extend my appreciation to government for its steadfast support and for resourcing the organisation despite the challenging public sector financial and budgetary constraints.

Vuyani Jarana
Chairperson of the Board
Eastern Cape Development Corporation

ECDC EXECUTIVE TEAM

Ayanda Wakaba
Chief Executive Officer

Nielesh Ravgee
Chief Financial Officer

Nwabisa Matoti
Acting Executive: Corporate Services

Craig Thompson
Executive: Properties & Infrastructure Management Services

Laura Painke
Acting Executive: Economic Development Coordination & Sector Support

Phakamisa George
Acting Chief Investment Officer

Zimkhitha Thomas
Acting Head: Legal, Compliance and Governance

Darwin Zinzile Nkonki
Executive: Rural, Enterprise Finance and Business Support

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CHIEF EXECUTIVE OFFICER'S REPORT

The 2022/23 financial year presented an opportunity to consolidate the building blocks and the preparatory steps required to develop an agile and effective ECDC, which serves as a competent steward for economic redress.

The role of development financiers such as the ECDC remains one of the most potent instruments in addressing prevailing socio-economic inequalities. The current global economic climate necessitates agents of socio-economic change, such as the ECDC, to fashion responsive unorthodox interventions to exert the desired economic impact.

The national economy is under severe pressure as it emerges from a bruising post-COVID-19 period. This is compounded by a depressed economic environment characterised by rising interest rates, inflationary pressures, increased petrol prices and an energy crisis threatening to derail the economic development project. The load-shedding crisis severely curtails economic performance and will lead to widespread business closure and job losses if not urgently resolved.

Responsive stimulus packages

Eastern Cape entrepreneurs are most affected by these macroeconomic issues. They often lack the wherewithal and agility to navigate these challenges. These challenges have necessitated the deployment of creative economic recovery tools designed to inject vigour into the Eastern Cape's Micro, Small and Medium and Enterprises (MSMEs). Through the ECDC, the government has developed packages designed to support industrial development and the stimulation of entrepreneurship in the Eastern Cape province.

During the review period, the ECDC responded by delivering financial stimulus packages to support distressed businesses. Among these, is the Small Towns, Township and Rural Entrepreneurship Support Programme (STTREP). The programme provides integrated support to formal and informal MSMEs operating in rural, township localities and small towns in the Eastern Cape. The programme adopts an integrated support approach, providing financial and non-financial business development support services to MSMEs in these marginalised localities. The programme aims to improve the operations of existing enterprises.

In partnership with the shareholder representative, the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), the ECDC also rolled out the Informal Business Support Programme (IBSP) in 2022/23. This intervention was intended to support informal businesses post COVID-19. The programme recognises that informal businesses lack access to most business support programmes. Through this programme, informal business sector beneficiaries were supported with equipment and material linked to their enterprising activities.

Furthermore, in 2022/23, the ECDC upscaled the Export Market Access Fund. The fund has been established as an incentive for companies that need to prepare themselves for export markets and effectively respond to export trade orders. The fund covers the compliance costs of packaging, labelling and legal services.

Sustainability imperatives for the ECDC lending business

A healthy ECDC is pivotal for well-organised economic development coordination, as well as trade and investment promotion activities.

The current economic climate provides further cause for the ECDC to vigorously pursue the growth of its lending business to inject life into the provincial MSME ecosystem.

In cleaning its loan portfolio, the ECDC wrote off 138 loans valued at R53 million in 2022/23. This was mainly old debt, some of which dated back to 2008. Reasons for the write-offs included:

- Some people were deceased with no life policy to cover outstanding loan amounts
- Some are living on government pension
- Companies had since been liquidated
- Companies are under debt review.

Other write-offs were based on a cost-benefit analysis - in instances where the organisation stood to lose more from the continued pursuit of the matter. In all cases, legal processes were exhausted. This allowed the ECDC to free resources to focus on the active loan book to prevent further unjustified losses.

The ECDC is now concerned with developing a viable MSME lending business paired with effective loan repayments. However, the loan business requires significant capitalisation to deliver effectively on its mandate.

I am pleased that the ECDC is designing its lending business to respond to the needs of the MSME market. It is now in the process of launching new lending products with more on the cards once funding is secured. However, the Corporation is acutely aware that to build public trust, the capitalisation pursuit must be supported by an improved risk management environment, strengthening of internal controls, effective oversight processes, and consistent corporate performance. Once these imperatives are realised, the ECDC will cement its positioning as an instrument for large and small-scale industrialisation, job creation and inclusive economic growth.

Financial constraints during the period under review resulted in the Corporation limiting its loan disbursements to short-term loan products. Loan products that were available to business operators during the 2022/23 financial year largely focussed on contract finance and bridging finance working capital. Excellent average loan collection rates of over 90% were recorded for these products in 2022/23.

Modernising the property business

Furthermore, the ECDC is transforming its property business into a well-managed enterprise that supports robust socio-economic development. It is involved in investing activities aimed at rationalising, refurbishing and modernising the ECDC's property portfolio. The intention of this exercise is for the portfolio to improve its rate of return while attaining developmental objectives relating to MSME support and economic development. It is also intended to attract investors that will impact positively on local economic development and job creation.

The property refurbishment programme will be implemented over three years. More than 65 properties with a potential for high investment returns, strategic geographical locations, high public visibility and a likelihood to be attractive to institutional tenants have been identified for refurbishment. The programme was initiated during the 2022/23 financial year with a budget allocation of R81 million from Treasury.

The total refurbishment programme budget is estimated at R546 million over the next three-year period. Refurbishments will cut across the whole portfolio, including residential, commercial, leisure and industrial buildings.

The impact of the refurbishment programme is expected to increase the yield on the property portfolio to between 12% and 15% over the three years. Potential new tenants, including institutional tenants, will be engaged to secure rental leases for the refurbished properties.

Several auctions were held during the review period to dispose of non-core property assets. The disposal process is mainly targeted at residential properties and residential vacant land lesser than 2,000 square meters. The disposal process raised R55,989 million in 2022/23. A total of R63,174 million from selling 138 properties to date has been realised. The remaining properties, classified as non-core, are earmarked for disposal over the next two years. It is worth noting that land claims in the Mthatha region continue to slow down disposals.

65 properties
with the potential for high investment returns, strategic geographical locations, high public visibility - targeted for refurbishment

Refurbishment budget is **estimated at R546 million.**

R55,989 million
raised from the disposal process in 2022/23

R63,174 million
raised from selling 138 properties to date

Leveraging resources for upscaled inclusive development

Several macroeconomic realities affected organisational performance during the period under review. Budget and resource constraints were a serious impediment, impacting adversely on the scale of the Corporation's development programming. Notwithstanding the budget limitations, the demand for MSME financial and non-financial instruments grew.

Where the ECDC could not extend funding to qualifying entrepreneurs due to funding limitations, the Corporation leveraged the balance sheets of like-minded development financiers by referring these enterprises to them for funding.

In addition, during the period under review, the ECDC placed special emphasis on prioritising finance for MSMEs in rural localities who form the majority of the Eastern Cape populace. Consequently, the ECDC has restructured its programmes to ensure that outlying areas can meaningfully participate in economic activity. Like other development financiers, the impact of the ECDC is measured by the extent to which it drives inclusive development. Support to businesses owned by previously disadvantaged individuals continued to receive the requisite focus and attention. The ECDC continued to offer government-led support packages through the Jobs Stimulus Programme, Imvaba Co-operative Fund, and non-financial support MSME initiatives to bolster the competitiveness of MSMEs in the province.

Trade and investment promotion

During this review period, the ECDC ramped up its trade and investment promotion efforts to attract domestic and foreign direct investment into the Eastern Cape. The ECDC increased the number and scope of marketing and promotional campaigns to position the province as an attractive investment destination. These marketing campaigns have resulted in the Eastern Cape being put on the global map of attractive investment destinations by potential investors. The response is reflected in the quality of ECDC's investment pipeline developed over the recent financial years. The appetite of the investment community has improved, as reflected by the investment conference held in November 2022 where investments worth R46 billion were announced.

The Eastern Cape government has also tasked the ECDC to anchor the Provincial Investment Council (PIC). The council is intended to provide the Office of the Premier a platform to address red tape experienced by investors in the province. The provincial cabinet approved the ECDC-developed framework for the establishment of the PIC during the 2022/23 financial year. The ECDC provides secretariat support to the council.

Strategic alliances

The ECDC continues to unearth new partnership opportunities and strategic alliances to broaden the extent of its development impact. Partnerships are nurtured, acknowledging that more can be achieved when public and private partners marshal their collective resources for improved mandate delivery. The ECDC has in place a plethora of public and private sector partners who extend their collective support to the ECDC's programmes. I express my heartfelt gratitude to them. Their footprint is evident throughout the ECDC's services, from the rural enterprise finance, business support, trade and investment activities to the Corporation's efforts of building a responsive and effective modernised property portfolio.

Future outlook

The ECDC will pursue the spirited implementation of its Reimagined Strategy. Through the strategy, the ECDC intends to address the demands of the Eastern Cape's people while it builds institutional capacity through capable and resilient systems and credible governance structures. It does all this to respond to the priorities identified by the provincial government.

This strategy sets out the ECDC's line of march and will direct the Corporation as it seeks to reshape the socio-economic architecture of the province. The ECDC partners will prove a central pivot in helping expedite the desired mandate delivery outcomes.

Appreciation

I extend my sincere appreciation to the Board for its empowering leadership acumen and robust engagements as we seek to build an ECDC of the future. I am indebted to the ECDC's leadership team for its enduring support in an often-challenging environment. I am thankful for the constructive engagements with DEDEAT's Head of Department and for the department's ongoing support. I am also grateful to the Honourable MEC Mlungisi Mvoko for his continued support and wise counsel. Finally, I am in deep gratitude to the ECDC team for their resilience and fortitude in challenging operating conditions.

Ayanda Wakaba
Chief Executive Officer
Eastern Cape Development Corporation

CHIEF FINANCIAL OFFICER'S REPORT

General financial review of the public entity

The ECDC's financial performance in the 2022/23 financial year was influenced by a number of factors related to the implementation of the Board-initiated reimagined strategic focus. The renewal strategy formed the basis for an improved trajectory in the financial performance of the ECDC. Some of these initiatives include:

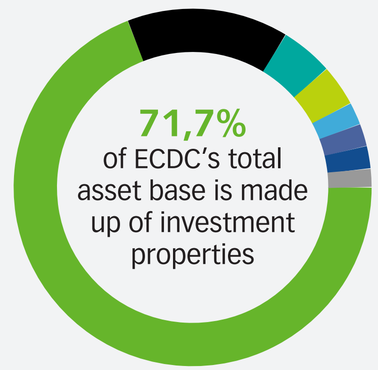
- Review of the organogram which afforded all business units an opportunity to identify the ideal structure needed to implement the strategy. A number of critical posts have been identified and many of these were filled during the year under review.
- Review of the strategy relating to each of the business units as well as the targets specifically aimed at improving revenue generation, debt collection, occupancy rates, collection rates and the clearing of invaded properties.
- Review and improvement of the policies and procedures which enable operations to be more efficient and effective thus creating an enabling environment for the ECDC.
- A more focussed engagement with DEDEAT and Provincial Treasury to highlight the need for additional recapitalisation and operational funding to ensure that the approved strategy can be implemented.

The budget allocation approved by DEDEAT is a clear indication of the buy-in by the shareholder into the renewal strategy and the understanding of the immediate needs of the ECDC which are required to turn the organisation around. This is reflected in the Corporation's financial status as at 31 March 2023. It provides a positive outlook for the future.

The surplus for the year under review (excluding the fair value adjustments to investment properties) is R11,093 million versus a loss of R18,133 million for the previous financial year. This emanates from a combination of improved operating revenue as well as reduced operating expenditure. The improvement in operating revenue was from increased rental revenue, interest income, investment income and management fees.

INCOME	2022/23	2021/22
Government Grants - Unconditional	93	131
Government Grants - Conditional	175	138
Rental Income	95	92
Interest Income	28	26
Investment Income	18	11
Management Fee	21	9
Other Income	15	10
Total Income	**445**	**417**

The statement of financial position reflects a very sound asset base with the investment properties making up 71,78 % of the total assets. The challenge is the return on investment on properties based on current operational challenges within the properties unit.



Investment Property
R1 244 390

Cash & Cash Equivalents
R272 095

Property, Plant & Equipment
R55 276

Investments
R42 946

Loans to Subsidiaries & Associates
R36 713

Loans & Advances
R30 363

Investment in Subsidiaries
R28 849

Trade & Other Receivables
R23 012

SPENDING TRENDS **OF THE PUBLIC ENTITY**

Revenue Streams

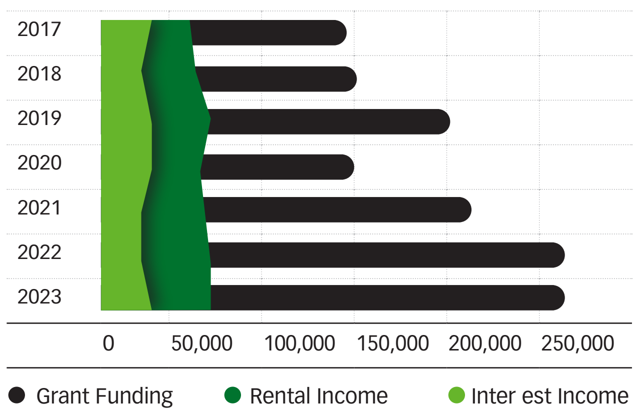
Grant funding fluctuates from year to year as the allocation is based on the annual requests and targets linked to provincial initiatives and targets. The allocation by Provincial Treasury is interrogated at the MTECH hearings conducted in October each year.

The rental income was fairly consistent with marginal improvements over the last five years. It is envisaged that the implementation of the revenue generation strategy initiatives will assist in improving this trend over the MTEF period.

Revenue Streams

Region	2017	2018	2019	2020	2021	2022	2023
Grant Funding	141 864	150 148	203 117	147 160	193 115	268 732	267 353
Rental Income	74 249	78 420	96 695	83 016	93 774	99 301	101 573
Interest Income	31 197	23 107	27 344	29 601	17 634	17 364	31 530

Trend on Major Income Sources



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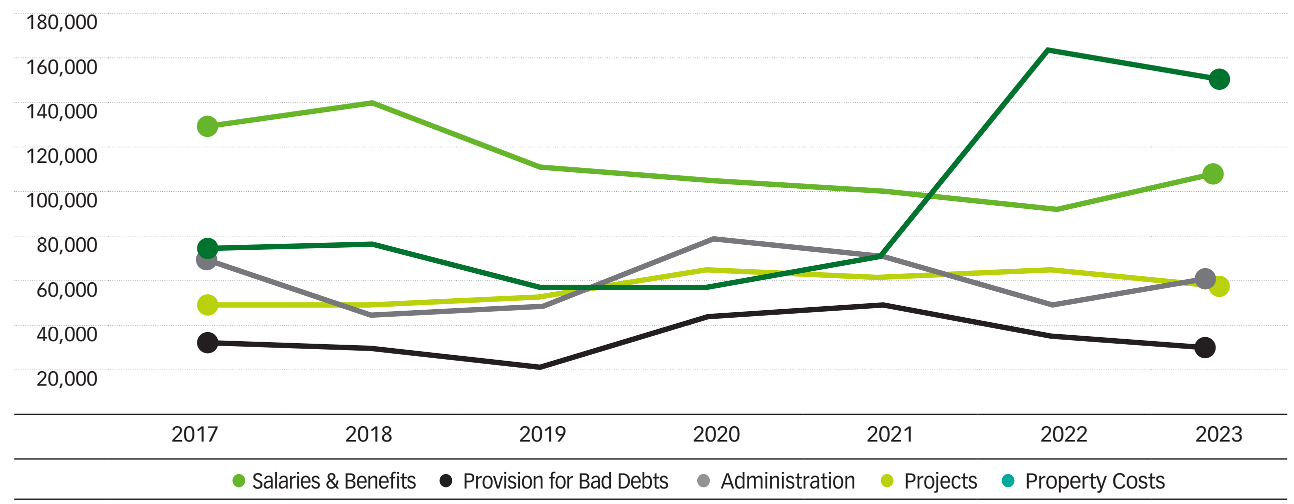
Expenditure Streams

Details	2017	2018	2019	2020	2021	2022	2023
Salaries & Benefits	131 220	142 476	114 341	105 530	101 426	95 675	110 289
Provision for Bad Debts	30 441	27 924	19 799	44 334	48 672	32 671	27 760
Administration	70 028	45 058	49 735	82 031	73 822	50 633	58 043
Projects	73 271	73 380	59 809	55 736	70 682	168 705	153 703
Property Costs	47 920	48 456	51 998	64 407	61 766	62 032	56 671

Trend on Major Expense Items



The significant fluctuation on expenditure trends relates to project costs. There is a direct correlation between project costs and government grants as most of these projects relate to ring-fenced grants received for such projects. The other expenditure streams are fairly consistent with marginal fluctuations. A positive trend is the reduction in provision for bad debts. It is a reflection of improvement in the management of debt. However, the Corporation is aware that there is more room for improvement.

Capacity constraints and challenges facing the public entity
Capacity constraints have been a major stumbling block for the ECDC. This was directly linked to low revenue generation, low collection rates and the lack of recapitalisation funding for over 10 years. This situation has partially been addressed in the 2022/23 financial year. It is part of the renewed strategic plan developed by the ECDC. The organogram was reviewed, and it now takes into account the critical positions that are required in order to ensure that there are effective operations activities. It also ensures that agreed targets can be effectively pursued. Funding remains a challenge, and the ECDC will continue to engage its shareholder and key stakeholders in order to secure additional funding.

Discontinued key activities / activities to be discontinued
There are no discontinued activities and there are no intentions to discontinue any of the ECDC's activities in the immediate future.

New or proposed key activities
There are no new proposed key activities. The structure of the organogram has been amended to separate Economic Development and Sector Support activities from the Investment Management, Trade and Investment Promotions Unit.

Requests for roll over of funds
There has been a request for the roll-over of funds for the 2022/23 financial year. The requested amount was R50,259 million. The amount relates mainly to infrastructure developments which are generally multi-year projects. The process of reviewing and approving these roll overs are considered by Provincial Treasury during the budget adjustments estimate process which takes place in October each year.

The project funds highlighted below are the unaudited project values as at 31 March 2023 because the legislated deadline date for submission of roll over requests is 30 April 2023.

Supply Chain Management (SCM)

A formal approved SCM policy for goods and services as well as a separate SCM policy for infrastructure is in place. The policy was reviewed and amended during the year under review in order to accommodate the amendments related to the 2022 Preferential Procurement Regulations which were issued by National Treasury. These regulations were gazetted on 4 November 2022 and became effective from 16 January 2023. All related processes and procedures were also amended to accommodate these changes.

All concluded unsolicited bid proposals for the year under review

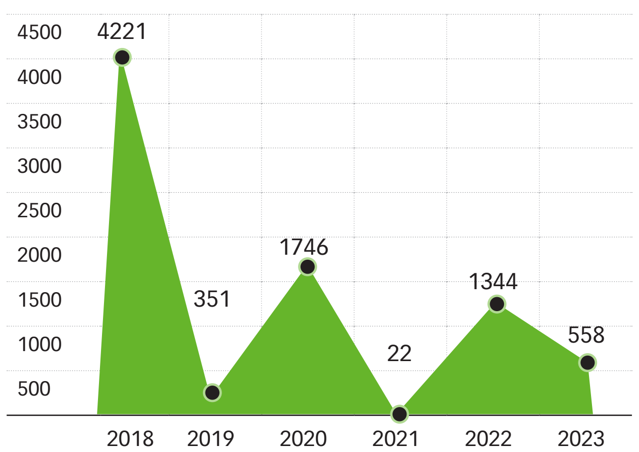
There were no unsolicited bids received during the year under review. If such unsolicited bids are received, the SCM policy adequately outlines the process to be followed in dealing with such bids.

SCM processes and systems

The ECDC is satisfied that adequate processes and systems are in place to ensure that procurement is done in a fair, transparent and equitable manner as required by the Constitution and all relevant SCM legislative documents. The huge reduction in the value of irregular expenditure incurred over the last five years is an indication of the extent to which systems and controls have improved in relation to procurement policies as reflected in the graph below.

Details	2018	2019	2020	2021	2022	2023
Irregular Expenditure	4 221	351	1 746	22	1 344	558

Irregular Expenditure Trend



- Challenges experienced

General capacity challenges were a significant stumbling block to effective and efficient procurement procedures. A number of key positions which were identified have been filled, and where large volumes of procurement are expected during a period, temporary resources were deployed to manage the workload. This approach appears to be working and will continue to be adopted in future.

Plans for the future to address financial challenges

A number of interventions have been initiated to address financial challenges and are summarised below:

Management has developed a Revenue Generation Strategy which is aimed at identifying specific goals and targets which will assist the organisation to improve revenue generation. The focus has been on improving the revenue streams which are currently being undertaken.

The two focal areas are on two prime areas:

- Core commercial operations

The two main sources of revenue are rental income from the property portfolio as well as interest and administration fees from issued loans.

- Rental Income constitutes approximately 77 % of own revenue generated.
- Loan interest and administration fees constitute approximately 6% of own revenue generated.
- Secondary revenue generation streams
- Interest on outstanding rental debtors
- Management fee – made up of a project management fee, implementation management fee and programme management fee. These are explained in more detail below.
- Interest on invested funds
- Dividend income from equity investments in business enterprises

Cost containment measures

The National Treasury circular, Instruction 07 Of 2021-22 Cost Containment for Travel has been adopted and implemented.

The use of virtual meetings has been continued. This has resulted in a significant amount of savings in travel, accommodation and refreshment costs.

Revenue collection and Debt Collection

- A permanent resource has been appointed within the finance unit to focus on revenue generation and debt collection initiatives.
- A framework for revenue generation and debt collection has been reviewed, developed and approved by management.
- The roles and responsibilities related to the management of debt collectors and attorneys appointed to assist with such matters have been clearly mapped out. The intention is to monitor this closely.
- Regular reports will be measured, and there will be an increase in the number of meetings where outstanding debts will be discussed.

Events after the reporting date

There are no significant or material events which occurred subsequent to year end besides the normal operational activities which are aligned to the approved strategic plan of the ECDC.

Going Concern

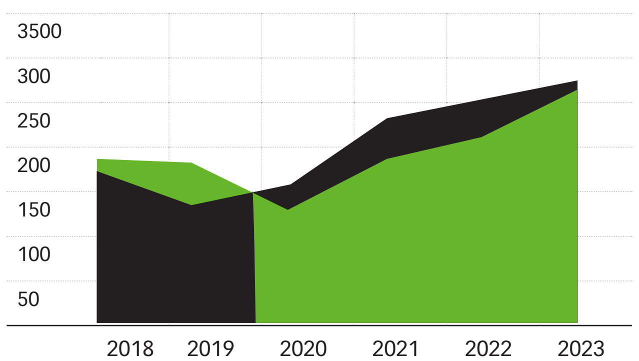
The auditors have expressed reservations about the ECDC's ability to continue as a going concern in the foreseeable future. Management has conducted a comprehensive assessment and is comfortable that the ECDC will be able to continue as a going concern despite the negative indicators which have been noted. The factors in favour of the ECDC are:

- It continues to carry out various mandates on behalf of government
- Government sees the ECDC as a critical vehicle to assist in addressing initiatives to improve the economy of the Eastern Cape as well as to provide support to SMME's within identified sectors.
- The appointment of the ECDC as the implementing agent for the Provincial Economic Development Fund is a clear indication of the role which the ECDC will play in the future.
- Despite liquidity challenges, the ECDC has managed its finances exceptionally well and has ensured that operations are contained within its available funding constraints.
- The ECDC continues to play a vital role in issuing loans and providing business support to SMME's who would not be able to secure such loans from traditional financial institutions.

The current ratio of the ECDC continues to reflect inadequate cash resources. This trend shows an improvement for the 2022/23 financial year. Repayment of the Provincial Treasury liability will assist in reversing the trend to show a favourable current ratio.

Details	2018	2019	2020	2021	2022	2023
Current Assets ●	220	214	151	224	246	315
Current Liabilities ●	206	158	183	275	303	326

Irregular Expenditure Trend



Subsidiaries and associates

The subsidiaries which are included in the Group disclosures are Transdev Properties (SOC) Ltd, Centre for Investment and Marketing in the Eastern Cape (NPC), Cimvest (Pty) Ltd and Automotive Industry Development Centre (Eastern Cape) in which ECDC holds a 100% shareholding. The ECDC also holds shares in Transkei Share Investments Company (SOC) Ltd with a 98% shareholding.

The financial statements of all subsidiaries have been prepared on the going concern basis and are disclosed in the related parties disclosure note in the annual financial statements.

Audit Outcomes

The achievement of an unqualified audit report from the Office of the Auditor General for eight consecutive years bears testimony to the consistent implementation of good governance principles, effective policies and procedures related to good administration. There are areas for improvement, especially in the area of revenue collection and debt management, clarity on the performance indicators being measured with clear indicator descriptions, cash flow management and phased approach to repayment of the liability owing to Provincial Treasury.

A comprehensive audit action plan is also developed for all other findings raised by the external auditors. These action plans are reviewed and tracked by the internal audit unit and quarterly reports are generated for the audit committee to indicate progress made on implementation.

The target for the 2023/24 financial year is to obtain a clean audit opinion from the Auditor-General.

Acknowledgement and Appreciation

The finance unit would like to acknowledge the guidance and direction provided by the Board through the Audit and Risk Committee and the Funding and Investment Committee on all financial matters. Appreciation is also expressed to the executive management team for the support and input provided throughout the year. Acknowledgement and appreciation is also expressed to the finance team which worked tirelessly to ensure that all deadlines are met, audit queries are addressed, required documents submitted on time and that all queries are adequately addressed. This entailed many days of working long hours and this is appreciated.

Ravgee

Nielesh Ravgee
Chief Financial Officer
Eastern Cape Development Corporation

STATEMENT OF RESPONSIBILITY

AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of my knowledge and belief, I confirm the following:
All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions. The Annual Financial Statements (Part E) have been prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), standards applicable to the Public Entity.

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

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

The external auditors are engaged to express an independent opinion on the annual financial statements. In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2023.

Yours faithfully

Chief executive officer
Ayanda Wakaba

Chairperson of the Board
Vuyani Jarana

A
ABOUT THE ECDC

OUR VALUES

INTEGRITY
We are known for our spirit of honour, reliability, and ethical and moral standards in all our dealings with people.

PROFESSIONALISM
We are defined by our positive, presentable demeanour and quest for continuous improvement.

ACCOUNTABILITY
We are answerable for our actions.

CUSTOMER CENTRISM
We place maximum value on the centrality of the customer in delivering our mandate.

TEAMWORK
None of us is as productive as all of us when we complement each other to achieve a common goal.

In 2021, the ECDC began reviewing its business model to ensure long-term sustainability. The review resulted in a revised strategy approved by the Board on 3 December 2021. In support of the strategy, the ECDC has outlined its revised strategic goals as set out in the approved Corporate Plan for 2022/23:

The ECDC vision, mission and strategic objectives

VISION A leader in facilitating inclusive sustainable economic growth.

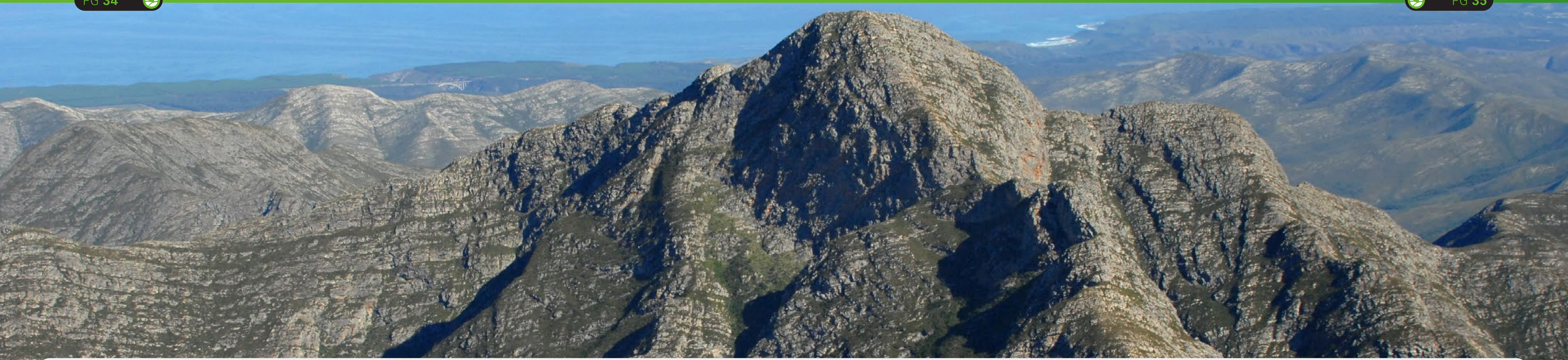
MISSION To promote and coordinate inclusive economic development through innovative finance and investment solutions.

OUTCOMES/ STRATEGIC OBJECTIVES

1. Competitive and sustainable micro, small and medium enterprises (MSME) sector that contributes to the socio-economic development of the Eastern Cape
2. A growing diversified and inclusive economy
3. A sustainable ECDC that offers competitive products and services.

A commitment to long-term financial sustainability underpins these objectives by making development the core of the business, securing optimal revenue streams, and ensuring sustainability during the implementation period. The Corporation will also ensure there are sound strategic partnerships and stakeholder engagements.

In addition to subscribing to the eight Batho Pele Principles, the ECDC has developed six value and related statements that promote an organisational culture and the requisite behaviour in all the people that represent the Corporation. These values are captured in the phrase “iPACTi”:



The ECDC draws its mandate from the Eastern Cape Development Corporation Act, 1997 (Act 2 of 1997) and is guided by the economic development priorities of the Eastern Cape provincial government.

These priorities are detailed in the Provincial Development Plan (PDP), Eastern Cape Provincial Industrial Development Strategy (PIDS) and the Provincial Economic Development Strategy (PEDS), and the policy statements and budget speech of the Member of the Executive Council (MEC) of Economic Development, Environmental Affairs and Tourism (DEDEAT).

The ECDC Act preamble states that the Corporation will: "plan, finance, coordinate, market, promote and implement development of the province and its people in the fields of industry, commerce, agriculture, transport and finance".
To ensure effective delivery of the mandate, the core service delivery pillars are:
a. Rural Enterprise Finance and Business Support
b. Investment Management, Trade and Investment Promotion
c. Properties and Infrastructure Management Services
d. Economic Development Coordination and Sector Support.

These are supported by:
a. The Office of the CEO (Strategy and Regional Operations, Internal Audit, Legal, Compliance and Governance, and Stakeholder Management)
b. Finance and Supply Chain
c. Corporate Services (Human Resources, Information Technology, Records and Document Management, Communications, Office and Corporate Image Management)

ECDC's head office is in East London. It implements its work through regional offices in:
a. East London (satellite offices in Gcuwa (Butterworth))
b. Mthatha (satellite office in eMaxesibeni (Mount Ayliff))
c. Komani (satellite office in Maletswai (Aliwal North))
d. Gqeberha (satellite office in Graaff-Reinet).

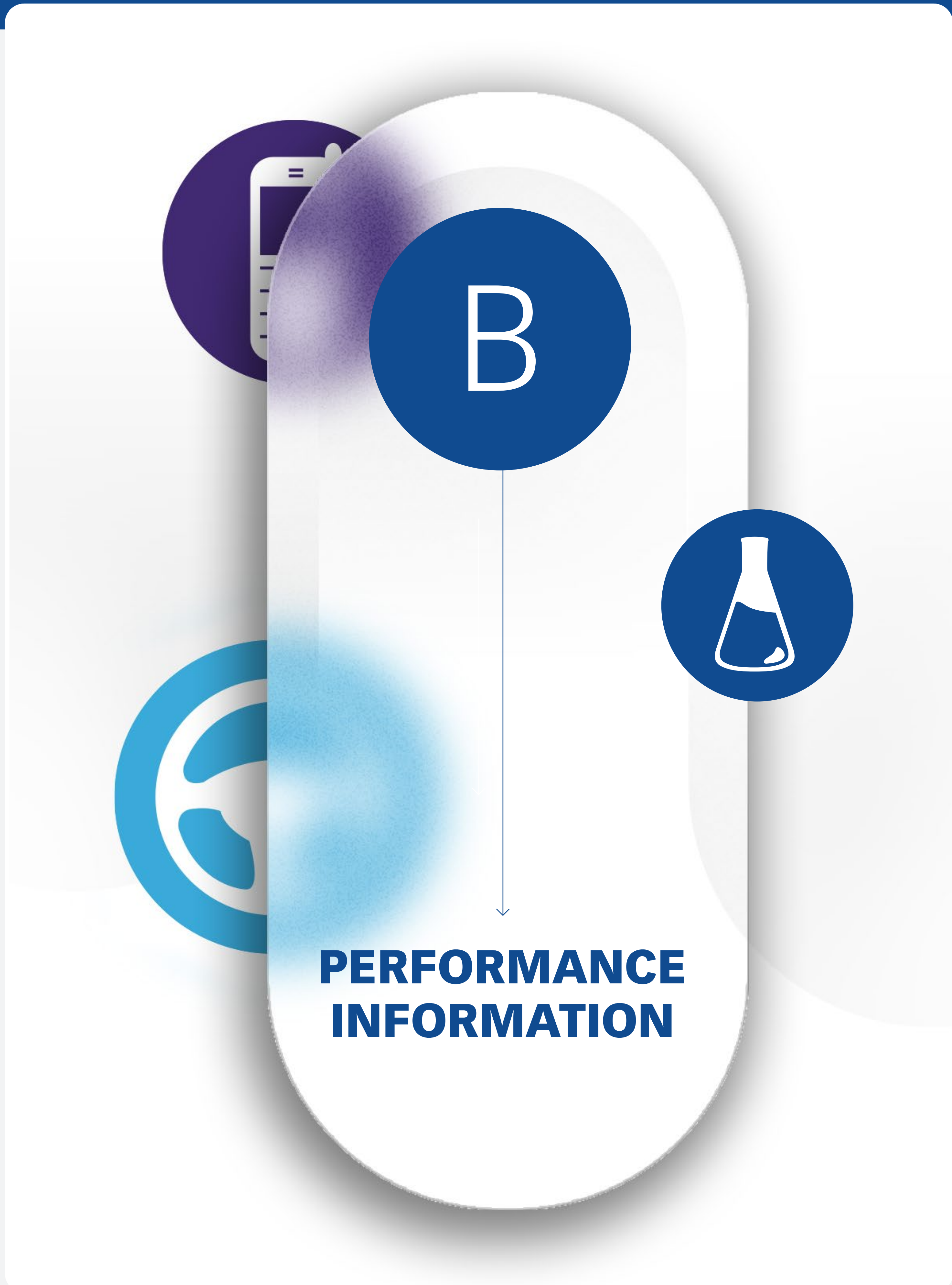
The ECDCs group governance structure includes several subsidiaries.

Organisational group structure

EASTERN CAPE DEVELOPMENT CORPORATION

- 100% Transdev Properties
- 100% AIDC (EC)
- 100% CIMEC
- 100% CIMVEST
- 100% Transkei Share investment Company
- 40%
- 9.95% Mthatha Hotel

- Transdev Properties owns the Garden Court building in Mthatha.
- The operations of the Garden Court are managed by Mthatha Hotel (Pty) Ltd.
- CIMVEST owns the ECDC head office building.



PREDETERMINED OBJECTIVES

The AGSA performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with any material findings being reported under the Predetermined Objectives heading in the report.

Refer to Page 3 of the Report of the Auditors Report, published as Part F: Financial Information.

OVERVIEW OF ORGANISATIONAL PERFORMANCE

The ECDC developed its Corporate Plan and Strategy to fulfil the provisions of Section 52 of the Public Finance Management Act (PFMA), 1999 (Act 1 of 1999) as amended, read with National Treasury Regulation 29.1.3.

The ECDC developed key performance indicators (KPIs) which monitor and evaluate the success of the Corporate Plan's implementation. The performance scorecard details all the KPIs the ECDC has in its Corporate Plan. The Corporation achieved 86% of its targets for 2022/23 FY with 79% being fully achieved and 7% being partially achieved. Four targets were underachieved in the current FY. Below is the corporate performance scorecard outlining predetermined performance objectives, key performance indicators, annual targets, as well as performance against set targets.

Performance against predetermined objectives

Goal 1: Competitive and sustainable MSME sector that contributes to the socio-economic development of the Eastern Cape

KPI ID	Key performance indicator	Owner	Annual target	YTD performance	Variance YTD	Comment
1.1	Number of SMMEs receiving finance (loans & financial incentives)	REF&BS	160	104	-35%	Annual target underachieved. ECDC to increase efforts to create awareness about new product offering to increase uptake in the 2023/24 FY through stakeholder engagements, roadshows, media platforms and information sharing sessions across various regions.
1.2	Value of funds leveraged directly for SMME projects	REF&BS	30 000 000	R52 951 500	77%	Annual target for this KPI achieved and exceeded by the third quarter.
1.3	Number of SMMEs receiving business development services	REF&BS	200	242	21%	Annual target for this KPI achieved in Q4.
1.4	Number of SMME's supported with training and development	REF&BS	300	568	89%	Programme is demand-driven overachieved due to an increase in number of MSMEs throughout the year. Annual target for this KPI exceeded by the third quarter.
1.5	Number co-operatives receiving financial support	REF&BS	30	32	7%	Annual target for this KPI achieved and exceeded by the third quarter.
1.6	Rand value of investments facilitated	IMTIP	R250 000 000	R5 228 719 752	1991%	The overachieve-ment was due to two major invest-ments, that is, the Shoprite warehouse in Gqeberha, and Colskop Wind farm in Cradock. Investments came through the Provincial Investment Conference 2022. Annual target for this KPI achieved and exceeded by the third quarter

KPI ID	Key performance indicator	Owner	Annual target	YTD performance	Variance YTD	Comment
1.7	Rand value of exports facilitated	IMTIP	R100 000 000	R 121 875 976	22%	Annual target for this KPI achieved and exceeded by the third quarter.
1.8	Number of SMMEs / local entrepreneurs provided with integrated export support	IMTIP	150	147	-2%	Annual target for this KPI marginally missed (variance less than 5%) – due to EC companies that expressed interest to attend international expos not obtaining funding approval by the DTIC; however the companies' samples were included in the expos.
1.9	Number of catalytic economic development projects identified and supported which are aligned to provincial priorities	EDC&SS	7	7	0%	Annual target achieved by Q4.
1.10	Number of major projects (R50m>) assessed for pre-feasibility	EDC&SS	3	3	0%	Annual target achieved by Q4.
1.11	Funding leveraged for implementation of economic projects	EDC&SS	30 000 000	R 7 690 368	-74%	Annual target under-achieved; unit was only established in 2022/23 FY with only one position filled in August 2022; two more filled in Dec 2022 and another in Mar 2023. Furthermore, it takes time to build trust and confidence in negotiating funding from third-party insti-tutions. The unit received no funding for economic development projects for the 2022/23 financial year which also presented a challenge in leveraging fund-ing from other institutions. Efforts continue to seek partner-ships and lever-age funding for economic development projects for the new financial year.

Goal 2: A growing, diversified, and inclusive economy

KPI ID	Key performance indicator	Owner	Annual target	YTD performance	Variance YTD	Comment
2.1	Number of jobs facilitated trade and investment support	IMTIP	400	1615	304%	Annual target exceeded due to the contribution to job creation by investments by Recife Lighthouse, Shoprite Warehouse, and film jobs from Gqeberha: The Empire.
	Number of jobs facilitated (Rural and Enterprise Finance)	RF&BS	150	526	251%	Annual target exceeded due to an increase in jobs created by the Jobs Fund and the Imvaba Co-operative Fund, driven by labour-intensive enterprises funded during 2022/23.
2.2	Number of jobs saved and/or created via Job Protection and Stimulus Fund	REF&BS	900	1116	24%	Annual target for this KPI exceeded by Q4.
2.3	Number of sectoral catalytical investment projects supported	IMTIP	10	10	0%	Annual target achieved by Q4.
2.4	Number of people trained in priority sectors	IMTIP	150	283	89%	Target overachieved due to partnerships with thedtic, Trade Forwarders, PTSA, for example, for training. Annual target for this KPI exceeded by the 3rd quarter.
2.5	Number of investors assisted (leads, landed or retained)	IMTIP	50	48	-4%	Annual target for this KPI marginally missed (variance less than 5%). Unit staff now trained and able to utilise the Waveteq system to log investment leads & after-care services.

Goal 3: A viable ECDC that offers competitive products and services

KPI ID	Key performance indicator	Owner	Annual target	YTD performance	Variance YTD	Comment
3.1	Rental collections as a % of billings	PSP	67%	66%	-1%	Annual target for this KPI marginally missed (variance less than 5%). Rental collections were slightly below target due to a persistent culture of non-payment by most ECDC tenants despite ongoing debt settlement incentives and debt collection processes by the ECDC. Revised property and debt management procedures have, however, brought certainty to managing rental collections and the management of arrears with clear, time bound lines of responsibility. Performance management of debt collectors and attorneys has been put in place to ensure that external service providers' performance improves in the new financial year.
3.2	Capital raise from property disposals	PSP	R70 000 000	R55 989 119	-20%	Annual target partially achieved as capital raise from disposals has been partially successful, with 80% of the target achieved despite land claims in Mthatha that prevented public auctions; social unrest in Gcuwa (Butterworth) resulted in the slowdown in disposals in these areas. A draft MoU has been concluded between the ECDC and the Zimbane Land Claim representatives to allow for normal property operations including leasing, refurbishment, maintenance, sub-divisions, consolidations and disposals without further legal challenges.

KPI ID	Key performance indicator	Owner	Annual target	YTD performance	Variance YTD	Comment
3.3	Leverage from private sector	PSP	R30 000 000	R0	-100%	Annual target not achieved. Leveraging of private sector funding has not yielded positive responses during the three rounds of EOIs since 2021. The third round of EOI saw 19 proposals; only one yielded a suitable investor to proceed to the final stage of preparing a detailed business plan for submission to the ECDC. The ECDC has also begun engagements with development banks to consider alternative methods of raising investment capital for strategic property developments. Furthermore, management is realigning the strategic property portfolio to submit through to the bank for development funding considera-tion.
3.4	Yield on properties	PSP	10%	10%	0%	Annual target achieved.
3.5	Total gross operating property expenditure/ rental billings	PSP	1.0	1.09	9%	Annual target partially achieved. The operating expenditure/rental billings ratio was negatively impacted by higher-than-expected administration, rates, and taxes expenses for the year.
3.6	Value of spend on ECDC property refurbishment, development and upgrade	PSP	R50 000 000	R11 134 309	-78%	Annual target not achieved. The maintenance expenditure and project implementation targets have been negatively impacted by slower-than-expected procurement processes for the remainder of the year. Unit capacitation, generic procure-ment templates, extended use of appointed consultants to accelerate construction procure-ment, procurement committee training and refinements to processes have been incor-po-rated into the 2023/24 procurement plan; indications are that there are commitments of R472,4 million in the new financial year.
3.7	Project and programme management fees (millions)	PSP	R17 600 000	R16 752 820	-5%	Annual target partially achieved as project implementation targets were initially negatively impacted delays in launching the internal refurbishment programme due to the National Treasury mora-to-rium on preferential procure-ment and under-capacitation in the Unit at the beginning of the financial year. However, there has since been a release of resources to focus on PIA projects which is expected to assist with fee recovery in the new FY.
3.8	Cost-to-income ratio (excluding impairment)	Finance	1:1	1.1.03	0%	Target achieved

KPI ID	Key performance indicator	Owner	Annual target	YTD performance	Variance YTD	Comment
3.9	AG output outcomes	Finance	Unqualified audit	Unqualified audit	0%	Target achieved
3.10	% network uptime	Corporate services	95%	79%	-17%	Annual target partially achieved due to load-shedding, vandalism and theft of batteries in MTN towers in Mthatha, Gcuwa (Butterworth) and Komani (Queenstown). Service Provider (MTN) is in the process of upgrading their infrastructure in these areas. Furthermore, additional backup mechanisms are being explored by the ECDC in those area.
3.11	% compliance to performance management	Corporate services	90%	90%	0%	Target achieved
3.12	Average number of days to pay suppliers	Finance	30 days	15	50%	Annual target exceeded.

OPERATIONS **OVERVIEW**

The ECDC consists of four core business units: Rural Enterprise Finance and Business Support; Investment Management, Trade and Investment Promotion; Properties and Infrastructure Delivery and Economic Development Coordination and Sector Support.

The Rural Enterprise Finance and Business Support unit generates revenues contributing to the Corporation's sustainability and the enterprises it supports. The primary drivers for the unit are capital which it on-lends, and grants that it uses to assist micro, small, medium enterprises (MSMEs) with financial incentives and non-financial support.

The Investment Management, Trade and Investment Promotion unit promotes the Eastern Cape as a destination for investment, trade and tourism. It performs these functions through partnerships with various stakeholders, including embassies, investment promotion agencies, DEDEAT and its entities, the Department of Trade, Industry and Competition (DTIC), municipalities, other state-owned entities and other relevant stakeholders. The unit fulfils the objectives of marketing the Eastern Cape as an investment destination to facilitate foreign and local direct investment. It also provides aftercare services to existing investors, promotes trade, and facilitates increased exports from the Eastern Cape.

The ECDC's property portfolio aims to provide returns to the Corporation through prudent management of its residential, commercial and industrial properties. The ECDC's investments in industrial real estate comprises Vulindlela Industrial Park in the King Sabata Dalindyebo Local Municipality, Ibika Industrial Park in the Mnquma Local Municipality, and the Dimbaza and Fort Jackson Industrial Parks at the Buffalo City Metropolitan Municipality.

The infrastructure delivery sub-unit assists in establishing social infrastructure and business vehicles that can help drive social development and financial and strategic involvement in mega projects. It contributes to creating, saving and retaining jobs, particularly in distressed local businesses and established businesses relocating to the Eastern Cape. It includes infrastructure for commercial properties, education (schools), health (clinics, hospitals, and requisite accommodation), social and economic development (ECDC-related industrial and commercial centres) and municipal services (water and sanitation).

The Economic Development and Coordination and Sector Support unit aims to position the ECDC as the lead economic development agency by planning, executing, financing and implementing economic development projects in the province.

RURAL ENTERPRISE **FINANCE AND BUSINESS SUPPORT**

Unit Mandate

The unit supports commercially-viable micro, small and medium enterprises (MSMEs) in the Eastern Cape with enterprise finance, including financial and non–financial business support services. These services intend to stimulate the local economy and alleviate poverty by retaining and creating sustainable jobs.

Operational Overview

South Africa faces a deepening crisis of poverty, unemployment and inequality. This status quo has developed fissures in the fibre of South African society, threatening the foundations of the democratic project. All indicators and expert opinion point to the frightening reality that the socioeconomic challenges could spiral out of control if left unattended. These are signs of growing market failure, which required urgent government intervention to bring the poor and unemployed into the mainstream economy. Consequently, the government is actively pursuing inventive solutions and vehicles aimed at transforming the socioeconomic order into a just and more equitable society responsive to the pressing needs of the disenfranchised. The government is acutely aware that human jobs are at stake given emerging digital technologies and the unparalleled pace of technological innovation. It is taking a toll on limited government resources.

Fortunately, the government realises that developing a vibrant and energised small business sector is central to the long-term prospects of growing national and regional economies. Small businesses lie at the epicentre of revitalised economic activity and improved job creation. The small business sector is by far the largest employer in the world, and its continued support will place the country and the Eastern Cape on a sustained growth trajectory.

OPERATIONAL PERFORMANCE

Financial Support

The government's special purpose vehicles, such as the ECDC, are a response to market failures. Through the ECDC, the Eastern Cape government extends incentives and conditional grants through the Imvaba Co-operative and Jobs Stimulus Funds to save distressed businesses which face the possibility of job losses. In addition, the ECDC provides several empowering financial and non-financial business development services to stimulate the small business sector and its global competitiveness. The ECDC uses several innovative and customised business support instruments to address the prevailing challenges confronting MSMEs.

The ECDC is aware that access to funding is critical to effective small business development. The private sector is driven by the profit motive, generating profit for shareholders, leading to unaffordable pricing structures for MSMEs. Furthermore, the private sector is collateral-driven, which most MSMEs do not possess. Development finance institutions (DFIs) such as the ECDC fill this gap by relying less on collateral.

It means DFIs, by their nature, assume a higher risk appetite than the risk-averse lending practices of the private sector. In essence, the government requires agents of socio-economic redress, such as the ECDC, to assume a delicate balancing act between corporate sustainability and development imperatives. This is reflected in the impairment model, which is conscious of MSMEs' inability to repay loans. The consequence is that impairments are higher for DFIs than commercial banks. In essence, the ECDC's lending practices intentionally target businesses with a higher impact on unemployment.

In addition, during the period under review, the ECDC placed particular emphasis on prioritising finance for MSMEs in rural localities which form the majority of the Eastern Cape populace. Consequently, the ECDC has restructured its programmes to ensure that outlying areas actively participate in economic activity. In addressing inequality, the impact of the ECDC, like other DFIs, is measured to the extent to which its programmes support women and youth.

Due to persistent fiscal and budgetary constraints, loan disbursements were limited to short-term enterprise finance such as Workflow construction loans and Nexus trade finance.

In light of these funding challenges, the ECDC entered into an arrangement with DFIs, such as the Small Enterprise Finance Agency (Sefa), by leveraging their balance sheet. This was done by offloading all qualifying applications the ECDC could not fund through Sefa's book.

The WorkFlow and Nexus loans are order and invoice-based and are used predominantly by MSMEs with government contracts. Due to their short-term nature, the ECDC has experienced excellent collection rates on new loans for these packages. The loan collection rate for these products was an average of 95% in 2022/23.

The ECDC wrote off 138 loans (R53 million) in 2022/23 to clean its loan portfolio. The loans were mainly old debts, some dating back to 2008. Reasons for the write-offs included:

- Deceased people with no life policy to cover outstanding loan amounts
- People who are living on a government pension
- Companies that have been liquidated
- Companies that are under debt review
- Others were a cost-benefit analysis.

During the 2022/23 financial year, the ECDC disbursed R48 million to 49 MSMEs through 80 loan disbursements, which is higher than the R32 million disbursed in 2021/22.

A total of 104 MSMEs, therefore, received loans and financial incentives support during the 2022/23 financial year. This is lower than the target of 160 MSMEs due to an impactful STTREP programme having been developed and implemented only in the last quarter of the year. It is expected that the programme will benefit many MSMEs in the coming year and will result in overachievement of target.

The value of loans disbursed was high due to high value loans approved this year compared to the previous year. This indicates a sustained need for the loans facility.

R48m
disbursed through loans in 2022/23

104 MSMEs
received loans and financial incentives

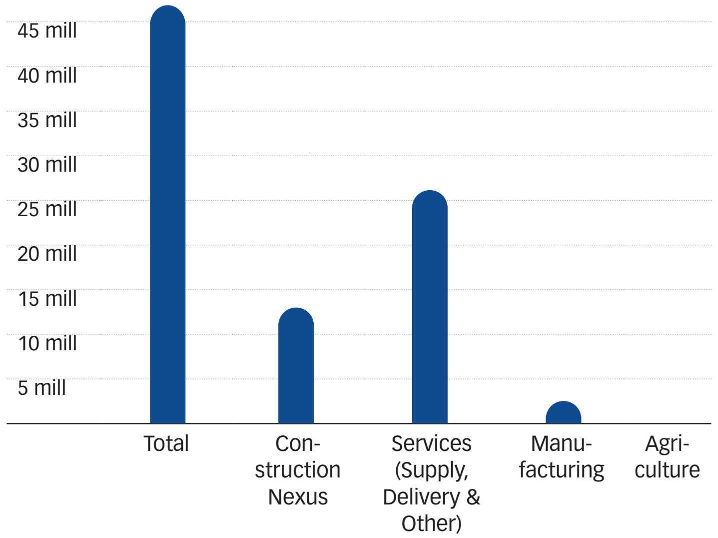
Disbursements by loan product

Loan disbursements worth R33,8 million were made through the Nexus (trade) loans product, while loan disbursements worth R13,9 million were made through the Workflow (construction) loans product.

Amount	R47,765,000	R33,856,797	R0	R13,907,820	R0

Sector spread

Most disbursements went to the supply and delivery services sector, which accounted for R32,5 million, followed by the construction sector at R14 million, and R1,3 million went to one loan in the manufacturing sector.



	Total	Construction Nexus	Services (Supply, Delivery & Other)	Manufacturing	Agriculture
Amount	R47,765,000	R13,907,820	R32,484,534	R1,372,262	R0

Geographic spread

Enterprises in the OR Tambo district accounted for R21,9 million of the disbursements, R13,5 million to those in the Alfred Nzo district, R8,3 million to the Amathole district, R3,6 million to businesses in Nelson Mandela Bay, R325 216 (one loan) to the Sarah Baartman district and R80 225 (one loan) to the Joe Gqabi district.

Of the 49 MSME businesses that received loan funding, an amount of R17 million was disbursed to women-owned businesses, and R2,2 million to businesses owned by youth. Enterprise finance facilitated the creation of 526 jobs in 2022/23 against a target of 150. A total of 1,116 jobs were saved against a target of 900 jobs.

Aftercare support

The ECDC continues to expand the impetus of its aftercare services. The aftercare services are crucial in detecting early warning signs that may inhibit effective loan recovery. The monitoring of the performance of funded businesses helps to address challenges that may threaten their overall sustainability. The exercise also assists the ECDC in implementing corrective measures and early work-out and debt restructuring initiatives.

Part of the aftercare activities includes regular meetings to track the performance of each loan client. These activities help the ECDC to determine whether loan conditions are being met. It has resulted in a high collection rate and a low default ratio of 5% on the WorkFlow and Nexus loans.

1 **OR Tambo**
R21,882,987

2 **Alfred Nzo**
R13,542,046

3 **Amathole**
R8,307,753

4 **NMBM**
R3,626,389

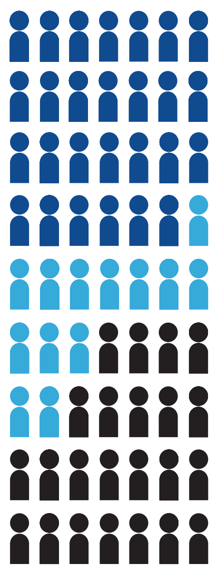
5 **Sarah Baartman**
R325,216

6 **Joe Gqabi**
R80,225

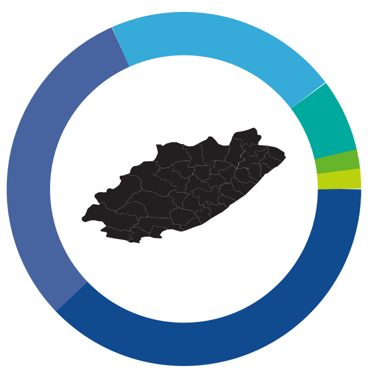
R17 million
disbursed to women-owned enterprises

R2,2 million
disbursed to youth owned enterprises

526 jobs
were created as a result of the loan disbursements



Geographic spread of loan disbursements



JOB STIMULUS FUND (JSF)

In addition to the government's small business development packages, the ECDC incentivises retaining, saving and protecting jobs at risk in distressed businesses. It does this through the Jobs Stimulus Fund, which supports creating jobs in the Eastern Cape by attracting sector-specific catalytic investments that promote sustainable jobs across the value chain.

In the immediate to short-term, the fund seeks to accelerate job retention and creation by lowering labour costs and providing working capital within the post-recessionary, post-pandemic recovery context.

Qualifying enterprises receive R10 000 per job saved, and enterprises with a turnover of less than R20 million receive a working capital incentive. The ECDC determines whether a company is in distress through a verification process which includes a review of annual financial statements and management accounts. On-site due diligence is also conducted to ascertain the evidence of distress and the enterprise's existence.

R10k
incentive for every job retained

The ECDC introduced a stronger emphasis on job creation by encouraging innovation, targeting rural and township enterprises, farming, agro-processing and fishing, among other areas. There is also a strong focus on collaboration to leverage MSME funding and business support from stakeholders in the sector.

The qualifying criteria for the JSF is:

- Businesses that retain a minimum of five jobs up to a maximum 250 jobs
- Businesses that are tax compliant
- Businesses must prove that employees are permanently employed or have a contract of two years
- Businesses operating in the Eastern Cape
- 70% of the employees must be South African
- Employees must reside within the Eastern Cape
- Businesses must register the employees with the Department of Labour (Unemployment Insurance Fund (UIF) and Pay-As-You-Earn (PAYE) (if applicable).

The fund targets businesses in priority sectors such as agro-processing, the oceans and green economy, tourism and hospitality, manufacturing (including automotive), capital goods and construction.

In 2022/23, 1 116 jobs were retained through the JSF incentive. . A total of R24 million was disbursed, including a working capital component. About R11 million was used for retaining 1 116 jobs and R13 million went to working capital. It helped distressed companies to stay in business and to save jobs. The fund also referred approved businesses for non-financial support, which helped identify the reasons for distress and to implement solutions.

Geographic spread of disbursements

Region	Value of incentive	Jobs saved
Buffalo City Metropolitan Municipality	R6,090,872.79	221
OR Tambo District	R9,854,633.96	565
Nelson Mandela Bay Metropolitan Municipality	R3,468,934.87	187
Alfred Nzo District	R1,398,722.29	22
Amathole District	R1,566,777.43	62
Chris Hani District	R1,100,263.80	21
Sarah Baartman District	R615,638.10	38
Total	**R24,095,843.24**	**1116**

Sector spread of disbursements

Agriculture	R615 638.10
Agri-manufacturing	R681 843.00
Tourism	R5,886,996.45
Manufacturing	R5,287,170.90
Services	R9,095,207.80
Construction	R1 441 633.00
Mining	R361,156.10
Fast-moving consumer goods	R726,197.98
TOTAL	R24,095,843.24

The Ocean View Hotel is in Coffee Bay in the OR Tambo District Municipality. As a result of the crippling COVID-19 pandemic in 2020, the tourism industry was hit hard, resulting in travel restrictions in line with strict lockdown regulations. It severely curtailed the hotel's ability to generate income, although it was still expected to pay staff salaries and other operating expenses. It led to financial distress, and it was challenging finding a remedy in the face of an adverse economic climate which limited customer spending on leisure and tourism activities. In 2022/23, the hotel received a Jobs Stimulus Fund incentive of R830 532. The figure was comprised of R450 532 for working capital and an amount of R380 000 to save 38 jobs.

R830 532
Jobs Fund incentive save jobs and working capital

Registered in 2005 with a head office in Mthatha, **AFRICA'S BEST 350** is a bus service company operating in the former Transkei region. The company has eight depots in Mthatha, Mbizana, Komani, Matatiele, kwaBhaca, Engcobo, Gcuwa (Butterworth) and Lusikisiki. It has 174 shareholders and a fleet of 150 buses. The business was distressed and provisionally liquidated in 2020 due to liquidity challenges over the last few years. The business was approved for a Jobs Fund incentive of R3,3 million to save 327 jobs (approved prior to imposition of a maximum 250 jobs from 1 April 2023).

150 buses

8 Depots

R3,3 million
approved for a Jobs Fund incentive to save 327 jobs

IMVABA CO-OPERATIVE FUND (ICF)

An integral part of ECDC's rural and enterprise finance tools are the conditional grants offered through the Imvaba Co-operative Fund (ICF). The fund provides funding to support the sustainability of the business operations of primary co-operatives in the province. It aims to develop adequate institutional capacity in co-operative enterprises for their sustainability and viability. Funds are also allocated for cross-sectoral non-financial support interventions to support their competitiveness.

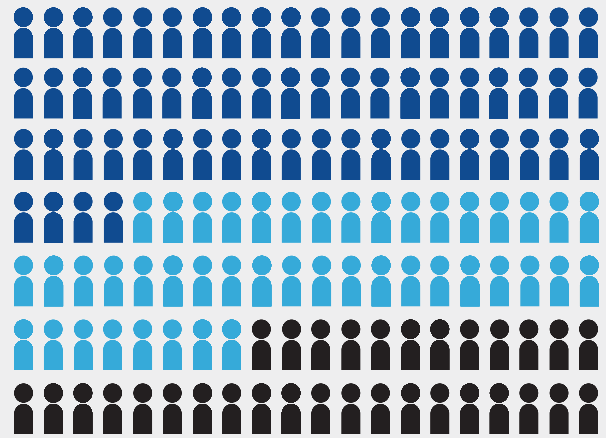
The establishment of the fund is intended to support entrepreneurial enhancement and development, the creation of self-employment opportunities, contribution to poverty relief and alleviation efforts, and to track the contribution of co-operatives to the provincial economy. It is aimed at co-operatives operating in priority sectors such as agriculture and agro-processing, retail, services, manufacturing (timber industry, textiles, chemicals, automotive activities, metal processing), tourism activities, creative industry (arts and crafts, for example), information and communication technologies and film production, green economy (bio-fuels and renewable energy, for example), business process outsourcing (like telecoms), textiles and craft (job creation and protection) and the oceans economy.

During the period under review, the Imvaba Co-operative Fund approved R16,69 million for disbursement to 32 co-operatives. However, the final disbursement figure in 2022/23 was R18,7 million to 57 co-operatives. This resulted from an additional R2 million disbursement to 25 co-operatives from previous year approvals.

The 32 primary co-operatives comprised 172 members, which comprised 90 men, 82 women and 69 youth.

R16,7 million
in funding was approved for 32 co-operatives in 2022/23 by the Imvaba Co-operative Fund

172 members / 90 men / 82 women / 69 youth



Sector spread

Agriculture	19
Epiculture	4
Aquaculture	4
Manufacturing	2
Retail Services	3

Geographic spread

Alfred Nzo	5
Amathole	4
Buffalo City Metro	3
Chris Hani	4
Nelson Mandela Bay	5
OR Tambo	10
Sarah Baartman	1

The **Ekuphileni Clothing Primary Co-operative** consists of six active members. It was established in 2018 in Amanikhwe Location in Mbizana (Alfred Nzo District).

The co-operative produces clothing such as school, business and sports uniforms and traditional garments. In August 2022, the ECDC approved R550 000 for the business to buy two embroidery machines, a printer and stock. The co-operative grew the business and secured orders from schools in Mbizana for uniforms. The co-operative has also created more youth employment opportunities due to growing demand after being funded with the industrial machines.

R550 000
approved by ECDC to buy two embroidery machines, printer and stock

The **KK Farmers Primary Agricultural Co-operative** is in Qumbu in the Mhlontlo Local Municipality (OR Tambo District Municipality). It is a youth-owned co-operative which operates as an animal health shop with direct cash sales of feed and medication.

All five members are qualified in agriculture and are directly involved in the business. They have more than six years combined experience in animal health, retail, and customer service. In addition, the co-operative assists farmers with farming guidelines on animal and crop production. In June 2022, the fund approved R527 571 to the co-operative for machinery, stock and working capital. The co-operative has been able to grow its turnover by 50%. They have also added new products to their offering, such as pesticides.

R527 571
approved by ECDC for machinery, stock and working capital

50% The co-operative has been able to grow its turnover by 50%

The youth-owned **Ulutsha Lendalo Primary Co-operative** operates a vegetable and maize production business in the Zingqayi Administrative Area in Gcuwa (Butterworth) (Mnquma Local Municipality). The co-operative was founded in 2019 with start-up capital raised through member contributions. It has access to 15 hectares (ha) of land of which 10 ha has been fenced with the assistance of the local municipality. Ten hectares are being used on a rotational basis for crops such as cabbage, spinach, potatoes, butternut, and maize. In November 2022, the ECDC approved R600 000 for the co-operative to purchase a tractor with implements, pipes, sprinklers and a pump.

R600,000

for the co-operative to purchase a tractor with implements, pipes, sprinklers and a pump

The co-operative has expanded the area by a further five hectares and increased production volumes due to the new machinery.
The co-operative members have also graduated from the Boxer Supplier Training and are now part of the Boxer supplier database in the Mnquma region. The equipment will allow the co-operative to meet the production volumes customers such as Boxer require.

NON-FINANCIAL **SUPPORT**

The ECDC also provides non-financial support tools which complement the financial apparatus extended to the MSME sector. The ECDC provides high-value and high-impact non-financial instruments to inject enthusiasm into the small business sector. These instruments are primed to stimulate economic growth and development, facilitating sustainable job creation and the equitable participation of youth and women in the mainstream economy. These MSME support tools are developmental and transformative in character.

Non-financial instruments respond to these national imperatives by promoting entrepreneurship by extending catalytic business development services to improve the efficacy of enterprise performance and sustainability.

Developing an astute and agile MSME sector is non-negotiable, as it forms the bedrock of sustainable economic growth and development. The sustainability of the global economy and, by extension, South Africa's economic prospects rest on the country's collective ability to provide effective support tools to stimulate this segment of the economy.

In response, the ECDC extends business development services in two ways. Firstly, support is provided to MSMEs through a demand-driven approach where walk-in clients or referrals request individual business assistance. Secondly, support is provided through focused enterprise development programmes.

These programmes are implemented by the ECDC or in partnership with other similar enterprise development agencies. Resource constraints demand that special purpose vehicles of government adopt a collaborative approach in tackling pressing socio-economic imperatives. The approach allows government agencies to pool available resources to effect an improved development impact. In this regard, the ECDC is party to several multi-stakeholder MSME development programmes such as the chemical incubator CHEMIN, Black Umbrellas and the Nelson Mandela Bay Enterprise Development Programme. Private sector partnerships are encouraged to augment government efforts.

Several macroeconomic realities continue to affect and inform organisational performance. Budget limitations resulted in lower targets which were comfortably met. The country is still in a post-pandemic recovery stage compounded by the load-shedding realities that presented many socio-economic challenges. In addition, further pressure came through high-interest rates and petrol price increases linked to inflationary pressures, which presented a harsh operating environment.

These have significantly impacted the MSME sector. Despite the budget and targets being slightly lower than the previous year, there was an increased demand for business support. The challenging operating environment is acutely felt by Eastern Cape MSMEs, who bear the brunt of these pressures.

OPERATIONAL PERFORMANCE

There was increased uptake of business planning support services in 2022/23 from businesses who applied for funding from other agencies.

In 2022/23, 242 received direct business development services. A total of 1 442 people benefited from other business development services through training activities and business seminars.

242 enterprises
received direct business development services

1 442 people
benefited from other business development services (training and business seminars)

Training

Twenty-six training sessions were held in 2022/23, in which **568 businesses participated. From the 568 enterprises, 753 individuals received direct training support.** Of the individuals supported, 410 were women, and 255 were youth. The training sessions covered business planning, co-operative governance, financial compliance, market access and enterprise finance.

These training sessions aim to support skills development in business operations, basic food and occupational health and safety training, business plan development, tender advice training, introduction to export training, co-operative governance and product development.

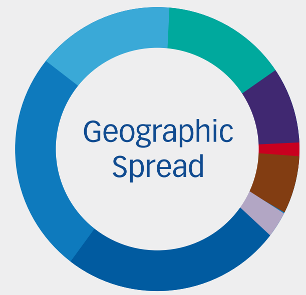
Business seminars

During the review period, 19 business seminars were held, with 573 businesses participating. From the 573 businesses, 689 individuals received direct assistance through this intervention. The individuals comprised 376 were women, and 141 were youth. The seminars covered topics such as women in business, funding opportunities, business productivity, compliance, and export opportunities. Discussions also included product and construction awareness, market access, tendering to secure business, cost management and tax workshops.

Other one-on-one business advisory services such as business planning, mentorship, intellectual property and financial management support were also extended to entrepreneurs.

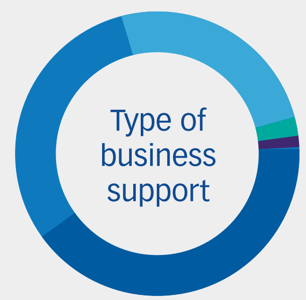
Direct business development services

A total of 242 enterprises received direct business development services in 2022/23, exceeding a target of 200. Recipients of direct business development services were female-owned enterprises (41,4%) and youth-owned businesses (41% or 99)



- Buffalo City Metro: 57,24%
- OR Tambo: 55,23%
- Alfred Nzo: 37,15%
- Chris Hani: 31,13%
- Amathole: 21,9%
- Joe Gqabi: 20,8%
- Sarah Baartman: 11,4%
- Nelson Mandela Bay: 10,4%

The largest recipient of the business development services was the Buffalo City Metropolitan Municipality area at 24% trailed by the OR Tambo District at 23%.



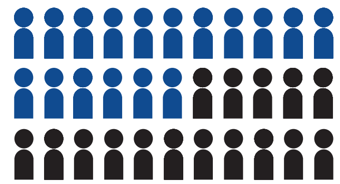
- Marketing Support: 101,42%
- Business Incubation: 69,28%
- Business Plan: 60,25%
- Business Mentorship: 8,3%
- Financial Management: 4,2%

Two types of business support comprised the lion's share of services provided: Marketing support services (42%) and business incubation services (28%).

Sector spread

- Services: 96,40%
- Manufacturing: 87,36%
- Agriculture: 35,14%
- ICT: 9,4%
- Construction: 7,3%
- Automotive: 4,2%
- Mining: 2,1%
- Tourism: 1,0%
- Clothing and Textile: 1,0%

Gender spread



Females (53%)
129 female-owned businesses

Males (47%)
113 male-owned businesses

Age spread

Non-Youth (59%)
143 non-youth businesses

Youth (41%)
99 youth-owned businesses

Youth-owned businesses received 41% of the business development services provided during the period under review. The non-financial support programmes are available to walk-in clients and organised groups. They range from nine months to two years, depending on the programme's scope. The long-term customised programmes aim to build the capacity of participating entrepreneurs.

BUSINESS SUPPORT **PROGRAMMES**

Some of the business support programmes implemented by the ECDC in 2022/23 include:

Business Accelerator Programme
The ECDC continued implementing the one-year Business Accelerator Programme in the Chris Hani and Joe Gqabi Districts. Forty enterprises were recruited and accepted into the programme. The Black Umbrellas, an enterprise and supplier development incubator, implements the programme.

The programme extended into the 2022/23 financial year. The programme intends to address the challenges presented by the COVID-19 pandemic while ensuring that the delivery of enterprise development is in line with the demands of the Fourth Industrial Revolution. Provided via a digital platform, the programme aims to build the business management skills of the participating enterprises. It comprises two phases: The foundation phase, where entrepreneurs must develop business plans and business canvas models for their enterprises. The first phase is supported with business coaches. The second phase is driven by mentors who provide MSME support.

However, participants in rural localities, in particular, experienced difficulties with the virtual nature of the programme presented challenges. These included access to digital technologies and the high cost of connection. For example, of the 40 enterprises, only 14 graduated to the programme's second phase. A total of 21 youth-owned and 23 women-owned participated in the programme.

MSME ICT Engagement and Support Platform

The ECDC partnered with the Nelson Mandela Innovation Hub (iHub) to develop an ECDC-integrated MSME virtual platform.

The platform aims to support MSMEs by overcoming technical, marketing, financial and skills barriers that constrain MSME growth. The platform also aims to reduce red tape for small businesses, reducing business costs. It will also enable interaction and reach a larger number of entrepreneurs. It is further envisaged that the platform will integrate with ECDC's loan software system to ease the process for MSMEs applying for finance from the ECDC and/or other DFIs.

Mdantsane Motor Mechanic Enterprise Development Programme

In partnership with Filpro, an enterprise development entity of GUD, the ECDC continued implementing the motor mechanic development programme in Mdantsane. The programme supports informal or backyard mechanics. The programme offers coaching, mentorship and capacity-building to mechanics. The intention is to assist the mechanics in operating formal businesses and accessing markets.

In 2021/22, there was limited contact and interaction because of the COVID-19 pandemic. As a result, the second year of the programme was completed in 2022/23. During the period under review, the programme focused on training, mentoring and supporting participants with essential tools, workshop infrastructure and branding for their businesses. The 40 enterprises which graduated in 2021/22 were supported with tools worth R500 000. The programme initially recruited 137 mechanics. However, only 40 graduated. Eighty enterprises completed the programme, but some didn't graduate because they didn't fulfil specific requirements such as attendance, formalisation of their companies and participation in training programmes.

40 enterprises
supported with tools worth R500 000 in 2021/22

Nelson Mandela Bay Enterprise Development Programme

The Nelson Mandela Enterprise Development Programme completed its eighth phase of the nine-month programme during the period under review. A total of 33 enterprises registered for the eighth phase, and 27 completed the programme. Of the 33 enterprises, 17 were women-owned and 16 youth-owned. The 33 businesses that participated in the programme employ 195 people. The collective turnover of the participating businesses was R10,2m.

33 enterprises registered

195 people employed

R10,2 million
collective turnover of the participating businesses

The eighth phase was completed in the first quarter of 2022/23. The graduation ceremony was held in the second quarter of 2022/23. The 27 businesses meant 213 enterprises have benefitted from the programme since 2014. The focus of the ninth phase will be on some of the 213 businesses that have indicated a need for further support.

The programme aims to improve the sustainability and growth of participating enterprises. Businesses participating in the programme were mentored on best practices such as the International Labour Organisation's (ILO) "Action my business growth" model. The businesses participated in capacity-building training provided by the Nelson Mandela University Business School. Various business seminars were hosted for participating enterprises. The enterprises participated in several chamber forums and received a free Nelson Mandela Bay Business Chamber membership. The chamber platform benefits MSMEs s as they interact and network with experienced counterparts.

Small Towns, Rural and Township Enterprise Support Programme

The programme aims to provide integrated support to formal and informal MSMEs operating in rural and township localities and small towns in the Eastern Cape. The programme is a response to the marginalised, disjointed, and dualistic nature of the economies in these areas. The programme acknowledges that revitalised rural, township and small-town economies require a multi-faceted and coordinated approach. The programme adopts an integrated support approach, providing financial and non-financial business development services. These services are both strategic and operational in nature. They are directly aimed at improving the operations of existing enterprises.

The programme was implemented in the third quarter of the review period. Drawn from across the Eastern Cape, 38 enterprises were supported through the programme. Businesses received financial incentives valued at R4 million. Each enterprise received an average of R100 000 for equipment, tools, infrastructure and assets. Twenty per cent of the amount was allocated for working capital. Of the 38 businesses, 32% were youth-owned and 34% women-owned. A total of 152 jobs were secured through this intervention.

The **Abambo Farms**, a farming operation in Port St Johns, had multiple agricultural tunnels which were in a state of disrepair due to extreme weather conditions and the poor quality plastics used during construction. The enterprise applied for a STRTEP incentive of R121 746 to purchase materials to repair the tunnels. The grant was awarded in quarter three, while the delivery and repairs of the tunnels were completed in the fourth quarter. Prior to the intervention, the business struggled to maintain production and jobs. After two months of the completion of the STRTEP intervention, production dramatically increased at the farm. Two more jobs were created.

SABSpho Chemicals is a detergents supplier based in Komani. The company applied for a STRTEP grant to procure a mixer machine. The client was supported through the CHEMIN incubation programme in previous financial years. However, it was struggling to increase its productive capabilities to ensure long-term sustainability. Most small chemical manufacturing businesses in the province produce products by hand in small quantities. This is extremely hard and limits production and profitability. For example, producing 100 litres of detergent can take two to three hours. However, by providing the mixer valued at R44 250, the client can now produce 200 litres of product every 30 minutes. This capacity significantly improved the productive capacity of the client to promote their sustainability.

Informal Business Support Programme (IBSP)

In partnership with DEDEAT, the ECDC implemented the Informal Business Support Programme. The IBSP is a once-off programme means to provide support to informal businesses post the COVID-19 pandemic. It recognises that informal businesses often lack support from other business support programmes. An allocation of R12 million was made available to the ECDC in October 2022 to provide qualifying enterprises and entrepreneurs with equipment, inputs, and materials for informal businesses across the province.

A total of 330 businesses received support in the form of equipment, machinery, and tools worth R11,3 million. The businesses were from across the Eastern Cape.

The project had multiple challenges due to the initial delays and the limited time to procure and distribute goods to clients. These complications were compounded by inflationary factors and delivery costs, resulting in many beneficiary requests for support exceeding the R30 000 threshold. The process of delivering goods to the beneficiaries commenced toward the end of the fourth quarter. Delivery will be completed in the first quarter of the 2023/24 financial year. The intervention will go a long way in contributing to improved income generation and the profitability of the informal businesses.

BUSINESS INCUBATION

Business incubation forms an integral part of the ECDC's business development services. It aims to support enterprises during their infancy by reducing the start-up costs of running a business. It intends to reduce the chances of failure in start-up businesses. Incubation provides operational space and related infrastructure.

Chemin

In the 2022/23 financial year, the ECDC supported chemical incubator, Chemin, with financial and in-kind support. Chemin operates from Mdantsane in East London at the Fort Jackson Industrial Park. It services the province's central and western parts.

The incubator also operates in Mthatha at the King Sabata Dalindyebo Local Municipality. The office serves the province's eastern and northern regions.

During the review period, the ECDC provided funding of R2,8 million to Chemin, which supported 49 incubated enterprises. The 49 enterprises generated R1,576 million in turnover in 2022/23. They receive technical training on chemical manufacturing detergents and beauty products and were given access to manufacturing equipment. They were also supported with testing these products through the Chemin laboratory in Gauteng. In addition, business and mentorship training is provided. The enterprises created 63 jobs; 47% were youth, 59% were female and people with disabilities owned 6%.

R2,8 million
funding provided by ECDC to Chemin to support 49 incubated enterprises

R1,576 million
turnover generated by the 49 enterprises

Furntech

In addition, the ECDC continued to provide in-kind support to Furntech, a furniture manufacturing incubator. The incubator has been supplied with operating space in Mthatha at a significantly reduced cost, contributing considerably to the incubator's sustainability. Operational infrastructure costs are a key cost driver in running an incubator.

Buffalo City iHub

The ECDC also supported the Buffalo City Innovation Hub incubator which was established in May 2022. The initiative is a partnership between the ECDC, Buffalo City Metropolitan Municipality, and the Nelson Mandela Innovation Hub. The ECDC established the hub in Duncan Village with the Buffalo City Metropolitan Municipality providing a building, office infrastructure and operating support.

The hub has been established as a township innovation hub supporting ICT MSMEs innovators in Duncan Village and Buffalo City. In 2022/23, Buffalo City iHub housed five companies in different stages of development and specialisation in the information communication technology sector. The hub provides co-working space with connectivity, business development support, coaching, mentorship and business advice.

Furthermore, the iHub develops programmes that create opportunities for local communities to become economically active. The focus is on creating skills development programmes in ICT and entrepreneurship. The programme ensures that communities participate in the fourth industrial revolution. It targets unemployed youth, unemployed graduates, and entrepreneurs.

In 2022/23, eight jobs were created by the seven businesses. They generated a combined turnover of R287 000.

17 learners
10 males
7 females

A computer repair workshop was hosted for local youth, and 17 learners (10 males and seven females) completed the programme successfully and were awarded certificates of completion.

FUTURE OUTLOOK

The prognosis for the future is good. These prospects are occasioned by the strengthening of the team which included filling critical vacancies and the reconfiguration of certain processes. The ECDC is overhauling its collection processes and more funds will be allocated in the new year to introduce new products. One of these is a product focused on micro-lending and the business-in-the-box concept.

The ECDC is also rolling out an automated loan and business development service origination system. This means clients will be able to access the ECDC's services from the comfort of their homes and offices. It should help the ECDC expand its footprint wherever there is internet connectivity. In addition, the ECDC will appoint competent business advisors with specific skills in primary agriculture such as beekeeping and crop production. The intention is to access their expertise to assist and support MSMEs in their development phases to develop financially viable enterprises.

INVESTMENT MANAGEMENT, TRADE AND INVESTMENT PROMOTION

UNIT MANDATE

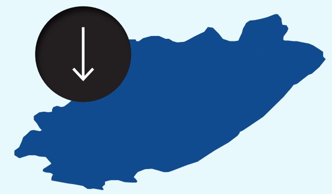
The mandate of the Investment Management, Trade and Investment Promotion (IMTIP) unit is to promote the Eastern Cape as a preferred investment destination. In addition, the unit facilitates support for Eastern Cape enterprises that export goods and services to the domestic and international markets to increase the provincial share of exports.

OPERATIONAL OVERVIEW

In 2022/23, the IMTIP unit facilitated the creation of 1 615 jobs exceeding the target of 400. A total of 283 critical skills training sessions in priority sectors were held against a target of 150. The rand value of exports facilitated in 2022/23 was R122 million against a target of R100 million.

In 2022/23, the ECDC facilitated investments valued at R5,2 billion versus a target of R250 million. Post-COVID-19, the investment environment was depressed as the value of investor investments fell. However, the investment appetite of investors in the ECDC's pipeline improved as COVID-19 restrictions were lifted. It resulted in companies such as Shoprite expanding their investment in a warehouse in Nelson Mandela Bay to R1 billion. Another significant investment was the Coleskop Wind Energy Facility in Cradock (R3,7 billion).

R5,2 billion
in investment facilitated by the ECDC against a target of **R250 million**



R3,7 billion
Coleskop Wind Energy Facility investment in Cradock

During the review period, the ECDC implemented 10 planned sectoral catalytic projects. While funding for eight projects was requested from Treasury from the Medium Term Expenditure Framework, only one project was supported.

A total of 147 Eastern Cape enterprises participated in export promotion activities organised and managed by the ECDC during the 2022/23 financial year. This achievement exceeded the target of 150 for the financial year despite the Department of Trade and Industry and Competition (thedtic) not allowing Eastern Cape companies to participate in thedtic-commissioned trade missions. This was due to the ECDC's broad-based black economic empowerment Level 8 status which contravened thedtic's minimum requirement of a Level 4. This meant the ECDC could not receive financial support from thedtic until the end of the third quarter when the requirement was lifted.

INVESTMENT **PROMOTION**

Overview of investment promotion initiatives 2022/23

The ECDC conducts its investment promotion activities cognisant that foreign and domestic direct investment forms the anchor of energised economic activity. Foreign and domestic investment inflows help create a quality pipeline of MSMEs, which contribute to alleviating poverty and creating sustainable jobs.

During the review period, the ECDC focused on ensuring that the Eastern Cape is perceived as a suitable investment destination by increasing the number and scope of marketing and promotional campaigns through media platforms such as the Business Day and Africa Journal. These marketing campaigns resulted in the Eastern Cape profiled on the global map of attractive investment destinations.

The response is reflected in the quality of the investment pipeline the ECDC generated over the financial year. The investment community's appetite has significantly improved, reflected in the investment promotion performance through the value of investments facilitated in 2022/23.

The ECDC was awarded the organising and hosting rights of the Eastern Cape Investment Conference held in East London in September 2022. It generated positive responses from domestic and international investors leading to credible investment leads. The positive impact will spill over into the medium to long-term programmes of the Eastern Cape government.

Through the Office of the Premier, the Eastern Cape government requested the ECDC to develop the Provincial Investment Council Framework (PICF). The council intends to provide the Office of the Premier a platform to address the red tape experienced by investors in the province. The framework was approved by the provincial cabinet in 2022/23. The ECDC is providing secretariat support to the council. The council comprises two work streams:

- Public sector work stream is chaired by the director-general of the Eastern Cape. It is made up of the heads of department of the economic development cluster departments and the chief executives of provincial investment promotion agencies.
- The premier chairs the private sector work stream. It comprises the chief executives of the major investment companies in the Eastern Cape across all priority sectors of the provincial economy.

The ECDC and Business Process Enabling South Africa (BPESA) partnership has strengthened the campaign to present the Eastern Cape as an attractive destination for Global Business Services (GBS). The campaign has resulted in the ECDC deciding to develop a GBS incentive framework to attract more GBS companies.

GBS companies consider the Eastern Cape an attractive destination due to its abundant English-speaking youth population. Due to this incentive framework, the ECDC expects more GBS investment in the province.

The film industry in the province continues to grow. In 2022/23, the ECDC invested R9.8 million in film productions produced in the Eastern Cape, generating an investment value of R169 million. The funded productions created a total of 1,330 jobs.

R169m
investment value generated

1,330 jobs
created as a result of investments into the film industry

The ECDC also held the inaugural Eastern Cape Film Festival in Makhanda in June 2022. The festival attracted up-and-coming filmmakers and film distribution companies such as the South African Broadcasting Corporation, Multichoice and film funding agencies such as the National Empowerment Fund, the Industrial Development Corporation and thedtic. The festival intends to promote the province as a filmmaking destination and to provide a marketing outlet for films produced in the Eastern Cape.

The Corporation also funded the second season of the drama series, The Dam. The ECDC invested R850 000. The Amathole Development Agency, Aspire, invested another R300 000 into the series shot in Adelaide and Bedford. M-Net invested R25,7 million in the production. Eleven local MSMEs were contracted, and 29 heads of departments from the province were employed.

In 2022/23, the ECDC invested in two long-format film productions, Gqeberha: The Empire and the Real Housewives of Gqeberha. The ECDC invested R5 million in Gqeberha: The Empire, while Multichoice made an R85 million investment. A total of 788 jobs were created, and 123 MSMEs were contracted for this production. The ECDC's funding incentivised the employment of local heads of departments, actors and local MSME contracts.

R5m
ECDC Investment

R85m
Multichoice Investment

788 jobs
were created and 123 MSMEs were contracted for the production of Gqeberha: The Empire

On the Real Housewives of Gqeberha, the ECDC facilitated the interaction between provincial stakeholders, inspired by the Corporation's long-term partnership with Multichoice in other productions, such as Survivor.

Through the Eastern Cape Film Investment Fund, the province successfully secured the rights to host Season 9 of the international reality show, Survivor at Fish River in the Ndlambe Local Municipality. Season 9 is a sequel to Season 8, which was shot on the Wild Coast. The ECDC invested R2 million in Season 9. Season 9 created 66 jobs, and 25 local MSMEs were contracted.

Tempting Fortune, the first United Kingdom reality show shot in South Africa was produced in the Eastern Cape between Mpekweni and Makanda in 2022/23. The show is produced by a United Kingdom company, Voltage, and is broadcast in the United Kingdom and Australia. The total investment in the production was R10,4 million. The ECDC's investment was facilitating film locations and the appointment of local MSMEs.
The ECDC invested R2 million in the Wild is the Wind, a feature film launched in Graaff-Reinet in 2022/23. The ECDC's investment in the production created 447 jobs and procured services from 60 local MSMEs.

Regarding the geopolitical environment, the Ukraine and Russia conflict has created new opportunities. It has reinforced the urgency to utilise the untapped potential of unused arable land in the eastern part of the province. Already, the shortage of grain has led to severe increases in prices. The global economy relies heavily on Ukraine and Russia for plant oil and grain and is looking at alternative suppliers. On 30 June 2022, the European Commission held a workshop organised by the ECDC in Gqeberha, where it presented these new opportunities to Eastern Cape companies.

Invest SA One Stop Shop EC

The Invest South Africa One Stop Shop (OSS) Eastern Cape has installed and commissioned its ICT logging and tracking system, Waveteq. The system is being used by trade and investment promotion staff to log and track enquiries. The OSS has developed its website which will be launched in the first quarter of the new financial year.

TRADE **PROMOTION**

Trade promotion activities resulted in the emergence of new exporters through the ECDC trade missions. The trade promotion programme plans to increase Eastern Cape exports to the African continent and create new opportunities in the United Arab Emirates (UAE). The UAE is the Eastern Cape's fastest-growing market for fast-moving consumer goods and livestock and meat products. As the largest producer of livestock herds and agricultural products in South Africa, the Eastern Cape sees the UAE as an exciting market.

Export promotion

The partnership with the United States Agency for International Development (USAID) Trade Hub continued to bear fruit during the review period. The partnership intends to promote Eastern Cape food and beverage exports to the United States. The USAID Trade Hub contracted the ECDC to organise and host the second chapter of the Southern Africa Development Community (SADC) Exporters Awards in Gqeberha in 2022/23. The first instalment of the awards was held in East London in 2021/22. The ECDC is the only agency in South Africa entrusted by the US government to organise the South African Development Community's showpiece for two consecutive years. The event intends to increase the number and value of SADC exports to the United States (US) and South African markets.

Support is extended to companies that intend to export textiles and apparel to the United Sates (US) market. The USAID Trade Hub partnership was extended to providing financial assistance to companies who want to comply with the USAID import requirements. The expansion entails including Eastern Cape companies on Amazon as an indirect marketing platform. USAID covers 70% of the cost. The ECDC has committed to covering the balance of the onboarding costs of qualifying companies.

In 2022/23, the ECDC launched the Export Market Access Fund. The fund has been established as an incentive for companies that have received enquiries and orders in new international markets. The fund covers the costs of compliance relating to packaging, labelling and legal services. A call to companies to apply was sent out during the review period. The fund will be operationalised in the new financial year.

The Eastern Cape Export Symposium and Exhibition was held in East London in 2022/23. It attracted 40 exhibitors during the period under review. For the first time, the symposium accepted exhibitors from outside the province. An interesting element was the increase in companies exhibiting from the electro-technical industry due to the ECDC's partnership with the South African Electrotechnical Export Council (SAEEC).

Export development

A total of 14 companies were registered in the fourth Exporter Development Programme in 2022/23. Companies participating in the 12-month training and coaching programme are drawn from various provincial economic sectors. The programme enables Eastern Cape companies to develop and implement export marketing plans. The ECDC funds the programme and has a contract with the Nelson Mandela Bay Business Chamber (NMBBC). The NMBBC has a contract with Exporters Eastern Cape which provides mentors for the programme. Participating companies are mentored by the most successful exporters in the Eastern Cape, who have won awards at the Eastern Cape Exporters Awards.

During the mentorship, companies visit the business operations of the mentors to study the elements of a successful export business.

The ECDC has a partnership with Trade Forward Southern Africa in which women-owned enterprises are trained and equipped with skills to access the European Union (EU) market. The United Kingdom government funds the partnership, and the ECDC facilitates the recruitment of the companies, training venues and participation of companies in trade missions. Three training sessions were held in East London and Gqeberha in 2022/23; 51 companies were trained.

The ECDC also assisted the Kouga Local Municipality in rezoning municipal land into a commercial zone for Nexua Yachts to expand its factory to manufacture new yacht models for export to the European market. An investment of R252 million was realised through this expansion.

In 2022/23, black-owned Africa Auto Group took over a previously white-owned paint company called Electro Paint in Uitenhage. The company was being liquidated and Africa Auto Group has returned it to profitability. Electro Paint produces and supplies auto manufacturers with body paints. The R20 million investment saved 20 jobs.

Two companies from Mdantsane in Buffalo City received orders worth R70 million from West Africa to supply canvass-made kiosks to three mobile phone network companies, Wave, Orange and MTN.

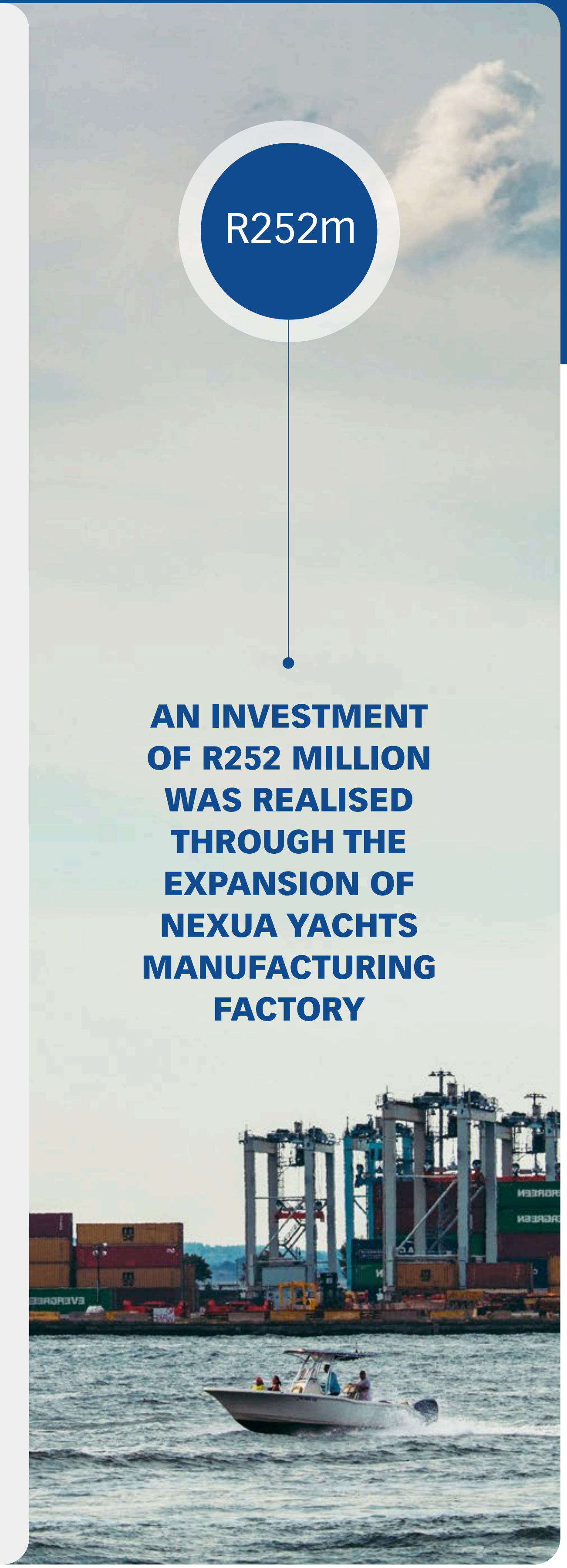
CREATIVE **INDUSTRY**

In the creative industry programme, the Eastern Cape Craft Collection shop supported 111 enterprises in 2022/23. The ECDC has developed an online platform to sell the shop's products online through Shopify. The platform intends to increase sales generated through the shop and provide sales flexibility to reach an audience beyond the Eastern Cape. Shop sales rose to R441 851.80 by the end of the review period.

FUTURE OUTLOOK

The ECDC intends to use existing partnerships to equip exporters with pre-mission strategies. The intention is to ensure new GBS companies set up business process and outsourcing centres in the Eastern Cape as a result of the GBS incentive fund.

The plan is to ensure that more local exporters enter international markets triggered by the Export Market Access Fund.



PROPERTIES AND **INFRASTRUCTURE MANAGEMENT SERVICES**

UNIT MANDATE AND OPERATIONAL OVERVIEW

The Properties and Infrastructure Management Services division of the ECDC is the custodian of the Corporation's investment property portfolio. The portfolio complements the ECDC's business services, particularly in investor attraction, by providing affordable commercial and industrial properties for the investor community.

Portfolio overview

The ECDC's property portfolio is being designed and reconfigured to serve as an attractive platform, channel and resource for meaningful socio-economic development. The vast portfolio comprises residential, commercial, leisure and large and light industrial and retail properties. In addition, the portfolio consists of vacant residential, commercial and industrial plots.

The portfolio is spread throughout the province but mainly concentrated in Mthatha, the Buffalo City Metropolitan Municipality (East London and surrounds), Komani and Gcuwa (Butterworth). The portfolio's reconfiguration, capitalisation and efficacy is an urgent priority forming a significant portion of the ECDC's balance sheet. The reality underlines the need for ongoing investment in the portfolio for improved efficiencies, future growth and productivity.

In addition, the portfolio is positioned to enhance the performance of the ECDC's core business by offering the investor and MSME community affordable commercial and industrial properties as production centres.

Work is underway to organise the portfolio to deliver on sustainability imperatives. This should be achieved through sensible asset, facilities, project and leasehold management.

The usefulness of these interventions is dependent on the ECDC overcoming ongoing institutional challenges. The condition of the property portfolio necessitates an extensive refurbishment programme. The exercise should be implemented to strategically position the portfolio for maximum value addition to the Eastern Cape economy.

The ECDC has embraced a multi-layered approach to raising the required capital investment to reshape the portfolio in form and function:

- Approaching the government for grant funding
- Disposing of non-core assets such as standalone residential properties and vacant stands below 2 000sqm
- Engaging the private sector to secure investors through a strategic sourcing process in exchange for long-term leases.

The capital raise programme was partially successful as it raised R81 million from the Eastern Cape government for the refurbishment programme.

Expenditure on this programme was severely hampered by the national moratorium on state procurement for the first three months of the 2022/23 financial year.

Slower-than-expected internal procurement processes compounded it. The appointment of professional design teams for the 14 clusters of refurbishment projects was achieved during the year. Detailed design is currently in progress. The unit's procurement plan indicates that the procurement of contractors is expected to be completed by September 2023. The internal procurement processes are also being reviewed to improve efficiency without negatively impacting effectiveness and risk management. An additional R55 million from the province has been secured for the 2023/24 financial year. The figure will be added to the remaining 2022/23 budget.

The disposal programme achieved some success. Several auctions were held to sell residential and vacant land holdings.

The process has been constrained due to ongoing land claims in Mthatha. These land claims have resulted in interdicts to cease disposals in this area, and consequently, the focus was shifted to Gcuwa (Butterworth) and other areas. The disposal programme raised R55,989 million during the review period. This means that R63,174 million has been raised from selling 138 properties. Over the next two financial years, the remaining non-core properties will be disposed of. It is subject to the resolution of land claims and other possible impediments.

The ECDC continued calling for proposals for investment in its property portfolio. Before the proposal call, the Corporation undertook extensive marketing campaigns in Gauteng, East London, Mthatha, and Gqeberha and online. However, realistic offers were lacking despite the marketing efforts. As of the end of March 2023, one offer is still under consideration for the Coffee Bay Hotel site in the King Sabata Dalindyebo Local Municipality. The organisation has engaged various development banks to consider loan options for developing strategic properties. These efforts will continue into the new financial year.

LEASEHOLD MANAGEMENT

Investment property portfolio performance

The property portfolio responded positively to the strategic interventions during the review period. Key financial indicators demonstrate improving trends compared to the previous financial years. Rental billing in Rand value has increased by 6,6%, the rental collection increased in Rand value by 7,8% and the rental collection as a percentage of billing has increased from 57% to 64%. Yields for the investment portfolio achieved the year's corporate target of 10%. It should improve in the new year with the disposal of non-core assets and the refurbishment of the remainder properties.

6,6% increase in rental billing

7,8% increase in rental collections

Similarly, expenses for the year were contained to 3% below budget despite the settlement of disputed municipal rates, taxes and service charges from prior years. The disposal programme will curtail unnecessary expenditure on municipal charges in the new year. The improving trends are a result of a focused drive to improve the unit's human resource capacity, management systems, credit control and debt collection during the period under review. Despite the positive improvements, aspects such as debt collection, tenant management and fewer property vacancies require continued attention in the new financial year.

65 properties
with the potential for high investment returns, strategic geographical locations, high public visibility targeted for refurbishment

The refurbishment budget is **estimated at R546 million**

R55,989 million
raised from the disposal process in 2022/23

R63,174 million
raised from selling 138 properties to date

The remaining 254 properties are earmarked for disposal over the next two years.

Revenue improvement programme

The Corporation has embarked on a revenue improvement programme that includes collecting outstanding rental debt, improving occupancy levels in the rental stock and improving the property policy. The programme further entails the development of a procedures manual to respond more effectively to market demands, improvement of tenant management systems and dealing more efficiently with delinquent tenants.

During the financial year, debt settlement incentives were created where interest on the debt could be reversed in exchange for the prompt settlement of outstanding capital amounts. It yielded positive results and will be reconsidered in the new financial year. The process continues parallel to the standard debt collection procedures of the Corporation.

In 2022/23, the occupancy levels improved year-on-year from 63.28% to 65.5%. It was dampened by the slower-than-expected return of invaded properties in Mthatha. The verification of tenants was initiated during the year to confirm the occupation of rental units and the status of lease arrangements with occupants. It will continue in the new financial year and inform management on areas needing attention. The verification process will determine if the ECDC will normalise lease arrangements or proceed with vacating properties to make way for new tenants.

The ECDC has changed its property management system from the NICOR system to the new improved Maximum Development Area (MDA) system. The improvement in the tenant management system has resulted in electronic capture of all rental leases and a weekly focus on eradicating expired leases and reducing rental arrangements where leases have been misplaced. Data management and reporting has also been refined due to the new MDA system that empowers management to make more informed decisions.

Ongoing legal processes have also resulted in the eviction of non-paying tenants to open opportunities for new tenants.

Building requisite capabilities

The new Board and chief executive officer have significantly emphasised addressing deficiencies in the unit's human resources. New appointments in the 2022/23 financial year have boosted the division's capacity. Further key appointments in the 2023/24 financial year are expected to consolidate the unit's capacity and strengthen its capability. Key new appointments for the coming financial year include:

- Senior manager: Leasehold
- Senior manager: Facilities Management
- Regional manager: Properties (Mthatha)
- Regional manager: Properties (East London).

The existing staff complement and new recruits have contributed strongly to the improved performance of the property unit. These improvements are expected to continue in the new financial year.

Property Development and Modernisation Strategy implementation

The Corporation developed a property development and modernisation strategy over the past year. It is based on three pillars that include:

Pillar 1: Rationalisation for productivity

- Under this pillar, the ECDC extensively reviewed the property portfolio and identified core strategic and non-core assets.
- The ECDC has identified residential property and specific vacant land under 2 000m² as non-strategic assets.
- Disposal of non-core assets will be executed and carefully managed to ensure optimal value creation for the ECDC.
- The disposal of non-strategic assets may take 24 months for proceeds to be fully realised, depending on the market's responsiveness.

Pillar 2: Transformation for efficiency

- Under this strategy, proceeds from the disposal of non-strategic assets and shareholder capital contributions will be used to fund the modernisation of the ECDC strategic property portfolio, including commercial, industrial and leisure properties.
- Commercial joint ventures with private sector investors in commercial property that requires significant capital investment have been explored through an expression of interest (EOI) public participation process.
- Re-modelling and renovation of industrial parks fall under this pillar. Work is already being done in Vulindlela Heights, while a master plan for Dimbaza will be reviewed. Work is underway on a master plan for Ibika Industria in Gcuwa (Butterworth).
- Development of vacant strategic commercial and industrial land will be undertaken under this pillar.

Pillar 3: Investing for growth

- Under this pillar, the ECDC will identify attractive new industrial infrastructure for co-investment with other capital providers, including potential long-term institutional tenants.
- The consideration of the ECDC developing a commercial campus for the government in Bhisho and other public service centres requiring office space will fall under this category. This part of the strategy will contribute significantly to the long-term financial sustainability of the ECDC.

Regaining invaded properties

A significant break-through was achieved in the 2021/22 financial year regarding invaded properties. A Memorandum of Understanding (MoU) between the ECDC and the Public Assets Community-Based Owners and Tenant Association (PACTOA) for the peaceful transfer of control of invaded properties in Mthatha was concluded in November 2021.

The MoU has enabled control of some invaded properties back to the ECDC. It has afforded an opportunity for the property occupants to normalise lease arrangements with the ECDC. The process is underway with 91 formerly invaded units having been normalised at the end of the 2022/23 financial year. A total of 94 units remain invaded as at the end of March 2023. The MoU does not undermine the criminal prosecution process launched by the ECDC in 2018. Management is considering ways to move the process of returning the remaining invaded properties to ECDC's control in the new financial year.

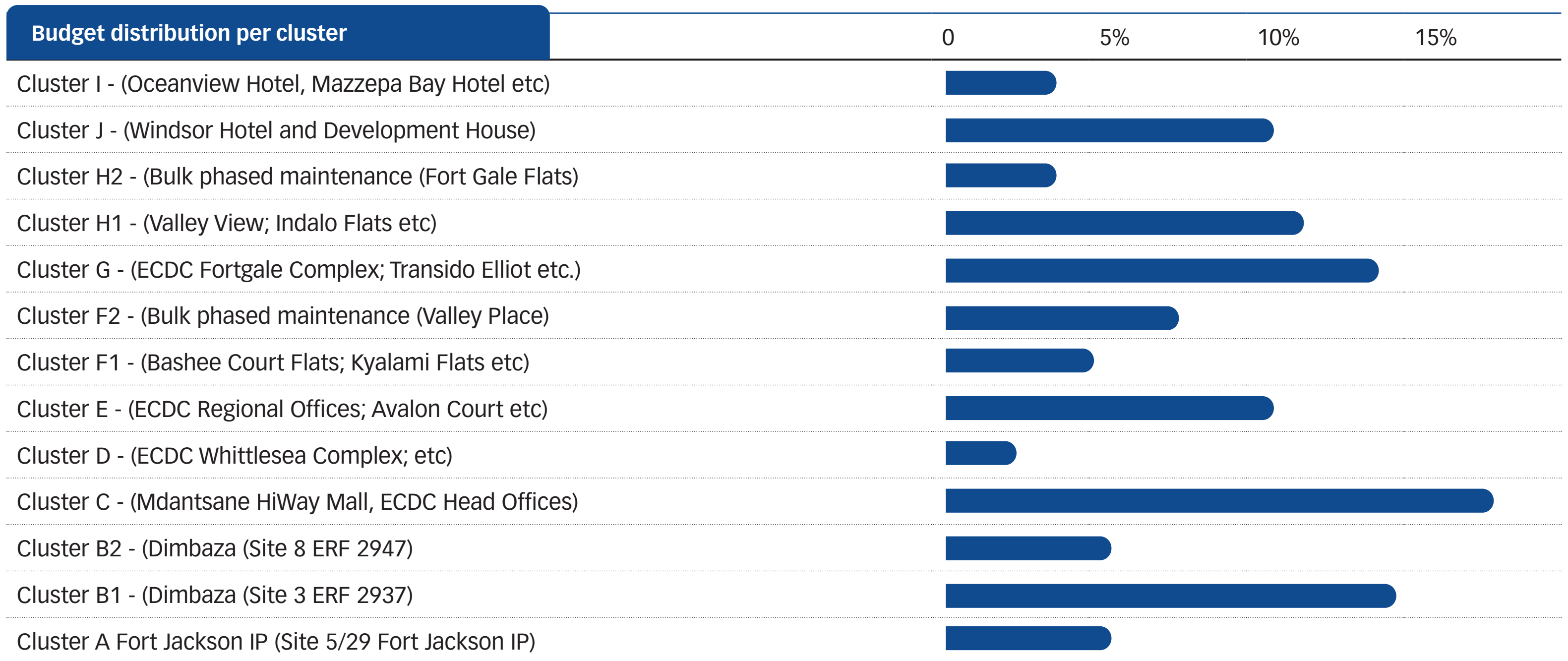
INFRASTRUCTURE MANAGEMENT SERVICES

During the period under review, the infrastructure delivery services function focused on implementing externally funded projects. However, in April 2022, the ECDC was allocated a budget to refurbish its property portfolio. It resulted in a revised infrastructure management services structure charged with implementing internal and external programmes. The external programmes are externally funded, and the internal projects are related to the refurbishment of ECDC's portfolio.

Property refurbishments and upgrades roll-out plan

The ECDC has developed a property refurbishment programme which is to be implemented over the next three financial years. Over 65 properties have been identified for refurbishment because they have a potential for high investment returns, a strategic geographical location, high public visibility, and are likely to be attractive to institutional tenants.

The refurbishment programme commenced in the 2022/23 financial year with a budget of R81 million. The refurbishment will include industrial, commercial, leisure and residential (flats and townhouse complexes). Based on current funding sources, the total refurbishment budget is estimated to be R275 million. The impact of the refurbishment programme is expected to increase the yield on the property portfolio from the current 10% to at least 15% over the three years. The refurbishment programme is presented in the following figure:



Aligned to the refurbishment plan will be the engagement of potential new tenants including institutional tenants such as government departments and academic institutions to secure lease arrangements for the refurbished properties.

Client infrastructure programmes

The target of external programmes was to improve revenue generation through external fees. The ECDC set a target to R17,6 million in fees from external projects valued at R748 million. By the end of 2022/23, the ECDC had generated R13 million in fees. Although the target was missed, it was 27% more than the previous financial year.

The portfolio of external projects implemented by the ECDC was R442 million. Another R305 million in projects was overseen through the Project Management Office (PMO) appointment.

The external programme had four main clients:

Department of Economic Development, Environmental Affairs and Tourism (DEDEAT)

The ECDC is implementing projects funded by the Economic Stimulus Fund. It continued to provide project management services through the Project Management Office (PMO) appointment for the Stimulus Fund programme. The PMO appointment intends to provide project management oversight for the 15 projects funded by the fund.

PROJECT NAME	PROJECT COST (R mill)
Zanyokwe refurbishment	R15,5
Keiskamahoek Hydroponics	R15
Mbodla Heritage Site	R4,9
Zuurberg Peace Heritage Project	R33,1
Mnqumashe Abattoir	R64,5
Mvezo Irrigation Scheme	R10
Zwelihle Community Hall	R24
Sizindeni River Crossing Bridge	R10,8
Carolina Farm housing	R47,4
Gwatyu farm access road	R7,9
Shearing sheds construction x 4	R4,6

The ECDC was appointed to implement five of the 15 projects. Three of the five projects were related to infrastructure development. Funds allocated to the ECDC's PMO appointment amounted to R175,8 million. The PMO appointment oversaw Economic Stimulus Fund projects worth R694,5 million.

The three external infrastructure projects awarded to the ECDC include:

- Dimbaza Industrial Park Phase 2 for road upgrades, electrical installations, and wastewater treatment works upgrades
- Queendustria substation upgrade
- eMaxesibeni (Mount Ayliff) informal trader infrastructure projects.

Department of Agriculture, Land Reform and Rural Development (DALRRD)

The ECDC implemented five projects valued at R104 million on behalf of DALRRD. By the end of the 2022/23 financial year, the ECDC implemented 13 projects valued at R222 million for the department.

Enoch Mgijima Local Municipality

The ECDC was appointed to implement the R17,7 million Ebden sub-station upgrades in the Enoch Mgijima Local Municipality.

Makana Local Municipality

The ECDC is implementing two projects in the Makala Local Municipality valued at R16 million. These are the Makana Sanitation Programme Alicedale Sewer Upgrade and the Vukani/Belmont Sewer Upgrade.

FUTURE OUTLOOK

The 2022/23 financial year has laid the foundation for:

- Concluding the property rationalisation pillar of the property modernisation strategy
- Rolling out the comprehensive property refurbishment programme
- Improving income and reducing expenditure
- Improving the property management systems
- Sourcing additional human resource capacity.

The outlook for the property portfolio's continued improved performance is, therefore, positive, with the targets set by the Board in the Corporation's Corporate Plan being achievable.

ECONOMIC DEVELOPMENT **COORDINATION AND SECTOR SUPPORT**

UNIT MANDATE AND OPERATIONAL OVERVIEW

The mandate of the Economic Development Coordination and Sector Support unit (EDC and SS) is to position the Eastern Cape Development Corporation as the lead economic development agency in the Eastern Cape by planning, executing, financing and implementing economic development projects and infrastructure in the province.
The unit develops and establishes relationships with public entities and industry associations, private sector and social agencies to effectively use resources and funding.
The focus areas of the unit include:

- Provincial catalytic projects
- Economic prioritisation & development plan
- Sector support & value chain development
- Digital infrastructure backbone
- Industrial Parks
- Enablers
- Agro-industry
- Funding leveraged

The unit coordinates and implement programmes, projects or interventions that have the following objectives:
• Reduction in unemployment, particularly in youth unemployment
• Reduction of the number of households and families living in poverty
• Equitable distribution of economic activities in the province
• Increased manufacturing and beneficiation activities in priority sectors
• Market intelligence, research and project packaging to attract investment and leverage funding for development.

In achieving these objectives, the Unit looks to provide support and coordination in the following areas:

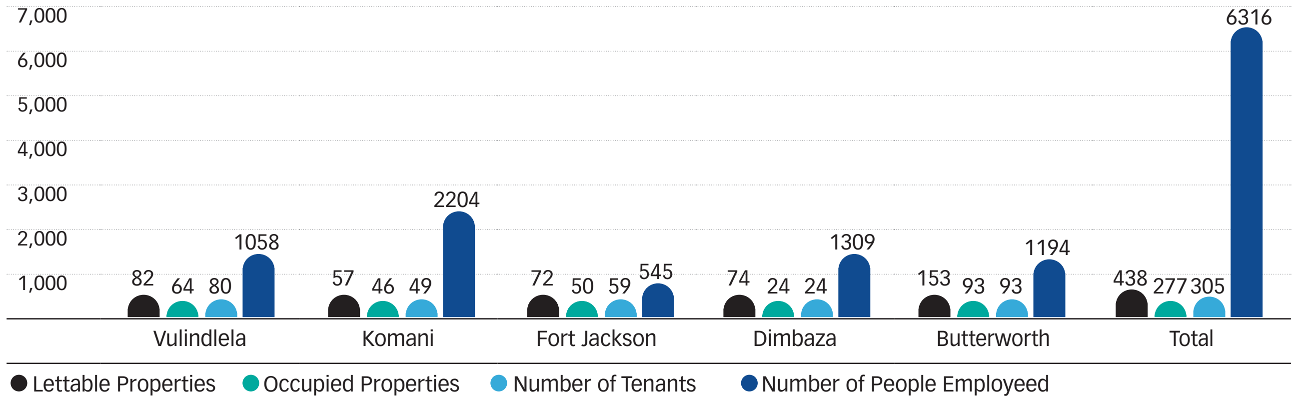
- Provide research-based economic development and sector intelligence capabilities
- Assisting in coordination and planning for economic development projects
- Implementation & support for catalytic projects
- Establish strong stakeholder relationships to leverage capital and mobilise funding
- Ensure cost-containment and efficiency in acheiving impact-projects

ECONOMIC DEVELOPMENT INITIATIVES 2022/23

The EDC and SS unit was capacitated in August 2022 with the first appointment of staff. The primary focus of the unit has been on working towards establishing partnership relationships with public and private entities in the province who aim to achieve similar objectives, and identify where district development agencies, local municipalities, metros and other public agencies require assistance such as coordination, project management and the implementation of economic impact projects or initiatives. It was supported by the establishment of the Public Entities Collaboration Forum and the inaugural meeting hosted in March 2023.

The unit's industrial parks revitalisation focus in 2022/2023 included several meetings with community partners, the establishment of tenant/business forums, and the TVET colleges. Furthermore, together with DEDEAT's revised master plans, the unit is establishing appropriate governance structures for industrial park operations. In support of this, a memorandum of understanding was signed with NAM Cluster with a focus on the Dimbaza Industrial Park to establish a three-year management agreement. The ECDC is also providing support to other provincial industrial parks.

The development and consideration of support and incentive packages for the industrial parks are also in progress, including studies of grid infrastructure capacity, wheeling frameworks, and off-grid renewable energy options for the mitigation of load-shedding.



The agro-industry plan, that includes a focus on developing primary agriculture interventions for equitable distribution, value chain and cluster developments, and identifying localisation supply opportunities, is underway. Support mechanisms through partnership agreements such as the establishment of farmer support centres in rural areas and industrial parks is also under discussion, with implementation planned for the 2023/2024 financial year.

Building on the increased volumes of cruise ships calling the Ports of East London and Port Elizabeth, a concerted effort among public entities and institutions to support and grow tourism and the oceans economy initiatives has been prioritised. It includes the development of back-end tourism interventions for cruise ships with a particular focus on MSMEs, eco-tourism and cultural heritage initiatives to promote the province.

The digital economy is vital for inclusion and competitive growth in the province, and the unit is preparing for the development of an Eastern Cape Digital Economy Transformation Strategy, among other interventions.

Several feasibility studies, project packaging and investment briefs are being developed on sector support initiatives in conjunction with market intelligence support.

The EDC &SS unit achieved two of the three targets for the 2022/2023 financial year. These targets included the identification and support of seven catalytic projects and three feasibility studies. The targets focused on a range of regional and district requests for support and a mix of coverage per priority sector and value chain support.

The unit under-achieved on the target of R30 million for funding leveraged in 2022/2023 with R7,69 million raised (25,6% of target). Leveraging funding takes time because partnerships need to be established and opportunities identified. Internal funding is required to be able to maximise opportunities for leveraged funding. The unit is confident of reaching the target in 2023/2024 due to the relationships and partnerships established and the funding applications in progress.

The unit has been capacitated with human resources focusing on industrial development, industrial parks and manufacturing and agro-processing since it was established in August of the 2022/2023 financial year. However, there are still vacant positions in the unit. Experienced, capable and professional staff are required to position the ECDC as a lead development agency and achieve the unit's mandate. No funding allocation was received for the financial year. It made the effective leveraging of funding and revenue generation opportunities difficult.

Implementing effective programmes and interventions for maximum socio-economic impact requires strong social compacts in place with communities, wards, local authorities, and public stakeholders. There is still more work to be done to ensure inclusivity in the areas of intervention, particularly concerning industrial parks and rural and township economy programmes.

Load-shedding, infrastructure deterioration, high levels of unemployment and low levels of education are some of the external factors which the unit is working to address and mitigate. Local government support in implementation, project management methodologies and service delivery are imperative to addressing economic impact.

FUTURE OUTLOOK

The Economic Development Coordination and Sector Support unit utilised the 2022/2023 financial year to lay an effective foundation for a strong 2023/2024 financial year. It has been achieved through the development of stakeholder relationships; funding applications for programmes linked to industrial parks and financial support; a focus on priority sectors, value chains and cluster development; agro-processing route-to-market programmes including export growth; and digital innovation initiatives. Together with support of the ECDC's internal units, public and private sector stakeholders, academia and the supporting sectoral associations, the EDC and SS unit has ambitious targets to ensure inclusive and sustainable economic impact and growth in the Eastern Cape.

GOVERNANCE AND OVERVIEW OF GOVERNANCE STRUCTURES

The ECDC endorses the code of good corporate governance practices and conducts as contained in the King Report on Corporate Governance. It affirms its commitment to complying with all the material aspects of the principles incorporated in these reports.

The Corporation subscribes to the corporate governance principles in the Public Finance Management Act (PFMA).

The ECDC is committed to good corporate citizenship and organisational integrity in running its affairs. The commitment provides the shareholder, customers and stakeholders with the comfort that the ECDC's affairs are managed in an ethical and disciplined manner. The ECDC's philosophy is founded on service delivery, trust, integrity, transparency, accessibility, redress and ethics.

Board of Directors

The Corporation has a duly constituted Board of Directors, which is the base of the Corporation's corporate governance. The Member of the Executive Council appointed the ECDC Board, responsible for the Department of Economic Development, Environmental Affairs and Tourism (Shareholder) in terms of Section 7(3) of the Eastern Cape Development Act, 1997 (Act 2 of 1997).

The ECDC Board of Directors comprises 9 directors, nine of which are non-executive, including the Board Chairperson. The current ECDC Board of Directors commenced its fiduciary duties in February 2021. The ECDC Board has absolute responsibility for the effective performance of the Corporation and is fully accountable to the shareholder for such performance. Consequently, the ECDC Board provides strategic direction to the Corporation and, in agreement with the shareholder, ensures that an effective continuity plan is in place and adhered to by all directors and key executives.

Board Charter

The ECDC Board has compiled a Board Charter in line with the recommendations in the King IV Report on Corporate Governance™ for South Africa (King IV). The charter is also subject to the provisions of the ECDC Act and any other applicable laws or regulatory provisions. The charter is intended to provide a concise overview of:

- The roles, functions, responsibilities and powers of the Board, shareholder, individual directors and Chief Executive Officer of the Corporation
- Powers delegated to various Board committees of the Corporation
- Matters reserved for final decision-making or pre-approval by the Board
- The policies and practices of the Board in respect of matters such as corporate governance, declarations and conflict of interest, Board meeting documentation and procedures and the nomination, appointment, induction, training and evaluation of directors and members of the Board Committees.

Board committees

The ECDC Board comprises four committees: Human Resources, Remuneration, Social and Ethics Committee; Funding and Investment Committee; Governance and Nominations Committee; and Audit, Risk and Compliance Committee.

Human Resources, Remuneration, Social and Ethics Committee (HRSEC)

The committee assists the Board in fulfilling its corporate governance responsibilities regarding remuneration, strategic human resources matters and ethics. The committee conforms to an approved code of conduct endorsed by the Board, good communication which alerts all employees to ethical standards, guidelines, and acceptable behaviour within the Corporation. The committee monitors and reports on the Corporation's activities regarding social and economic development, good corporate citizenship, environment, health and safety, consumer relations, and ethics.

During the year under review, two members of the Committee resigned, that is, Ms Koneti on 1 February 2023 and Ms Buthelezi on 1 March 2023.

Funding and Investment Committee (FINCO)

The committee seeks to assist the Board in discharging its duties. It provides oversight of financial policies, development investment policies and the financial condition of the Corporation in support of the Corporation's medium and long-range goals relating to funding, asset management, acquisitions, economic development, acquisition and disposal of non-core and or non-performing assets, subsidiary management, investments, financial sustainability and procurement.

Governance and Nominations Committee (GNC)

The committee is responsible for providing monitoring and governance oversight of Board performance appraisals, size, structure and composition, corporate governance framework, monitoring for the ECDC, directors' indemnity insurance, board succession planning, CEO performance management, subsidiaries, director development, annual reporting and planning for the annual general meeting.

Audit and Risk Committee (ARC)

The committee is a Board committee responsible for overseeing the Corporation's financial reporting, accounting, risk, compliance and internal auditing, internal control and financial reporting practices.

The committee consists of the members listed below. The committee meets at least four times a year. During the year under review, nine meetings were held. The committee membership structure changed on 3 May 2022 with the appointment of three independent members.

Board member meetings attendance

Name	Board	Audit, Risk & Compliance Committee (ARC)		Human Resources, Remuneration And Ethics (HRSEC)	Funding and Investment Committee (FINCO)	Governance & Nominations Committee (GNC)
	Meetings: 6	Meetings: 9	Ad-hoc: 3	Meetings: 8	Meetings: 4	Meetings: 3
Mr Jarana	6					3
Mr Somdyala	6				4	
Ms Cumming	6	7	3			
Ms Pietersen	6	7	3		4	
Ms Bono	6			7		
Ms Siko	6			8	3	
Dr Makamba	4			4		
Ms Buthelezi[1]	3			6	2	
Ms Koneti[2]	4			4	1	
Mr Tshangana*	4	9	3			2
Ms Smith*		8	2			
Mr Maphanga*		8	4			

[1]Withdrawn as shareholder representative on the Board on 1 February 2023
[2]Resigned from the Board on 1 March 2023
* Independent Committee Members

ENTERPRISE-WIDE RISK MANAGEMENT

The mandate for risk management at ECDC is derived from the Public Finance Management Act (PFMA), as a Schedule 3 (D) public entity. Section 51(1)(a)(i) of the PFMA require the accounting authority to ensure that a public entity has and maintains effective, efficient, and transparent systems of financial risk management and internal control.

ECDC has adopted an integrated Enterprise Risk Management (ERM) Policy Framework, not only to ensure compliance with the PFMA and Treasury Regulations, but also to ensure significant risks and related incidents are identified, documented, managed, monitored and reported in a consistent and structured manner across ECDC. Effective management of risk provides an essential contribution towards the achievement of ECDC's strategic and operational goals and objectives.

The Board of Directors has approved a risk appetite and tolerance framework which forms the basis of the extent to which ECDC tolerates risks as described by performance indicators, operational parameters and process controls to increase shareholders value. Risk tolerance levels assists management to make better informed business decisions, focus on risks that exceeds the risk appetite and to develop a culture where management is aware of the risks taken. Annually, the Corporation approves an Enterprise-Wide Risk Strategy and Plan to ensure that Risk management is embedded in all organisational activities.

There is a common understanding of our risks and how they are managed. The process to measure, control and monitor risks are clearly defined in the risk management practice and is being improved continuously.
The strategic risks are outlined as:

- Business risk: The possibility of lower than anticipated profits or experience a loss rather than making a profit
- Project implementation: Failure to deliver on projects as per expected quality standards, within budget and on time
- Service quality: Inability to deliver on the service quality expectations of customers, the shareholder, government entities, suppliers, business partners with regard to the ECDC's services and products (SERVQUAL model)
- Development risk: Inability to invest and deliver on key strategic socio-economic development sectors and priorities.

The Board has approved a Business Continuity Policy and Plan to ensure the management of the Business Continuity Risks such as critical skills and human resource capital, information technology and cybersecurity taken into consideration the impact of serious incidents and disasters, including inadequate processes, loss of people, lack of financial controls and resources and severe reputation damage that result in the ECDC being unable to recover over a short period and continue with its operations.

Information Technology Risks

The Audit, Risk and Compliance Committee assessed the impact of information technology risks on its functions by:

a) Reviewing the policies managing IT risks as these pertain to financial reporting and found these to be adequate.
b) Considering and reviewing the findings and recommendations of the Internal Audit
c) Monitoring and evaluating significant IT investments, delivery of services, IT governance and IT management.

Compliance with laws and regulations

The Corporation subscribes to strict adherence to all applicable legal prescripts and corporate governance practices, which include but are not limited to the Eastern Cape Development Act, 1997 (Act 2 of 1997), Public Finance Management Act, 1999 (Act 1 of 1999), Companies Act, 2008 (Act 71 of 2008), Labour Relations Act, 1995 (Act 66 of 1995), Basic Conditions of Employment Act, 1997 (Act 75 of 1997), Consumer Protection Act, 2008 (Act 68 of 2008) and National Credit Act, 2005 (Act 34 of 2005).

Furthermore, the Corporation has adopted a Promotion of Access to Information Act (PAIA)/ Protection of Personal Information Act (POPIA) Manual per the Promotion of Access to Information Act, 2000 (Act 2 of 2000) and the Protection of Personal Information Act, 2013 (Act 4 of 2013). The manual is available on the ECDC website.

Minimising conflict of interest

The Corporation's values are entrenched in an approved code of ethics which guides employee behaviour in all internal and external stakeholder relations. In instances where a non-executive director has any direct or indirect personal or private business interest, he/she must withdraw from the proceedings when the matter is considered by the Board or any of its committees unless the Board or any of its committees determines that a member's interest in the matter is trivial or irrelevant.

The Corporation requires all employees to sign "declaration of interest" forms annually before the commencement of the financial year. The annual declaration of interest register for the Board is noted at the beginning of the financial year or as and when a revised declaration of interest is submitted to the company secretary.

Anti-Fraud, Corruption Prevention and Theft

The Corporation adopted a zero-tolerance approach to any activities associated with fraud, corruption or theft. The Corporation developed an Anti-Fraud, Corruption Prevention and Theft Policy as well as the Whistleblowing Policy. Further, the Corporation approved an Anti-Fraud, Corruption Prevention Strategy and Response Plan. These policies are reviewed annually to test their relevance and alignment with societal advancements and developments. These policies require the Corporation to have a Fraud and Ethics Hotline. These hotline details appear on the bottom page of each employee's email signature and all Supply Chain documentation, as well as the ECDC website. These initiatives ensure that all fraud and corruption risks are identified and mitigated.

Health, safety and environment

The Corporation strictly adheres to the Occupational Health and Safety Act, 1993 (Act 85 of 1993) to ensure a safe working environment for its employees and stakeholders. The Corporation always strives to integrate health and safety into all facets of its business activities and complies with the standards set out in the act. The Corporation was kept apprised of, and implemented the latest protocols and regulations for a safe and healthy work environment. There were no material incidents concerning occupational health and safety during the year under review.

Corporate social responsibility

In executing its strategy, and as a good corporate citizen, the Corporation recognises the need to have a direct and indirect impact on the environment, stakeholders, which include the employees and communities it serves. The Corporation takes pride in its initiatives that seek to advance employee empowerment, community development and preservation of the environment. During the year under review, the Corporation actively carried out the following programmes:

- The ECDC has adopted a shelter for children from troubled homes and those who recently lost their families and guardians. The adoption has been made for three years. The employees were encouraged to donate food and clothes for the children in the shelter.
- Career exhibitions: To encourage the youth's participation in the economic activities of the province and take advantage of the government's services and product offerings meant to develop entrepreneurs, the ECDC introduced entrepreneurship to learners, primarily focusing on those who, beyond matric, do not get an opportunity to further their studies. Mentoring sessions are held with the South African Youth Council and its branches across the province, with Amathole being the most active branch.
- A collaboration with the Cortex and Film hub was implemented in the financial year, where new technologies demonstrations were conducted in Mdantsane for high school learners. The ECDC mentored the students on using these technologies as entrepreneurs, joined by parents who needed information on the ECDC products and services.
- The ECDC joined the Survivor Season 9 production on a corporate social investment drive in rural schools in Peddie, handing over school uniforms and shoes and information about government services to the parents and community members participating in the MSME opportunities in the Survivor's shooting phase.

AUDIT RISK AND COMPLIANCE COMMITTEE REPORT

Mandate

The report is provided by the Audit Risk and Compliance Committee (ARC) in respect of the 2022/23 financial year of Eastern Cape Development Corporation (ECDC). The Audit, Risk and Compliance Committee's function is guided by a detailed charter informed by the relevant governance prescript and aligned to the business.

Purpose

The Audit, Risk and Compliance Committee's purpose is to assist the Board in discharging its duties relating to safeguarding assets, operating adequate systems, controlling and reporting processes, and preparing accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.

Overview

We are pleased to present our report for the financial year ending 31 March 2023 for the Audit, Risk and Compliance Committee 2023.

Audit, Risk and Compliance Committee Members

The Audit, Risk and Compliance Committee consists of the members listed below. According to the terms of reference, the committee must meet at least four times a year.

During the year under review, six meetings were held. The committee membership structure changed in May 2022 with the appointment of new independent Audit, Risk and Compliance Committee members.

Name	Position
Ms Tshangana	Independent Chairperson (appointment date 3 May 2022)
Ms Cumming	Board Member (appointed 22 February 2021)
Ms Pietersen	Board Member (appointed 22 February 2021)
Ms Smith	Independent Member (appointment date 3 May 2022)
Mr Maphanga	Independent Member (appointment date 3 May 2022)

Audit, Risk and Compliance Committee's Role and Responsibilities

The Audit, Risk and Compliance Committee is a committee of the Board. It has discharged its responsibilities related to the Corporation's accounting, internal auditing, internal control and financial reporting practices. The Audit, Risk and Compliance committee has formal terms of reference. It has regulated its affairs in compliance with these terms of reference and discharged its responsibilities according to them.

Effectiveness of internal control

During the year, the Audit Risk and Compliance Committee reviewed various internal auditor reports and the Audit Report on the Annual Financial Statements and Management Letter of the Auditor-General of South Africa.

The Audit, Risk and Compliance Committee noted these, and based on the outcome of such reviews and the information provided by Management, the Committee believes the internal controls of the Corporation were partially effective throughout the year under review.

Evaluation of annual financial statements and performance information

The Audit, Risk and Compliance Committee has:

- Reviewed and discussed the annual financial statements to be included in the annual report with the Auditor-General of South Africa.
- Reviewed the information on pre-determined objectives to be included in the annual report and noted the report by the Auditor-General of South Africa.
- Reviewed the quality and timeliness of the financial information availed to the Audit, Risk and Compliance Committee for oversight purposes during the year. The Corporation's performance in terms of finances and pre-determined objectives was reported at each Audit, Risk and Compliance Committee meeting.

The Audit, Risk and Compliance Committee believes the content and quality of quarterly reports prepared and issued by the Corporation during the year under review was of a good standard and notes the continued improvement from the previous year.

Internal audit

The Audit, Risk and Compliance Committee reviewed the activities of the internal audit function and has concluded:

- The function is effective, and there were no unjustified restrictions or limitations.
- The internal audit reports were reviewed at quarterly meetings, including its annual work programme, coordination with the external auditors, the reports of significant investigations and management's responses to issues raised in these reports.

In coordinating the assurance activities, the Audit, Risk and Compliance Committee reviewed the plans and work outputs of the external and internal audits concluded. It concluded that these activities adequately addressed the business's significant financial risks.

The Senior Manager: Internal Audit has direct access to the Audit, Risk and Compliance Committee chairperson and members. The Audit, Risk and Compliance Committee is also responsible for the assessment of the performance of the Senior Manager: Internal Audit, and the internal audit function.

For the year under review, the following audits were conducted for the ECDC:

#	Project name (emanating from 2022/2023)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Status
1	Audit of Predetermined Objectives - Quarterly 1	●				Completed
2	Audit of Predetermined Objectives - Quarterly 2		●			Completed
3	Audit of Predetermined Objectives - Quarterly 3			●		Completed
4	Audit of Predetermined Objectives - Quarterly 4				●	Completed
5	Debt Management Review (Property rentals and loans debtors) – Quarter 2		●			Completed
6	Debt Management Review (Property rentals and loans debtors) Quarter 4 **(follow up)**				●	Completed
7	Development Funding and Business Support (Loans, Imvaba, Jobs Fund) – administration (Q2)		●			Completed
8	Development Funding and Business Support (Loans, Imvaba, Jobs Fund) - **Physical verifications Q4**				●	Completed
9	Debt Write-Off (Development Funding – Loans)			●		Completed
10	Enterprise Risk Management (ERM)			●		Completed
11	Property Management (Vacancy Review – Q2)		●			Completed
12	Property Management Tenant Administration Review Q3)			●		Completed
13	Supply Chain Management (Quarter 2)		●			Completed
14	Supply Chain Management – (Quarter 4) (Follow-up Review)				●	Completed
15	Human Resources Management and Payroll		●			Completed
16	Human Resources Management and Payroll (Follow-up)				●	Completed
17	Project Management Review		●		●	Completed
18	Governance Review - Ethics				●	Completed
19	IT Governance Review				●	Out-sourced - Quarter 4 (Complete)
20	AG Audit Improvement Plan	●	-	●	●	Completed

#	Project name (emanating from 2022/2023)	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Status
21	Management and Audit, Risk and Compliance Committee adhoc reviews, including various whistleblowing reports:					
	21.1) Budget Review (Audit, Risk And Compliance Committee) – Q1	●				Various
	21.2) AFS High-level Review – Q1	●				Various
	21.3) Annual Report Consolidation (AOPO) – Q1	●				Various
	21.4) Internal Audit Report - Disclosure 331535 – Q1	●				Various
	21.5) Internal Audit Report into Disclosure Report 825042 – Q1	●				Various
	21.6) Office of the Public Protector (Review allegation) Q2 Report		●			Various
	21.7) Disclosure report 842422 (Quarter 2)		●			Various

Legal and compliance

The Audit, Risk and Compliance Committee received quarterly reports to ensure that the Corporation operates within the legal framework to evaluate the legal and regulatory requirements and the impact that these may have on the financial statements.

The Audit, Risk and Compliance Committee confirms that its meetings were attended by the Corporation's internal legal resource, who provided the feedback to ensure the compliance and legal obligations were met. Compliance monitoring system is still being developed.

Auditor-General of South Africa

Considering the audit outcome, the Audit and Risk Committee interacted with the Auditor-General of South Africa during the planning, scoping and review of the statements and performance information before the submission and the post-audit.

We take note of the Auditor-General of South Africa's report and opinion. The Committee note the items raised as matters of emphasis in the Audit Report regarding contingently liabilities as it relates to outstanding municipal bills as well as the write off of irrecoverable debts. Furthermore, the Committee takes note of the area of misstatement on the annual performance report, which was corrected by management as well as the non-compliance to section 51 (1) (b) (i) relating to revenue management. The Audit, Risk and Compliance Committee is satisfied with the outcome of the audit conducted by the Auditor General South Africa (AGSA).

V Tshangana
Chairperson of the Audit, Risk and Compliance Committee
Eastern Cape Development Corporation

DIRECTORS' **REPORT**

The directors are pleased to present their report and the audited financial statements for the year ended 31 March 2023. The Corporation is established by the Eastern Cape Development Corporation Act, 1997 (Act 2 of 1997). It is listed in Schedule 3 D of the Public Finance Management Act, 1999 (Act 1 of 1999) (the PFMA) as a Provincial Government Business Enterprise.

Shareholding

The Provincial Government of the Eastern Cape is the sole shareholder represented by the Member of the Executive Council of the Department of Economic Affairs and Tourism.

Directors

The Board's composition and a summarised curriculum vitae of each director are set out in the Corporate Governance Report.

Accounting policies

The accounting policies disclose that judgements made by management and supported by the Board in the application of IFRIS that have a significant impact on the annual financial statements.

Critical judgments and estimations made in applying the accounting policies.

Judgements made by management and supported by the Board in the application of IFRIS that have a significant impact on the annual financial statements are disclosed in the accounting policies.

Authorised and issued share capital

The authorised share capital of the Corporation remained unchanged at R1 billion-rand worth of ordinary shares. The Corporation issued R427 589 674 million worth of ordinary shares to the Provincial Government of the Eastern Cape (Department of Economic Development, Environmental Affairs and Tourism). The issued share capital comprises 213 794 837 million "A" shares of R1 each and 213 794 837 million "B" shares of R1 each.

Divisions, subsidiaries and associate companies

A detailed list of subsidiaries and associate companies is contained in the supplementary information to the annual financial statements.

Dividends

No dividends were declared or paid to shareholders during the year.

Judicial proceedings

The annual financial statements include a best estimate of expected settlement costs for judicial proceedings entered into by the ECDC, as either defendant or plaintiff, where the outcome can be assessed with reasonable certainty. These estimates consider the legal opinions obtained from the Corporation and the group. The contingent liabilities of the group have been disclosed in note 1.18 of the annual financial statements.

Post balance sheet events review

There are no post balance sheet events relating to the year under review.

Going concern

Having reviewed the Corporation's cash flow forecast for the year 2023 and, in the light of this review and current financial position, the directors are satisfied that the Corporation has, or has access to, adequate resources to continue its operational existence for the future. However, particular note must be taken of note 43 of the financial statements.

Remuneration philosophy

The ECDC continues to regard its employees as the most valued asset of the business. The Human Resources Strategy remains one of the pillars of the ECDC strategy and provides the framework for addressing HR challenges. The HR Strategy remains focused on providing the right skills in the right place at the right time to support the ECDC's business objectives.

The ECDC recognises that remuneration is a business issue, not purely a human resources issue, as it directly impacts operational expenditure, organisational culture, employee behaviour and ultimately, the financial sustainability of the Corporation.

As such, the ECDC's approach to reward is consistent with its objectives and strategic value drivers. Accordingly, the ECDC remuneration philosophy aims to:

- Increase productivity by ensuring that individuals, teams are recognised and rewarded for sustained superior performance while managing the total cost of employment
- Compete effectively in the labour market and recruit and retain high calibre staff
- Establish reward as a strategic driver of performance to encourage and promote continuous improvement at a personal, corporate and unit level
- Attract, motivate and retain skilled personnel to enable the Corporation to maintain a competitive edge over its competitors;
- Commensurate pay to performance.

Director fees

Fees were paid to directors for Board, sub-committee and ad hoc attendance during the financial year under review. These are set out below:

Name	Board	ARC	HRSEC	FINCO	GNC	Ad hoc	TOTAL
Mr Jarana	R79,125.00				R29,012.50	R138,468.75	R246 606.25
Mr Somdyala	R63,300.00			R39,562.50	R15,825.00	R68,575.00	R187,262.50
Ms Cumming	R47 475.00	R52 750.00				R52,750.00	R152,975.00
Ms Pietersen	R47 475.00	R42, 200		R21,100		R55 387.50	R166,162.50
Ms Bono	R47,475.00		R42,200.00			R55,387.50	R145,062.50
Ms Siko	R47,475.00		R47,475.00	R15,825.00		R39,562.50	R150,337.50
Dr Makamba*	R0		R0			R5,275.00	R5,275.00
Ms Buthelezi*	R0		R0				R0
Ms Koneti*	R0		R0				R0
Mr Tshangana*	R21 100	R89 675			R10 550	R31 650	R152 975
Ms Smith*		42 200				R10 550	R52 750
Mr Maphanga*		R42 650				R21 100	R63 750
Total	**R353.425,00**	**R269.475,00**	**R89.675,00**	**R76,487.50**	**R55.387,50**	**R478.706,25**	**R1.323.156,25**

*Dr Makamba, Ms Koneti, Ms Buthelezi employed in the public sector – no fees payable.
*Mr Tshangana, Ms Smith, Mr Maphanga independent members of ARC Committee.

UNIT MANDATE AND OPERATIONAL OVERVIEW

The purpose of the Human Resources function is to continuously provide integrated human capital solutions to the ECDC with a passion for quality and customer service excellence. It also ensures organisational development, consultation, transformation and innovation by promoting good governance and transparent processes.

The Unit mandate was achieved through partnerships with businesses and by managing spend using the available resources to meet current and future business needs. It is crucial for the ECDC to create a cadre of competent, informed and motivated employees who are infused with execution-based values so that the Corporation can deliver on its strategy and provide superior customer service.

HUMAN RESOURCE MANAGEMENT

Human Resources (HR) subscribes to the standards of the South African Board of People Practitioners and provides services related to strategic human resource management. The support and service solutions provided to employees and business units are future-oriented and solve business problems, talent management, risk management, workforce planning, learning and development, capacity-building, learning and development, performance management, reward and recognition, employee wellness, employment relations management and human resource service delivery.

Review of policies

The process of reviewing policies was completed during the year under review and Board approval was obtained in November 2022. The review of policies aims to increase employee effectiveness in the workplace and includes embedding performance management and ensuring employee well-being is given a high priority. Policy roadshows are planned for Q1 and Q2 of the 23/24 financial year.

Performance management

In the period under review, the human resources function has enhanced some innovative improvements in the HR Focus system to enforce maximum compliance to improve turnaround times and business processes for efficiency and effectiveness. Employees will continuously be orientated/trained on the HR Focus system improvements to ensure that everyone is on board, and that constant interaction with the service provider of the system is continuing to provide the necessary support.

Furthermore, HR continues to provide the required support to employees and managers to improve the embedment of a performance management culture whilst closely monitoring compliance by business units, impact on performance trends and realisation of organisational objectives.

Organisational development (Project Ikhwelo)

Organisational development (OD) aligns the organisational structure with objectives to improve efficiency and effectiveness.

The ECDC invited suitably qualified service providers to assist with planning, developing, and implementing organisational redesign and recommend people development interventions in alignment with the ECDC Reimagined Strategy, processes and systems. The service provider was appointed in January 2022.

During the year under review, engagements with various business units, staff and labour were held on the organisational development process. The Board approved the revised organisational structure on 26 August 2022. A total of 85 new positions were identified and costed, with new role profiles being crafted. Placement Committees (for Management and roles below Management), as well as People Placement Principles were developed to facilitate the matching and placing of individuals into the new organisational structure. All employees have been successfully placed into the new structure.

The Culture Transformation Process formed part of the Organisational Development process and included an organisation-wide survey and focus groups resulting in developing a culture transformation strategy and implementation plan. Roadshows to create awareness about the survey, outcomes and implementation plan will be held during Q1 and Q2 of the new financial year.

Employee Health and Wellness Programme (EWP)

During the period under review, 26 cases of wellness-related issues were managed in the ECDC employee workplace programme facilitated by iCAS. The majority of issues were psychosocial, financial and legal. The individual utilisation of the services at ECDC was around 24%, above the iCAS average for comparable organisations in the public sector of 7,5%. This suggests that the EWP has been widely accepted as a support and counselling service by staff and their dependents.

Category	Actual
STAFF ESTABLISHMENT	245
Less actual positions filled	152
Vacant positions	93
Vacancy rate	37.9%

STAFF **PROFILE**

Staff profile as of 31 March 2023 is illustrated in the table below:
Staff establishment profile

Category	Actual
Permanent employees at the start of the period – (1 April 2022)	110
Contract employees at the start of the period – (1 April 2022)	40
Add: recruitment permanent	2
Add: contract employees	17
Add: Graduate Development Programme	27
Less	
Resignations	7
Deaths	0
Dismissals	2
Retirements	1
Permanent employees as at 31 March 2023	105
Contract employees as at 31 March 2023	47
Total employees at the end of period	152
TOTAL STAFF ESTABLISHMENT	245
Vacancy rate	37.9%
Graduate Development Programme	35

In the period under review, the ECDC's workforce comprised 152 contract and permanent employees. The vacancy rate is 37.9% in respect of the total staff establishment of 245. Several key positions have been filled in various units, such as properties and infrastructure management services, rural enterprise finance and business support, investment management, trade and investment promotion, economic development coordination and sector support, the CEO's office, and regional offices, to build capacity to enable delivery on the mandate and revised strategy.

EMPLOYMENT **EQUITY**

The Employment Equity Act aims to achieve workplace equity by promoting equal opportunity and fair treatment through employment by eliminating unfair discrimination. The primary intention of employment equity at the ECDC, therefore, is to ensure that there is equitable consideration of all population groupings when the demographic character of the Eastern Cape is considered. A comparison of the ECDC's employment equity profile is performed quarterly. The employment equity and skills development committee continued to review its current Employment Equity Plan recommendations for target setting and implementing the recruitment process. Employment equity is a long-term strategy with short and long-term objectives which will be implemented to address the identified gaps as measured against the employment equity targets of the Eastern Cape Economically Active Population (EAP) profile. The guiding principle of the strategy is to reflect the ECDC targets, which will be reported annually.

Employment equity across all gender and racial categories

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
National Eap	42.7%	5.2%	1.7%	5.1%	35.8%	4.4%	1.1%	4.0%	0	0	100%
Provincial Eap	42.3%	4.8%	0.5%	3.7%	40.1%	4.7%	0.3%	3.6%	0	0	100%
Total employees	31	1	2	4	61	2	0	4	0	(1)	105
ECDC EAP	29.2%	0.94%	1.9 %	3.8%	58%	1.89%	0	3.77%	0	0.94%	100%
Variance (Provincial EAP/ECDC)	13.1%	3.86%	-1.4 %	-0.1%	-17.9%	2.81%	0.3%	0.17%	0	0	0

Source: Stats SA - Labour Force Survey (December 2022)

The table above demonstrates that African and Coloured males across all occupational categories are under-represented compared to the provincial EAP targets. Efforts must be concentrated on attracting persons with disabilities and Indian females as they are under-represented.

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The table also reflects an over-representation of African females at 58%, which is 17.9% higher than the EAP, although they are still concentrated at the lower levels. There needs to be an improvement in the more senior categories for an even spread.

Employment equity numerical goals per occupational category

Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Unskilled and defined decision-making (Grade 2-6)									
Target	1	0	0	0	6	1	0	0	8
Actual	0	0	0	0	2	0	0	0	2
Variance	0	0	0	0	4	1	0	0	6
% Variance	**100%**	**0**	**0**	**0**	**66%**	**100%**	**0**	**0**	**75%**
Semi-skilled and discretionary decision-making (Grade 7-9)									
Target	20	2	0	1	28	2	1	1	55
Actual	2	0	0	0	0	0	0	0	2
Variance	18	2	0	1	28	2	1	1	53
% Variance	**90%**	**100%**	**0**	**100%**	**100%**	**100%**	**100%**	**100%**	**96%**
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (10-13)									
Target	30	3	2	7	36	2	1	5	86
Actual	12	0	0	1	38	1	0	1	53
Variance	18	3	2	6	-2	1	1	4	33
% variance	60%	100%	100%	85%	6%	50%	100%	80%	39%
Professionally qualified and experienced specialists and mid-management (14 -16)									
Target	16	2	3	4	11	2	2	1	41
Actual	12	0	1	2	16	0	0	1	32
Variance	4	2	2	2	5	2	2	0	9
%Variance	**25%**	**100%**	**66.6%**	**50%**	**45%**	**50%**	**100%**	**0%**	**21%**
Senior top management (Grade 17-19)									
Target	6	2	2	3	4	1	1	2	21
Actual	3	1	0	0	5	1	0	2	12
Variance	3	1	2	3	-1	0	1	0	9
% Variance	**50%**	**50%**	**100%**	**100%**	**-25%**	**0%**	**100%**	**0%**	**42%**
Top management (20-25)									
Target	2	1	1	1	3	0	1	0	9
Actual	2	0	1	1	0	0	0	0	4
Variance	0	0	0	0	3	0	1	0	5
% Variance	**0%**	**100%**	**0%**	**0%**	**100%**	**0%**	**100%**	**0%**	**55%**

Occupational levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
TOTAL									
Target	75	10	8	16	88	8	6	9	220
Actual	31	1	2	4	61	2	0	4	105
Variance	44	9	6	12	27	6	6	5	115
% Variance	58%	90%	75%	75%	30%	75%	100%	55%	52%
Employees with disabilities	0	0	0	0	0	1	0	0	1
Grand total (est)	**75**	**10**	**8**	**16**	**88**	**8**	**6**	**9**	**220**

The above table illustrates the number of employees against the equity targets as per the old staff establishment (the new staff establishment is now 245 as per the organisational development process). It also demonstrates the variance between numerical goals that need to be achieved by 2025 as per the current plan.

Employment equity representation across all occupational categories

Occupational categories (and grade)	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management (20-25)	2	0	1	1	0	0	0	0	4
Senior management (17-19)	3	1	0	0	5	1	0	2	12
Professionally qualified and experienced specialists and mid-management (14 -16)	12	0	1	2	16	0	0	1	32
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (10-13)	12	0	0	1	38	1	0	1	53
Semi-skilled and discretionary decision making (7-9)	2	0	0	0	0	0	0	0	2
Unskilled and defined decision making (2-6)	0	0	0	0	2	0	0	0	2
TOTAL PERMANENT	**31**	**1**	**2**	**4**	**61**	**2**	**0**	**4**	**105**
Persons with disabilities	**0**	**0**	**0**	**0**	**0**	**(1)**	**0**	**0**	**(1)**
Fixed-term contracts	**23**	**2**	**0**	**1**	**20**	**0**	**0**	**1**	**47**
TOTAL EMPLOYEES	**54**	**3**	**2**	**5**	**81**	**2**	**0**	**5**	**152**

The table above illustrates the number of employees across the various occupational categories, gender and racial categories. It further illustrates the actual number of the ECDC employees across various occupational levels and the nature of employment.

STAFF DEVELOPMENT AND EMPLOYEE RELATIONS

Skills Development

Skills development is essential for employees to excel in their personal and team roles and functions and deliver on the organisation's strategy.

The Workplace Skills Plan (WSP) and Annual Training Report (ATR) were submitted annually to the Services SETA by 30 April 2022. The training programmes were clustered and estimates for each programme were sought from various service providers. Common training programmes identified include:
- Project management
- Report writing
- Rental collection
- Due diligence
- Presentation skills.

Young Professionals Graduate Development Programme

The Eastern Cape Development Corporation (ECDC) implemented the Graduate Development Programme as part of its contribution to skills development initiatives as expressed in the National Skills Development Strategy (NSDS III), National Growth Plan (NGP), Provincial Growth Development Strategy (PGDS) and the National Development Plan, (NDP) Vision 2030.

The objective is to attract unemployed graduates to participate in the programme, providing them with valuable work experience and increasing their employment opportunities. The programme is fully structured, and the ECDC pays the successful graduates a monthly stipend/allowance for 24 months. Thirty-five graduates have been recruited and placed in various departments and regional offices.

Employee relations

The Central Negotiations Forum at the ECDC aims to maintain and enhance industrial peace, promote sound relations between the union and management, and prevent disputes from arising by monitoring and implementing wage agreements, conditions of employment and all matters of mutual interest to employers and employees.

The Wage Agreement between the ECDC and National Education, Health and Allied Workers' Union (NEHAWU) for the financial year commencing on 1 April 2022 and ending on 31 March 2023 was signed on 10 October 2022. The 4% across-the-board increment for the Bargaining Unit was effected in November 2022 retrospectively, and the 3% adjustment for managerial staff was effected in November 2022.

Two disciplinary matters involving an enquiry or act of misconduct were investigated. One formal disciplinary hearing is still in progress.

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PFMA COMPLIANCE REPORT

IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND MATERIAL LOSSES

- Irregular expenditure

a) Reconciliation of irregular expenditure

Description	2023	2022
Opening balance	3 106	15 968
Add: Irregular expenditure confirmed	558	1 344
Less: Irregular expenditure condoned	0	(14 206)
Less: Irregular expenditure not condoned and removed	0	0
Less: Irregular expenditure recoverable	0	0
Less: Irregular expenditure not recovered and written off	0	0
Closing balance	3 664	3,106

A number of the investigations relating to irregular expenditure are still in progress and further action or request for condoning of expenditure will be submitted once the internal processes are finalised.

Reconciling notes

Description	2023	2022
Irregular expenditure that was under assessment in 2022	3 106	1 762
Irregular expenditure that relates to 2022 and identified in 2023	0	0
Irregular expenditure for the current year	558	1 344
Total	3 664	3 106

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

Description	2023	2022
Irregular expenditure under assessment	1762	1 762
Irregular expenditure under determination		
Irregular expenditure under investigation	1 902	1 344
Total	3 664	3 106

c) Details of current and previous year irregular expenditure condoned

Description	2023	2022
Irregular expenditure condoned	0	(14 206)
Total	0	(14 206)

Submissions to the value of R1,762 million have been made to Provincial Treasury for condoning the irregular expenditure incurred during 2021 and these are being evaluated.

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

Description	2023	2022
Irregular expenditure NOT condoned and removed	0	0
Total	0	0

e) Details of current and previous year irregular expenditure recovered

Description	2023	2022
Irregular expenditure recovered	0	0
Total	0	0

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

Description	2023	2022
Irregular expenditure written off	0	0
Total	0	0

Additional disclosure relating to Inter-Institutional Arrangements

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

Description
There are no inter-institutional arrangements which have resulted in irregular expenditure being incurred.

[3] Group similar items

[4] Total unconfirmed irregular expenditure (assessment), losses (determination), and criminal conduct (investigation)

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

Description	2023	2022
No matters to report	0	0
Total	0	0

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

Description
Investigations for current year and prior year irregular expenditure is still in progress due to the nature of the investigations.

FRUITLESS AND WASTEFUL EXPENDITURE

a) Reconciliation of fruitless and wasteful expenditure

Description	2023	2022
Opening balance	301	0
Add: Fruitless and wasteful expenditure confirmed	0	301
Less: Fruitless and wasteful expenditure written off	0	0
Less: Fruitless and wasteful expenditure recoverable	0	0
Closing balance	301	301

The investigations relating to fruitless and wasteful expenditure is still in progress and further action or request for condoning of expenditure will be submitted once the internal processes are finalised.

Reconciling notes

Description	2023	2022
Fruitless and wasteful expenditure that was under assessment in 2022	301	0
Fruitless and wasteful expenditure that relates to 2022 and identified in 2023	0	0
Fruitless and wasteful expenditure for the current year	0	301
Total	301	301

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

Description	2023	2022
Fruitless and wasteful expenditure under assessment	0	0
Fruitless and wasteful expenditure under determination	0	0
Fruitless and wasteful expenditure under investigation	301	301
Total	301	301

c) Details of current and previous year irregular expenditure recovered

Description	2023	2022
Fruitless and wasteful expenditure recovered	0	0
Total	0	0

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

Description	2023	2022
Fruitless and wasteful expenditure written off	0	0
Total	0	0

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

Description	2023	2022
Investigations are still in progress and no disciplinary action has thus been taken. Such outcome will be determined by the final outcome of the investigations.		

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

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

Material losses through criminal conduct	2023	2022
Theft	0	0
Other material losses	0	0
Less: Recovered	0	0
Less: Not recovered and written off	0	0
Total	0	0

b) Details of other material losses

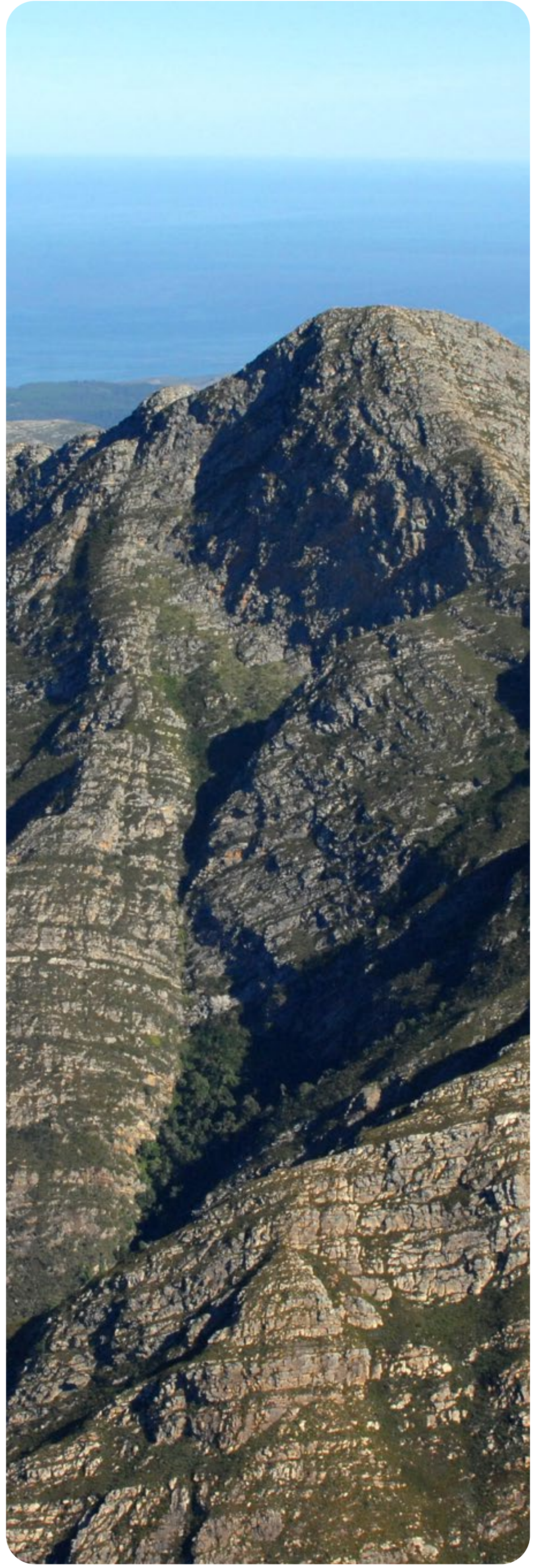
Nature of other material losses	2023	2022
(Group major categories, but list material items)	0	0
Total	0	0

c) Other material losses recovered

Nature of losses	2023	2022
(Group major categories, but list material items)	0	0
Total	0	0

d) Other material losses written off

Nature of losses	2023	2022
(Group major categories, but list material items)	0	0
Total	0	0



LATE AND/OR NON-PAYMENT OF SUPPLIERS

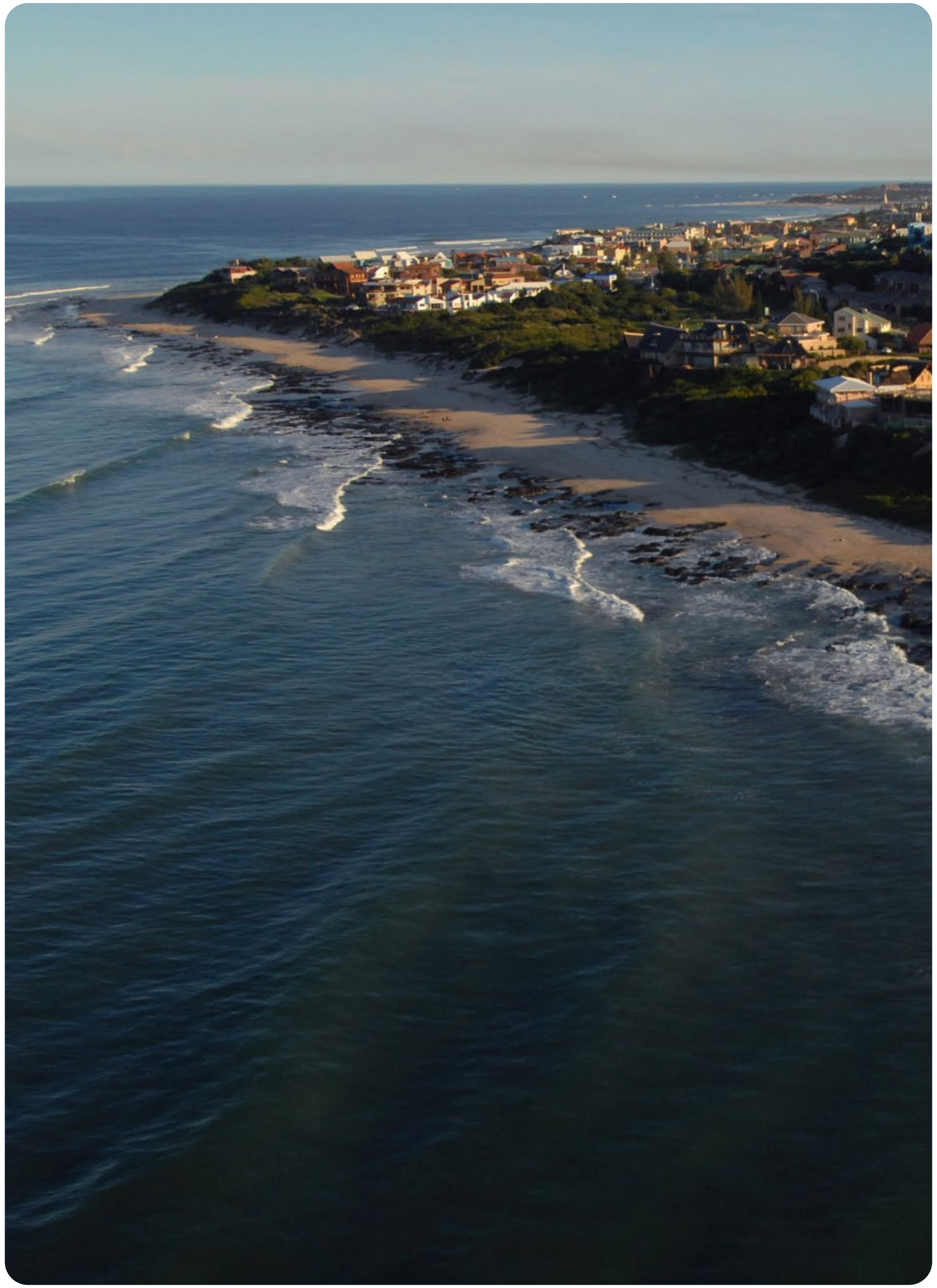
The ECDC does not have a formal system to track and monitor invoices for the whole year under review. Generally, invoices are paid within 30 days of receipt and are only delayed when there are queries on the amounts charged.

SUPPLY CHAIN MANAGEMENT

Procurement by other means

All procurement of goods and services are conducted in terms of the approved Supply Chain Management policy of the ECDC.

Project description	Name of supplier	Contract modification type (Expansion or Variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
Construction of Mbodla Heritage Village in Ngqushwa	Ukho Civils	V	ECDC/ELN/286/022021	R3 570 290.5	R 461 668.19	R 4 031 958.69
Turnkey Solution for the Interior Designing and Alterations of the ECDC Head Office 4th Floor and Reception Area	TCNO Architects	V	RFQ00841/2022	R 396 750.00	R 80 160.10	R476 910.10
Upgrading of R63/ R352 intersection and extension of R352 to Dimbaza Industrial Park.	Mpumalanga Construction (Pty) Ltd	V	ECDC/ELN/240/082020	R36 710 000.02	R1 798 646.75	R38 508 646.77
Provision of security services at various ECDC owned premises for a period of three (3) years at the East London Region	Whispers Events Management, Security, Cleaning and Training Solutions	V	ECDC/ELN/186/112019	R10 585 381.3	R 476 784.65	R11 062 165.95
Provision of security services at various ECDC owned premises for a period of three (3) years at the Mthatha Region	NA Security & Investigation	V	ECDC/ELN/186/112019	R3 014 180.58	R276 879.81	R3 291 060.39
Provision of Rental Office Space for ECDC in East London (InvestSA One Stop Shop)	Sthathu Funding (Pty) Ltd	E (2-year expansion of contract)	ECDC/ELN/30/052018	-	-	-
Total		R3 094 139.50				



FINANCIAL INFORMATION

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE
South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES
The ECDC is a Schedule 3D Provincial Government Business Enterprise, established in terms of the PFMA. Its mandate is obtained from the Eastern Cape Development Corporation Act 2 of 1997 and it operates as both a development finance institution as well as an economic development agency. Its principal activities involve the provision of financial and nonfinancial support to small, medium and micro enterprises, stimulation of economic growth, stimulation of job creation opportunities, promotion of imports, exports and investments and the promotion of economic development programmes for the Province.

REGISTERED OFFICE
ECDC House
Ocean Terrace Park, Moore Street
Quigney, East London
POSTAL ADDRESS
PO Box 11197, Southernwood, 5213
HOLDING DEPARTMENT
Department of Economic Development, Environmental Affairs and Tourism
AUDITORS
Auditor-General South Africa (Eastern Cape)
LEGAL FORM
Government Business Enterprise

INDEX

A report of the directors has not been prepared as the Group is a wholly owned subsidiary of the Department of Economic Development, Environmental Affairs and Tourism which is incorporated in South Africa.
The consolidated annual financial statements set out on pages 3 to 95, which have been prepared on the going concern basis, were approved by the board of directors on 31 July 2023 and were signed on its behalf by:

Chief Executive Officer
Mr A Wakaba

Board Chair person
Mr V Jarana

Report of the auditor-general to Eastern Cape Provincial Legislature on Eastern Cape Development Corporation

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Eastern Cape Development Corporation and its subsidiaries (the group) set out on pages 102-226, which comprise the consolidated and separate statement of financial position as at 31 March 2023, consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Eastern Cape Development Corporation as at 31 March 2023, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Eastern Cape Development Corporation Act 2 of 1997 (ECDC Act).

Basis for opinion

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

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

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

Emphasis of matters

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

Contingent assets and liabilities

7. As disclosed in note 36 to the consolidated and separate financial statements, which deals with contingent liabilities relating to overcharges on municipal costs. The entity is challenging these charges with the respective municipalities and no summons have been issued. The ultimate outcome of the disputes could not be determined and no provision for any liability that may result was made in the consolidated and separate financial statements.

Write-off

8. As disclosed in note 10 and 12 to the consolidated and separate financial statements, material losses of R72,3 million was incurred as a result of a write-off of loans and rental debtors.

Other matter

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

National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework

10. On 23 December 2022, the National Treasury issued Instruction Note 4 of 2022-23, which came into effect on 3 January 2023, in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA. The instruction note deals with the PFMA compliance and reporting framework and addresses, among others, the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure. Irregular expenditure and fruitless and wasteful expenditure incurred in prior financial years and not yet addressed no longer need to be disclosed in the disclosure notes to the annual financial statements. Only the current year and prior year figures are disclosed in note 45 to the financial statements of the Eastern Cape Development Corporation. Movements in respect of irregular expenditure and fruitless and wasteful expenditure also no longer need to be disclosed in the notes to the annual financial statements. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) is now included as part of the other information in the annual report of the department. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the consolidated and separate financial statements

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

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

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

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

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

Report on the audit of the annual performance report

15. In accordance with the Public Audit Act 26 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for selected strategic goals presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

16. I selected the following strategic goals presented in the annual performance report for the year ended 31 March 2023 for auditing. I selected strategic goals that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic goals	Page numbers	Impact
Strategic goal 1: Competitive and sustainable SMME sector that contributes to the socioeconomic development of EC	37-38	Improved inclusive provincial economy that contributes to a reduction in unemployment and poverty
Strategic goal 2: A growing and diversified and inclusive economy	38-39	

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

18. I performed procedures to test whether:

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

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

20. I did not identify any material findings on the reported performance information of the following strategic goals:

- Strategic goal 1: Competitive and sustainable SMME sector that contributes to the socioeconomic development of the Eastern Cape
- Strategic goal 2: A growing and diversified and inclusive economy

Other matters

21. I draw attention to the matters below.

Achievement of planned targets

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

Material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of strategic goal 1 and strategic goal 2. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

Report on compliance with legislation

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

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

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

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

Revenue management

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

Other information in the annual report

29. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report and the audit committee's report. The other information referred to does not include the consolidated and separate financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported on in this auditor's report.

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

31. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected strategic goals presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information and if I conclude that there is a material misstatement therein, I required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

33. Management did not ensure that adequate records were in place to support the processes and systems relating to the efficient and effective collection of revenue due to the corporation.

Auditor-General

East London
31 July 2023

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:
• the auditor-general's responsibility for the audit
• the selected legislative requirements for compliance testing.

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

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

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act No.1 of 1999 (PFMA)	Section 50(3) Section 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e) (iii) Section 52(b) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b) Section 57(d)
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c'); 29.2.1; 29.2.2;29.3.1 Treasury Regulation 31.1.2(c') Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act No.38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	Section 2.1(a); 2.1(b); 2.1(f)
PPPFA	Section 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1;4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; PPR 2017 Par.7.5 Paragraph 7.1;7.2; 7.3; 7.5; 7.6 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 4.1; 4.2;4.3; 4.4 Paragraph 5.1;5.2;5.3; 5.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.3; 4.4; 4.4 (c };4.4(d}
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9
NT Instruction note 4 of 2015/16	Paragraph 3.4
Second amendment of NTI 05 of 2020/21	Paragraph 4.8;4.9;5.1;5.3
Erratum NTI 5 of 202/21	Paragraph 1
Erratum NTI 5 of 202/21	Paragraph 2
NT instruction note 5 of 2020/21	Paragraph 5.1 and 53

Eastern Cape Development Corporation

Consolidated Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

		Group			Company		
Figures in Rand thousand	Note(s)	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *
Assets							
Non-Current Assets							
Property, plant and equipment	3	72 189	66 519	67 212	35 154	31 803	32 457
Right-of-use assets	4	1 440	1 656	30	19 588	3 378	4 029
Investment property	5	1 329 243	1 382 003	1 380 430	1 243 443	1 299 259	1 297 686
Intangible assets	6	637	729	121	534	683	-
Investments in subsidiaries	7	-	-	-	23 012	23 012	23 012
Investment in associate	8	17 457	17 077	14 762	-	-	-
Loans to group companies	9	-	-	-	36 713	33 751	31 487
Loans receivable (at amortised cost)	10	17 282	16 629	25 950	17 282	16 629	25 950
Investments at fair value	11	43 015	41 293	13 767	42 069	39 846	13 340
Deferred tax	13	739	-	-	-	-	-
		1 482 002	**1 525 906**	**1 502 272**	**1 417 795**	**1 448 361**	**1 427 961**
Current Assets							
Loans receivable (at amortised cost)	10	13 081	13 826	9 378	13 081	13 826	9 378
Trade and other receivables	12	31 079	29 235	27 923	29 710	34 369	32 767
Current tax receivable		-	98	178	-	-	-
Cash and cash equivalents	14	303 285	233 703	231 461	272 095	197 370	181 753
		347 445	**276 862**	**268 940**	**314 886**	**245 565**	**223 898**
Total Assets		**1 829 447**	**1 802 768**	**1 771 212**	**1 732 681**	**1 693 926**	**1 651 859**
Equity and Liabilities							
Equity							
Equity Attributable to Equity Holders of Parent							
Share capital	15	427 590	427 590	427 590	427 590	427 590	427 590
Reserves	16	425 886	419 115	398 331	419 706	415 385	394 601
Retained income		601 508	607 293	611 091	476 560	490 533	499 651
		1 454 984	1 453 998	1 437 012	1 323 856	1 333 508	1 321 842
Non-controlling interest		925	920	852	-	-	-
		1 455 909	**1 454 918**	**1 437 864**	**1 323 856**	**1 333 508**	**1 321 842**

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

		Group			Company		
Figures in Rand thousand	Note(s)	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *
Liabilities							
Non-Current Liabilities							
Loans from group companies	17	-	-	-	40 737	29 144	25 095
Lease liabilities	4	1 099	1 312	5	14 932	1 312	1 983
Retirement benefit obligation	18	26 574	26 749	27 864	26 574	26 749	27 864
Deferred income	20	5 681	1 065	1 105	-	-	-
		33 354	29 126	28 974	82 243	57 205	54 942
Current Liabilities							
Trade and other payables	21	85 546	77 961	110 492	81 321	75 226	95 247
Lease liabilities	4	465	436	30	4 945	2 414	2 419
Deferred income	20	206 104	192 642	146 167	192 697	177 954	129 790
Current tax payable		450	66	66	-	-	-
Other financial liabilities	19	47 619	47 619	47 619	47 619	47 619	47 619
		340 184	318 724	304 374	326 582	303 213	275 075
Total Liabilities		373 538	347 850	333 348	408 825	360 418	330 017
Total Equity and Liabilities		1 829 447	1 802 768	1 771 212	1 732 681	1 693 926	1 651 859

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2023

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand thousand	Note(s)	2023	2022 Restated *	2023	2022 Restated *
Revenue	22	106 066	101 311	96 792	93 213
Interest revenue	22	27 850	25 982	27 850	25 982
Gross profit		133 916	127 293	124 642	119 195
Government grants and Other operating income	24	348 648	306 080	301 602	287 433
Other operating gains (losses)	24	(5 261)	606	(4 603)	-
Other operating expenses	25	(476 851)	(456 582)	(427 935)	(434 475)
Operating profit (loss)	25	452	(22 603)	(6 294)	(27 847)
Investment income	28	15 757	7 979	18 484	10 452
Finance costs	29	(401)	(412)	(797)	(738)
Income from equity accounted investments	8	540	2 681	-	-
Other non-operating gains (losses)	30	(22 309)	9 022	(25 365)	9 022
Loss before taxation		(5 961)	(3 333)	(13 972)	(9 111)
Taxation	31	181	(435)	-	-
Loss for the year		(5 780)	(3 768)	(13 972)	(9 111)
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains (losses) on property revaluation		6 771	(481)	4 321	(481)
Gains on valuation of investments in equity instruments		-	21 265	-	21 265
Total items that will not be reclassified to profit or loss		6 771	20 784	4 321	20 784
Other comprehensive income for the year net of taxation	32	6 771	20 784	4 321	20 784
Total comprehensive income (loss) for the year		991	17 016	(9 651)	11 673
Loss attributable to:					
Owners of the parent		(5 785)	(3 836)	(13 972)	(9 111)
Non-controlling interest		5	68	-	-
		(5 780)	(3 768)	(13 972)	(9 111)
Total comprehensive income (loss) attributable to:					
Owners of the parent		986	16 948	(9 651)	11 673
Non-controlling interest		5	68	-	-
		991	17 016	(9 651)	11 673

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Statement of Changes in Equity for the year ended 31 March 2023

Figures in Rand thousand	Share capital	Revaluation reserve	Reserve for valuation of investments	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Group									
Opening balance as previously reported	427 590	12 239	1 827	384 265	398 331	597 244	1 423 165	852	1 424 017
Adjustments									
Prior year errors (refer to note 39)	-	-	-	-	-	13 847	13 847	-	13 847
Restated* Balance at 01 April 2021 as restated	**427 590**	**12 239**	**1 827**	**384 265**	**398 331**	**611 091**	**1 437 012**	**852**	**1 437 864**
Loss for the year	-	-	-	-	-	(3 836)	(3 836)	68	(3 768)
Other comprehensive income	-	(481)	21 265	-	20 784	-	20 784	-	20 784
Total comprehensive Loss for the year	**-**	**(481)**	**21 265**	**-**	**20 784**	**(3 836)**	**16 948**	**68**	**17 016**
Retained income remeasurement 2021/2022	-	-	-	-	-	38	38	-	38
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**38**	**38**	**-**	**38**
Opening balance as previously reported	427 590	11 758	23 969	384 265	419 992	607 293	1 454 875	920	1455 795
Adjustments									
Prior year adjustments (refer to note 39)	-	-	(877)	-	(877)	-	(877)	-	(877)
Balance at 01 April 2022 as restated	**427 590**	**11 758**	**23 092**	**384 265**	**419 115**	**607 293**	**1 453 998**	**920**	**1 454 918**
Loss for the year	-	-	-	-	-	(5 785)	(5 785)	5	(5 780)
Other comprehensive income	-	6 771	-	-	6 771	-	6 771	-	6 771
Total comprehensive Loss for the year	**-**	**6 771**	**-**	**-**	**6 771**	**(5 785)**	**986**	**5**	**991**
Balance at 31 March 2023	**427 590**	**18 529**	**23 092**	**384 265**	**425 886**	**601 508**	**1 454 984**	**925**	**1455 909**
Note(s)	15	16&32	16&32	16		32			

* See Note 39

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Statement of Changes in Equity for the year ended 31 March 2023

Figures in Rand thousand	Share capital	Revaluation reserve	Reserve for valuation of investments	Other NDR	Total reserves	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Company									
Opening balance as previously reported	427 590	8 509	1 827	384 265	394 601	485 804	1 307 995	-	1 307 995
Adjustments									
Prior year errors (refer to note 39)	-	-	-	-	-	13 847	13 847	-	13 847
Restated* Balance at 01 April 2021	**427 590**	**8 509**	**1 827**	**384 265**	**394 601**	**499 651**	**1 321 842**	**-**	**1 321 842**
Restated Loss for the year	-	-	-	-	-	(9 111)	(9 111)	-	(9 111)
Other comprehensive income	-	(481)	21 265	-	20 784	-	20 784	-	20 784
Total comprehensive Loss for the year	**-**	**(481)**	**21 265**	**-**	**20 784**	**(9 111)**	**11 673**	**-**	**11 673**
Retained Income remeasurement 2021/2022	-	-	-	-	-	(7)	(7)	-	(7)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**-**	**-**	**-**	**-**	**(7)**	**(7)**	**-**	**(7)**
Opening balance as previously reported	427 590	8 028	23 969	384 265	416 262	490 532	1 334 384	-	1 334 384
Adjustments									
Prior year errors (refer to note 39)	-	-	(877)	-	(877)	-	(877)	-	(877)
Balance at 01 April 2022 as restated	**427 590**	**8 028**	**23 092**	**384 265**	**415 385**	**490 532**	**1 333 507**	**-**	**1 333 507**
Loss for the year	-	-	-	-	-	(13 972)	(13 972)	-	(13 972)
Other comprehensive income	-	4 321	-	-	4 321	-	4 321	-	4 321
Total comprehensive Loss for the year	**-**	**4 321**	**-**	**-**	**4 321**	**(13 972)**	**(9 651)**	**-**	**(9 651)**
Balance at 31 March 2023	**427 590**	**12 349**	**23 092**	**384 265**	**419 706**	**476 560**	**1 323 856**	**-**	**1 323 856**
Note(s)	15	16&32	16&32	16		32			

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Statement of Cash Flows

Figures in Rand thousand	Note(s)	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *
Cash flows from operating activities					
Cash (used) in/ generated from operations	33	15 118	(12 852)	11 563	2 666
Interest income		15 578	7 970	14 536	6 305
Dividends received	28	179	207	-	-
Finance costs	29	(271)	(412)	(271)	(738)
Tax paid	34	(76)	(355)	-	-
Net cash generated (used) in operating activities		**30 528**	**(5 442)**	**25 828**	**8 233**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(2 750)	(2 824)	(2 554)	(2 553)
Proceeds from sale of property, plant and equipment	3	5	14	2	-
Purchases of investment property	5	(1 309)	-	(1 309)	-
Proceeds from sales of investment property	5	24 941	2 208	24 941	2 208
Purchases of intangible assets	6	(393)	(879)	(172)	(832)
Cash advanced in loans to group companies		-	-	-	(2 264)
Cash receipts on repayments of loans to group companies		-	-	986	-
Cash advanced in loans receivable (at amortised cost)		(47 765)	(34 711)	(47 765)	(34 711)
Cash receipts on repayments of loans receivable (at amortised cost)		66 778	44 145	66 778	44 145
Net cash (used) in generated from investing activities		**39 507**	**7 953**	**40 907**	**5 993**
Cash flows from financing activities					
Cash advances received on loans from group companies		-	-	11 593	4 049
Cash repayments on lease liabilities		(453)	(269)	(3 603)	(2 658)
Net cash from financing activities		**(453)**	**(269)**	**7 990**	**1 391**
Total cash movement for the year		**69 582**	**2 242**	**74 725**	**15 617**
Cash and cash equivalents at the beginning of the year		233 703	231 461	197 370	181 753
Cash and cash equivalents at the end of the year	14	**303 285**	**233 703**	**272 095**	**197 370**

Eastern Cape Development Corporation
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Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

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

1.1 Basis of preparation

The consolidated annual financial statements of the Eastern Cape Development Corporation have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these consolidated annual financial statements and the Public Finance Management Act (Act No.1 of 1999), as amended.

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

The consolidated annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

Functional and presentation currency

These consolidated annual financial statements are presented in Rand, which is the Group's functional currency. All amounts are rounded to the nearest thousand, unless otherwise indicated.

Underlying assumptions

The consolidated annual financial statements are prepared on the going concern basis, which assumes that the Corporation will continue in operation for the foreseeable future. The consolidated annual 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. The owners of the Group or others do not have the power to amend the audited financial statements after they have been published.

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.

Accounting Policies

1.1 Basis of preparation (continued)

Recognition of assets and liabilities

An asset, being a resource controlled by the corporation 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 Statement of Financial Position, 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 consolidated annual 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.
These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Accounting Policies

1.2 Consolidation (continued)

Adjustments are made when necessary to the consolidated annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Investment in associate

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. It generally accompanies a shareholding of between 20% and 50% of the voting rights.

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

Accounting Policies

1.3 Investment in associate (continued)

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

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

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

1.4 Investment property

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

Investment property is 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 recognised at cost, including transaction costs, and are subsequently stated at fair value determined by an independent sworn appraiser, every third year. Management reviews these valuations for reasonability and adjustments are made where it is deemed to be necessary.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value, determined by an independent sworn appraiser, every third year. Management reviews these valuations for reasonability and adjustments are made where it is deemed to be necessary.

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.

Accounting Policies

1.5 Property, plant and equipment

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

Owner-occupied properties are held for administrative purposes and are recognised and measured as property, plant and equipment.

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

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

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

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Land is not depreciated	Indefinite
Right-of-use-assets	Straight line	3-5 years
Furniture and fixtures	Straight line	6-10 years
Office equipment	Straight line	4-6 years
IT equipment	Straight line	3 years
Buildings	Straight line	25-50 years
Other property, plant and equipment	Straight line	5-6 years

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

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

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

Accounting Policies

1.6 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	1-5 years

Investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Accounting Policies

1.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

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. The corporation annual financial statements are reflected under the "Company headings" in the statements.

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.

1.8 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.

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Accounting Policies

1.8 Investments in associates (continued)

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

1.9 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are debt instruments

Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or

Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify at amortised cost or at fair value through other comprehensive income); or

Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Eastern Cape Development Corporation
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Accounting Policies

1.9 Financial instruments (continued)

Financial assets which are equity instruments

- Mandatorily at fair value through profit or loss; or
- Designated at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial liabilities
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a Group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 40 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

Loans receivable at amortised cost

Classification

Loans advanced and trade receivables are classified as financial assets and are subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

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Accounting Policies

1.9 Financial instruments (continued)

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 28).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:
- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, however it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Accounting Policies

1.9 Financial instruments (continued)

Definition of default

For purposes of internal credit risk management, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The Group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then Grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The Grouping is regularly reviewed by management to ensure the constituents of each Group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Accounting Policies

1.9 Financial instruments (continued)

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 40).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 12).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 28).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:
- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Accounting Policies

1.9 Financial instruments (continued)

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 12.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 25).

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 12) and the financial instruments and risk management note (note 40).

Accounting Policies

1.9 Financial instruments (continued)

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 11. The Group has elected to measure certain investments in equity instruments at fair value through other comprehensive income.

Other unlisted investments are stated at fair value through profit or loss. Fair value gains or losses recognised on investments at fair value through profit or loss are included in other non-operating gains (losses).
The classification as investment is determined by the intention to keep the investment on a long term basis.

Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at cost. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income (and accumulated in equity in the reserve for valuation of investments) , depending on their classification. The valuation method of unlisted investments is based on either discounted free cash flows or earning before interest, tax, depreciation and amortisation.

Investments that are held to collect contractual cash flows or previously held to maturity are subsequently measured at amortised cost.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other non-operating gains (losses) (note 30).

Dividends received on equity investments are recognised in profit or loss when the Group's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 28).

Impairment

Certain investments in equity instruments are not subject to impairment provisions.

Investments in debt instruments at fair value through profit or loss

Borrowings and loans from related parties

Classification

Loans from group companies, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

1.9 Financial instruments (continued)

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 29.) Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 40 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 29).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 40 for details of risk exposure and management thereof.

Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities at amortised cost

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss.

When a financial liability is contingent consideration in a business combination, the Group classifies it as a financial liability at fair value through profit or loss.

The Group, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a Group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss.

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the Group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the Group's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised in profit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Reclassification

Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.
The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Accounting Policies

1.9 Financial instruments (continued)

Financial liabilities

Financial liabilities are not reclassified.

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.11 Leases

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

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

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

Accounting Policies

1.11 Leases (continued)

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

Group as lessee

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

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

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

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

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 26).

Accounting Policies

1.11 Leases (continued)

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 29).

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Group will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

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

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

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

Accounting Policies

1.11 Leases (continued)

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

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

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

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

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

Group as lessor

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

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

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

Operating leases

Lease payments from operating leases are recognised on a straight-line basis over the term of the relevant lease, or on another systematic basis if that basis is more representative of the pattern in which the benefits form the use of the underlying asset are diminished. Operating lease income is included in other operating income (note 24).

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

Modifications made to operating leases are accounted for as a new lease from the effective date of the modification. Any prepaid or accrued lease payments relating to the original lease are treated as part of the lease payments of the new lease.

Accounting Policies

1.12 Non-current assets (disposal groups) held for sale

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

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

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

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

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

1.13 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.

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Accounting Policies

1.14 Share capital and equity

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

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 recognized 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.

1.15 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.

Accounting Policies

1.15 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the Group is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Accounting Policies

1.16 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 to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from normal trading transactions of the entity.

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 recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or surplus already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

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

1.17 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods, services 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.

The Group recognises revenue from the following major sources:
- Interest on loans
- Administration and other fees

Accounting Policies

1.17 Revenue (continued)

Revenue from operating leases

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.

1.18 Key assumptions concerning the future and key sources of estimation

The consolidated annual financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and its interpretations adopted by the Accounting Practices Board. In the preparation of the consolidated annual financial statements, management has made judgements and estimates that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses, as set out below.

Credit impairment of loans and advances

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Provisions, contingent liabilities and contingent assets

Provisions

Provisions are recognised when:
- The Corporation has a present legal or constructive obligation as a result of past events.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- A reliable estimate of the obligation can be made.

Accounting Policies

1.18 Key assumptions concerning the future and key sources of estimation (continued)

Provisions are measured at the present value of expenditure expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Provisions are not recognised for future operating losses. The increase in the provision due to passage of time is recognised as interest expense.

Contingent liabilities

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurence or non-occurence of one or more uncertain future events not wholly within the control of the Group. The Group, in the ordinary course of business, enters into transactions that expose the Group to tax, legal and business risks. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes to achieve fair presentation.

Contingent assets

Contingent assets are disclosed where an inflow of economic benefits is probable. When the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

1.19 Interest bearing borrowing and 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, and
- 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.

1.20 Related Parties

The ECDC operates in an economic environment together with other entities directly or indirectly owned by the Eastern Cape government. Only parties within the provincial sphere of government will be considered to be related parties. Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the Board of Directors are regarded as key management per the definition of the standard.

Other related party transactions are also disclosed in terms of the requirements of IAS 24.

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Accounting Policies

1.21 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

a) PFMA, or
b) any provincial legislation providing for procurement procedures in that provincial government

National Treasury instruction note no. 4 of 2022/2023 requires the following:

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. The irregular expenditure register must also be updated accordingly.

If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Act or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Profit or Loss and Other Comprehensive Income and where recovered, it is subsequently accounted for as revenue in the Statement of Statement of Profit or Loss and Other Comprehensive Income.

1.22 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as income in the Statement of Profit or Loss and Other Comprehensive Income.

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Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact
• Initial application of IFRS 17 and IFRS 9 – Comparative information	01 January 2023	Unlikely there will be a material impact
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	Unlikely there will be a material impact

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

3. Property, plant and equipment

Group	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 565	-	4 565	4 565	-	4 565
Buildings	74 403	(13 760)	60 643	67 632	(13 082)	54 550
Furniture and fixtures	4 258	(2 828)	1 430	4 792	(3 553)	1 239
Motor vehicles	184	(184)	-	184	(184)	-
Office equipment	2 781	(2 247)	534	3 236	(2 413)	823
IT equipment	13 021	(8 020)	5 001	17 824	(12 512)	5 312
Other property, plant and equipment	826	(810)	16	1 952	(1 922)	30
Total	**100 038**	**(27 849)**	**72 189**	**100 185**	**(33 666)**	**66 519**

Group	2021		
	Cost or revaluation	Accumulated depreciation	Carrying value
Land	4 565	-	4 565
Buildings	68 183	(12 468)	55 715
Furniture and fixtures	4 775	(3 238)	1 537
Motor vehicles	184	(184)	-
Office equipment	3 271	(2 135)	1 136
IT equipment	15 119	(10 917)	4 202
Other property, plant and equipment	1 916	(1 859)	57
Total	**98 013**	**(30 801)**	**67 212**

Company	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3 265	-	3 265	3 265	-	3 265
Buildings	39 603	(13 760)	25 843	35 282	(13 082)	22 200
Furniture and fixtures	4 146	(2 767)	1 379	4 673	(3 498)	1 175
Motor vehicles	184	(184)	-	184	(184)	-
Office equipment	2 628	(2 171)	457	3 054	(2 330)	724
IT equipment	11 568	(7 371)	4 197	16 559	(12 143)	4 416
Other property, plant and equipment	814	(801)	13	1 940	(1 917)	23
Total	**62 208**	**(27 054)**	**35 154**	**64 957**	**(33 154)**	**31 803**

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

3. Property, plant and equipment (continued)

Company	2021		
	Cost or revaluation	Accumulated depreciation	Carrying value
Land	3 265	-	3 265
Buildings	35 833	(12 468)	23 365
Furniture and fixtures	4 668	(3 185)	1 483
Motor vehicles	184	(184)	-
Office equipment	3 089	(2 079)	1 010
IT equipment	14 017	(10 729)	3 288
Other property, plant and equipment	1 904	(1 858)	46
Total	**62 960**	**(30 503)**	**32 457**

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022	Group 2021	Company 2023	Company 2022	Company 2021

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	4 565	-	-	-	-	-	4 565
Buildings	54 550	-	-	-	6 771	(678)	60 643
Furniture and fixtures	1 239	493	(4)	1	-	(299)	1 430
Office equipment	823	21	-	1	-	(311)	534
IT equipment	5 312	2 236	(6)	-	-	(2 541)	5 001
Other property, plant and equipment	30	-	-	(2)	-	(12)	16
	66 519	2 750	(10)	-	6 771	(3 841)	72 189

Reconciliation of property, plant and equipment - Group - 2022

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	4 565	-	-	-	-	-	4 565
Buildings	55 715	-	-	8	(481)	(692)	54 550
Furniture and fixtures	1 537	28	-	(3)	-	(323)	1 239
Office equipment	1 136	12	(10)	2	-	(317)	823
IT equipment	4 202	2 784	(17)	2	-	(1 659)	5 312
Other property, plant and equipment	57	-	-	-	-	(27)	30
	67 212	2 824	(27)	9	(481)	(3 018)	66 519

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Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022	2021	2023	2022	2021

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group – 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Land	4 565	-	-	-	4 565
Buildings	56 324	-	-	(609)	55 715
Furniture and fixtures	1 694	75	(2)	(230)	1 537
Office equipment	414	1 388	-	(666)	1 136
IT equipment	583	3 941	-	(322)	4 202
Other property, plant and equipment	40	47	-	(30)	57
	63 620	**5 451**	**(2)**	**(1 857)**	**67 212**

Reconciliation of property, plant and equipment - Company - 2023

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Total
Land	3 265	-	-	-	-	-	3 265
Buildings	22 200	-	-	-	4 321	(678)	25 843
Furniture and fixtures	1 175	493	(5)	2	-	(286)	1 379
Office equipment	724	13	-	1	-	(281)	457
IT equipment	4 416	2 048	(4)	(2)	-	(2 261)	4 197
Other property, plant and equipment	23	-	-	(1)	-	(9)	13
	31 803	**2 554**	**(9)**	**-**	**4 321**	**(3 515)**	**35 154**

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company – 2022

	Opening balance	Additions	Transfers	Revaluations	Depreciation	Total
Land	3 265	-	-	-	-	3 265
Buildings	23 365	-	1	(481)	(685)	22 200
Furniture and fixtures	1 483	9	-	-	(317)	1 175
Office equipment	1 010	5	-	-	(291)	724
IT equipment	3 288	2 539	2	-	(1 413)	4 416
Other property, plant and equipment	46	-	-	-	(23)	23
	32 457	2 553	3	(481)	(2 729)	31 803

Reconciliation of property, plant and equipment - Company - 2021

	Opening balance	Additions	Transfers	Depreciation	Total
Land	3 265	-	-	-	3 265
Buildings	23 973	-	1	(609)	23 365
Furniture and fixtures	1 630	75	-	(222)	1 483
Office equipment	320	1 349	-	(659)	1 010
IT equipment	318	3 162	-	(192)	3 288
Other property, plant and equipment	40	35	-	(29)	46
	29 546	4 621	1	(1 711)	32 457

Revaluations

The Group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed every 3 years and in intervening years if the carrying amount of the land and buildings differs materially from their fair value.

The fair value measurements as of 31 March 2023 were performed by independent valuers not related to the Group. The valuers utilised by the Group are members of the Institute of Valuers and they have the appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.
Refer to note 41 for specific details regarding the valuation of the land and buildings. The carrying value of the revalued assets under the cost model would have been:

	-	-	-	-	-	-
Office Buildings	12 439	13 326	13 743	12 439	13 326	13 743
Other information						
Fully depreciated	2	4	4	2	4	4
property, plant and equipment still in use						

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

3. Property, plant and equipment (continued)

Details of property, plant and equipment

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Corporation and its respective subsidiaries.

4. Right of use assets / Leases (Group and company as lessee)

The Eastern Cape Development Corporation (ECDC) leases a property owned by a subsidiary, Cimvest SOC Ltd. The property is situated in East London and is utilised as the ECDC Head Office building. The lease has a five-year term, with a renewal date of 01 January 2027. A lease liability related to this lease has been recognised and measured at the present value of future lease payments, discounted at an incremental borrowing rate of 10.50%. There is no significant option for an extension or early termination included in the lease agreement, therefore this has not been included in the assessment of the lease term. The remaining lease period on the building without considering options to extend or terminate is 57 months.

ECDC Gqeberha region leases its property from SKG Africa (Pty) Ltd a company that is outside ECDC group. The building is used for office and administration purposes by the regional office of ECDC. The lease commenced on the 1st of June 2021 and it is for a period of 5 years. The lease was accounted for in terms of IFRS 16 .

The group also leases multi purpose office machines (copiers / printers). The terms for these leases range from three months to three years. These leases are short term and / or leases of low value items.

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

Group	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	1 982	(661)	1 321	3 506	(1 854)	1 652
Office equipment	140	(21)	119	130	(126)	4
Total	**2 122**	**(682)**	**1 440**	**3 636**	**(1 980)**	**1 656**

Group	2021		
	Cost	Accumulated depreciation	Carrying value
Buildings	-	-	-
Office equipment	130	(100)	30
Total	**130**	**(100)**	**30**

Company	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	21 210	(1 622)	19 588	12 138	(8 760)	3 378

Company	2021		
	Cost	Accumulated depreciation	Carrying value
Buildings	8 632	(4 603)	4 029

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

4. Right of use assets / Leases (Group and company as lessee) (continued)

Net carrying amounts of right-of-use assets

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

Buildings	1 321	1 652	-	19 588	3 378	4 029
Office equipment	119	4	30	-	-	-
	1 440	**1 656**	**30**	**19 588**	**3 378**	**4 029**

Additions to right-of-use assets

Buildings	-	1 982	-	19 228	1 982	-
Office equipment	139	-	-	-	-	-
	139	**1 982**	**-**	**19 228**	**1 982**	**-**

Depreciation recognised on right-of-use assets

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

Buildings	330	330	-	3 018	2 632	2 302
Office equipment	25	26	26	-	-	-
	355	**356**	**26**	**3 018**	**2 632**	**2 302**

Other disclosures

Interest expense on lease liabilities	130	98	3	526	437	574

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

4. Right of use assets / Leases (Group and company as lessee) (continued)

Lease liabilities

The current portion of the Group lease liability was increased by R30 thousand in the comparative year ended 31 March 2021 to be line with note 4 reflected below. The statement of financial position was amended to reflect short term portion of R30 thousand and the long-term portion was disclosed as R5 thousand. The impact remains the same on the statement of financial position as this entry is just a reclassification between short term and long term. This entry only affects the Group financials as there was no amendment at company level.

The maturity analysis of lease liabilities is as follows:

Within one year	510	436	31	4 945	2 500	2 759
Two to five years	1 101	1 599	5	20 433	1 599	2 069
	1 611	2 035	36	25 378	4 099	4 828
Less finance charges component	(47)	(287)	(1)	(5 501)	(373)	(426)
	1 564	**1 748**	**35**	**19 877**	**3 726**	**4 402**
Non-current liabilities	1 099	1 312	5	14 932	1 312	1 983
Current liabilities	465	436	30	4 945	2 414	2 419
	1 564	**1 748**	**35**	**19 877**	**3 726**	**4 402**

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

5. Investment property

Group	2023			2022		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	1 329 243	-	1 329 243	1 382 003	-	1 382 003

Group	2021		
	Valuation	Accumulated depreciation	Carrying value
Investment property	1 380 430	-	1 380 430

Company	2023			2022		
	Valuation	Accumulated depreciation	Carrying value	Valuation	Accumulated depreciation	Carrying value
Investment property	1 243 443	-	1 243 443	1 299 259	-	1 299 259

Company	2021		
	Valuation	Accumulated depreciation	Carrying value
Investment property	1 297 686	-	1 297 686

Reconciliation of investment property - Group - 2023

	Opening balance	Additions	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 382 003	1 309	(19 137)	(10 400)	(24 532)	1 329 243

Reconciliation of investment property - Group – 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	1 380 430	(2 208)	3 781	1 382 003

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

5. Investment property (continued)

Reconciliation of investment property - Group – 2021

	Opening balance	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 417 312	(83)	(36 576)	(223)	1 380 430

Reconciliation of investment property - Company – 2023

	Opening balance	Additions	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 299 259	1 309	(19 137)	(10 400)	(27 588)	1 243 443

Reconciliation of investment property - Company – 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	1 297 686	(2 208)	3 781	1 299 259

Reconciliation of investment property - Company – 2021

	Opening balance	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	1 334 568	(83)	(36 576)	(223)	1 297 686

Information on the Investment property portfolio

Investment properties are situated throughout the Eastern Cape Province, with the majority concentrated in the areas in and surrounding King Sabatha Dalindyebo, Mnquma, Buffalo City and Chris Hani Municipalities. The portfolio consists mainly of industrial, residential and commercial properties. Registers with details of each property are available for inspection at the registered office of the Corporation.

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

5. Investment property (continued)

Tribal land

The Investment properties include properties that are located on Tribal Land, where the Group has assumed "Permission to Occupy". The majority of these properties are situated on forestry estates and hotels on the Wild Coast.
The Group's right to occupy properties to the value of R31.5 million (2022: R74.9 million) (2021: R75.4 million) above, has not been reduced to writing. However, the Group has occupied these properties for a number of years and derives economic benefits from their use and assumes the risks and rewards that are substantially incidental to ownership.

There has been a significant decrease on the value of Tribal Land in the current year due to the valuations of 3 hotels namely, Wavecrest Hotel, Kobb Inn Hotel and Mazeppa Bay Hotel. The value, combined, declined from previous valuation with a total amount of R40,680 million. There were engagements with the valuators to ensure the accuracy of these figures, the Hotels were valued as a rental property and not as a hotel attributes, the decline is due to tourism challenges after Covid 19 Pandemic and Poor access (roads deteriorated substantially) and High maintenance costs (Ageing buildings and infrastructure).

The valuation method used to value these properties assumes that the Group has the right to occupy these properties and will receive economic benefits in perpetuity.

Invaded Investment Properties

A number of Investment Properties owned by the Eastern Cape Development Corporation in Mthatha have been invaded due to illegal occupation. The combined fair value of the affected properties in the current year is R125,215 million (2022: R133,316 million, 2021:R123,060 million).

There are 35 (2022: 32) properties invaded which have about 146 (2022: 138) lettable units. Consequently, the Corporation has lost potential income amounting to R68,875 million since the properties were invaded and the impact of the current year is R11,117 million (2022: R10,633 million). The calculations are based on the last rental billed on each unit.

The Eastern Cape Development Corporation promptly reported the matter to the relevant Law Enforcement Agencies where criminal cases were opened.

Disposals

The Investment properties with combined value of R19,137 million was disposed of as at 31 March 2023 financial year. The proceeds received from these sales amounted to R24, 941 million.

Derecognised – R10,400 million (2022: R9,780 million) which comprises of various ERF numbers 2319, 2340, 2341, 2351 and 110.

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

5. Investment property (continued)

These derecognitions were identified through the extensive exercise that ECDC engaged in to ensure revenue completeness. It was identified that even though these properties were in our Register they are not registered under ECDC name, and we also do not bill on them, we therefore do not have control of these properties. Investigations are being conducted with Public works to determine who the rightful owners are.

Other disclosures

The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the investment property being valued. The valuation company provides the fair value of the Group's investment portfolio every third year and at any time when suitable to dispose of a property.

Valuation of properties has been affected by the pandemic and therefore the value of property investments declined as compared to other years of valuation. 22% (2022:48.2%) of the investment property portfolio were valued for the year ended 31 March 2023.

The remainder were all valued within the 3-year cycle for external valuations in line with our accounting policy. Valuations of investment properties are performed by the professional valuers using a combination of income capitalisation, depreciated cost method and comparable sales, depending on the existing use of each individual investment property.

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Corporation.

Amounts recognised in profit and loss for the year

Rental income from investment property	(102 342)	(97 671)	(89 615)	(94 873)	(91 528)	(87 929)
Direct operating expenses from rental generating property	37 734	37 961	30 427	37 734	37 961	30 427
Direct operating expenses from non-rental generating property	12 291	16 389	13 136	12 291	16 389	13 136
	(52 317)	**(43 321)**	**(46 052)**	**(44 848)**	**(37 178)**	**(44 366)**

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

6. Intangible assets

Group	2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1 288	(651)	637	5 302	(4 573)	729

Group	2021		
	Cost	Accumulated amortisation	Carrying value
Computer software	4 425	(4 304)	121

Company	2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1 029	(495)	534	5 105	(4 422)	683

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

6. Intangible assets (continued)

Company	2021		
	Cost	Accumulated amortisation	Carrying value
Computer software	4 274	(4 274)	-

Reconciliation of intangible assets - Group – 2023

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	729	393	(3)	(482)	637

Reconciliation of intangible assets - Group - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	121	879	(271)	729

Reconciliation of intangible assets - Group - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	96	146	(121)	121

Reconciliation of intangible assets - Company - 2023

	Opening balance	Additions	Transfers	Amortisation	Total
Computer software	683	172	(1)	(320)	534

Reconciliation of intangible assets - Company - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	-	832	(149)	683

Reconciliation of intangible assets - Company - 2021

	Opening balance	Total
Computer software	-	-

Other information

Some of the computer software utilised by the Group in its operations has been fully amortised and is still in use and the carrying value of such assets as at 31 March 2023 is R1 (2022: R 31; 2021: R Nil).

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Figures in Rand thousand	Group 2023	Group 2022	Group 2021	Company 2023	Company 2022	Company 2021

7. Investments in subsidiaries

The following table lists the entities which are controlled directly by the company, and the carrying amounts of the investments in the company's separate financial statements.

Company

Name of company	Held by	% holding 2023	% holding 2022	% holding 2021	Carrying Amount 2023	Carrying Amount 2022	Carrying amount 2021
Automotive Industry Development Centre (Eastern Cape)	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	-	-	-
Centre for Investment and Marketing Authority in the Eastern Cape (NPC)	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	-	-	-
Cimvest (Pty) Ltd	Centre for Investment and Marketing Authority in the Eastern Cape (NPC)	100,00%	100,00%	100,00%	-	-	-
Transdev Properties SOC Ltd	Eastern Cape Development Corporation	100,00%	100,00%	100,00%	2	2	2
Transkei Share Investment SOC Ltd	Eastern Cape Development Corporation	98,00%	98,00%	98,00%	23 010	23 010	23 010
					23 012	23 012	23 012

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Group 2021 Restated *	Company 2023	Company 2022 Restated *	Company 2021 Restated *

8. Investment in associate

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

Group

Name of company	Held by	% ownership interest 2023	% ownership interest 2022	% ownership interest 2021	Carrying amount 2023	Carrying amount 2022	Carrying amount 2021 amount 2021
%							
	interest						
Mthatha Hotel (Pty) Ltd	Transkei Share Investment SOC Ltd	40.00 %	40.00 %	40.00 %	15 291	14 859	12 712
Mthatha Hotel (Pty)	Ltd Development Eastern Cape Corporation	9.95 %	9.95 %	9.95 %	2 166	2 218	2 050
					17 457	17 077	14 762

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income	Mthatha Hotel (Pty) Ltd 2023	2022	2021
Revenue	52 683	42 999	23 836
Other income and expenses	(51 388)	(39 099)	(24 181)
(Loss)/ profit for the year	1 295	3 900	(345)
Total comprehensive loss (income) for the year	1 295	3 900	(345)

Summarised Statement of Financial Position	Mthatha Hotel (Pty) Ltd 2023	2022	2021
Assets			
Non-current	14 419	15 812	18 890
Current	30 620	24 515	18 615
Total assets	45 039	40 327	37505
Liabilities			
Non-current	1 854	1 671	-
Current	5 232	1 999	5 612
Total liabilities	7 086	3670	5 612
Total net assets	37 953	36 657	31 893

Reconciliation of the summarised financial information presented to the carrying amount	Mthatha Hotel (Pty) Ltd 2023	2022	2021
Opening carrying value	17 077	14 762	15 182
Share of OCI	540	2 681	(420)
Fair value adjustments	(160)	(366)	-
Carrying value of investment in associate	17 457	17 077	14 762

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Group 2021 Restated *	Company 2023	Company 2022 Restated *	Company 2021 Restated *

8. Investment in associate (continued)

Associates with different reporting dates

The end of the year of the Mthatha Hotel (Pty) Ltd (Associate) is 28 February of each year. Management of ECDC considered that the exercise to obtain financial statements as at 31 March of each year outweighs the benefits that will be derived from it. It was further considered that 1 month reporting difference between the Group and Mthatha Hotel will have immaterial impact on the overall Group reporting. We therefore report the results of the associate (Mthatha Hotel) as at February of each year without further adjusting their reported figures.

9. Loans to group companies

Subsidiaries

Centre for Investment and Marketing in the Eastern Cape (NPC) The loan bears interest at 5.25% (Up to 31 December 2022 and previous years: 13.85% per annum and is repayable on demand.	-	-	-	36 713	33 751	30 015
Transdev Properties (SOC) Limited The loan is unsecured, interest free and is payable on demand.	-	-	-	-	-	1 472
	-	**-**	**-**	**36 713**	**33 751**	**31 487**

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Group 2021 Restated *	Company 2023	Company 2022 Restated *	Company 2021 Restated *

10. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Loans receivable	124 776	183 423	183 209	124 776	183 423	183 209
Loss allowance	(94 413)	(152 968)	(147 881)	(94 413)	(152 968)	(147 881)
	30 363	**30 455**	**35 328**	**30 363**	**30 455**	**35 328**
Split between non-current and current portions						
Non-current assets	17 282	16 629	25 950	17 282	16 629	25 950
Current assets	13 081	13 826	9 378	13 081	13 826	9 378
	30 363	**30 455**	**35 328**	**30 363**	**30 455**	**35 328**

Exposure to credit risk

Loans receivable inherently exposes the Group to credit risk, being the risk that the Group will incur financial loss if counterparties fail to make payments as they fall due.

There has been no significant changes in the credit risk management policies and processes since the prior reporting period.

A credit loss allowance is recognised for loans receivable, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the credit loss allowance, loans receivable are written off when there is no reasonable expectation of recovery.

Impact on equity reserves

The Group is sensitive to the movement in the market interest rate and a sensitivity analysis technique that measures the estimated change in profit or loss of an instantaneous increase or decrease of 1% (100 basis points) in market interest rates from the applicable rate as at 31 March 2023 has been used.

Market interest rate changes may affect equity (capital) in either higher or lower profit resulting from higher or lower net interest income.

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

10. Loans receivable (continued)

Collateral value

The nature of the collateral available to the Group varies as it depends on the conditions of each loan, mainly it would be assets and liquid investments ceded to the Group. The estimated value of the collateral on loans advanced as at 31 March 2023 was R53,703 million (2022: R166,987 million).

Loan commitments

The value of loans that were approved and taken up but not yet fully disbursed at 31 March 2023 was R6,344 million (2022: R5,461 million).

Contractual amounts that were written off

During the current financial year, loans to the value of R54,622 million were written off.

The Expected Credit Loss allowance (ECL) is measured at an amount equal to 12-month expected credit losses. The balance of the credit allowances on the loans advanced as at 31 March 2023 is R94,413 million (2022: R152,968 million)

Impact on earnings

The table below shows the impact of earnings of a 100 bps up and down movement in market interest rates for the Group Loans receivable:

	100 basis point increase	100 basis point decrease
FY 2023	968	(968)
FY 2022	1 509	(1 509)
	2 477	**(2 477)**

Reconciliation of loss allowances
The following tables show the movement in the loss allowances for loans receivable.

	Group			Company		
Figures in Rand thousand	2023	2022	2021	2023	2022	2021
Opening balance	15 9682	147 881	130 384	152 968	147881	130384
Increase (decrease) in allowance	(3 933)	5 087	17 497	(3 933)	5087	17497
Write off	(54 622)	-	-	(54 622)	-	-
Subtotal	94 413	152 968	147 881	94 413	152968	147881
	94 413	**152 968**	**147 881**	**94 413**	**152968**	**147881**

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

11. Investments at fair value

Investments held by the Group which are measured at fair value, are as follows:

Mandatorily at fair value through profit or loss:						
Listed shares	2 470	3 130	2 512	-	-	-
Unlisted shares	16 632	14 250	8 608	18 156	15 933	10 693
Equity investments at fair value through other comprehensive income:						
Unlisted shares	23 913	23 913	2 647	23 913	23 913	2 647
	43 015	**42 170**	**13 767**	**42 069**	**40 723**	**13 340**

Equity instruments at fair value through other comprehensive income

Certain investments in equity instruments have been designated, at initial recognition, as at fair value through other comprehensive income. The reason for this designation as opposed to fair value through profit or loss, is to avoid the effect of volatilities in the fair values of the investments from impacting profit or loss.

The specific investments which are measured at fair value through other comprehensive income are as follows:

Investments held at reporting date – Group

	2023 Fair value	2023 Dividends received	2022 Fair value	2022 Dividends received	2021 Fair value	2021 Dividends received
Singisi Forest Products (Pty) Ltd	23 913	-	23 913	-	2 647	-

Investments held at reporting date – Company

	2023 Fair value	2023 Dividends received	2022 Fair value	2022 Dividends received	2021 Fair value	2021 Dividends received
Singisi Forest Products (Pty) Ltd	23 913	-	23 913	-	2 647	-

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

12. Trade and other receivables

Financial instruments:						
Rental receivables	451 111	420 719	363 914	448 353	417 969	361 646
Accrued income	-	-	636	-	-	-
Loss allowance	(434 341)	(404774)	(358 080)	(434 304)	(404 747)	(358 080)
Rental receivables at amortised cost	16 770	15 945	6 470	14 049	13 222	3 566
Deposits	30	30	78	-	-	-
Other receivable	13 216	6 075	11 955	14 800	21 147	27 011
Non-financial instruments:						
VAT	129	7 129	9 394	-	-	2 190
Prepayments	934	56	26	861	-	-
Total rental and other receivables	**31 079**	**29 235**	**27 923**	**29 710**	**34 369**	**32 767**

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

12. Trade and other receivables (continued)

Split between non-current and current portions

Non-current assets	-	-	-	-	-	-
Current assets	31 079	29 235	27 923	29 710	34 369	32 767
	31 079	**29 235**	**27 923**	**29 710**	**34 369**	**32 767**

Categorisation of rental and other receivables

At amortised cost	30 016	22 050	18 503	28 849	34 369	30 577
Non-financial instruments	1 063	7 185	9 420	861	-	2 190
	31 079	**29 235**	**27 923**	**29 710**	**34 369**	**32 767**

Summary of movement in credit loss allowances

	Group			Company		
Figures in Rand thousand	2023	2022	2021	2023	2022	2021
Opening balance	404 774	358 080	311 665	404 747	358 080	311 630
Increase (decrease in allowance)	47 294	46 694	46 415	47 284	46 667	46 450
Write off – deceased tenants	(17 727)	-	-	(17 727)	-	-
Subtotal	434 341	404 774	358 080	434 304	404 747	358 080
	434 341	**404 774**	**358 080**	**434 304**	**404 747**	**358 080**

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

12. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

There has been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all rental receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, rental receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Rental receivables which have been written off are not subject to enforcement activities.

The Group measures the loss allowance for rental receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on rental receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the market as at the reporting date.

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

12. Trade and other receivables (continued)

Expected Credit Loss

The Group's Expected Credit Loss (ECL) for rental receivables as at 31 March 2023 is R 434,341 million (2022: R 404,774 million).

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments.

The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Expected credit loss rate:	2023 Estimated gross carrying amount at default	2023 Loss allowance (Lifetime expected credit loss)	2022 Estimated gross carrying amount at default	2022 Loss allowance (Lifetime expected credit loss)	2021 Estimated gross carrying amount at default	2021 Loss allowance (Lifetime expected credit loss)
Less than 3 months due: 0% (2022: 0%; 2021: 0%)	6 323	-	10 776	-	6 141	-
More than 3 months past due: 100% (2022: 100%, 2021: 100%)	1 301	(46)	808	(808)	853	(524)
More than 4 months past due: 100% (2022: 100%; 2021:100%)	931	(73)	933	(933)	917	(917)
More than 5 months past due: 100% (2022: 100%; 2021:100%)	1 360	(294)	1 531	(1 531)	787	(787)
More than 6 months past due: 100% (2022: 100%; 2021: 100%)	4 405	(1 656)	1 427	(1 427)	1 272	(1 272)
More than 7 months past due: 100% (2021: 100%; 2021: 100%)	2 880	(1 378)	1 475	(1 475)	1 045	(1 045)
More than 8 months past due: 100% (2022: 100%; 2021:100%)	709	(413)	848	(848)	1 597	(1 597)
More than 9 months past due: 100% (2022: 100%; 2021: 100%)	433 313	(430 481)	402 921	(397 752)	351 938	(351 938)
Total	**451 222**	**(434 341)**	**420 719**	**(404 774)**	**364 550**	**(358 080)**

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

12. Trade and other receivables (continued)

Company	2023	2023	2022	2022	2021	2021
Expected credit loss rate:	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Less than 3 months due: 0% (2022: 0%; 2021: 0%)	6 323	-	10 776	-	3 237	-
More than 3 months past due: 100% (2022: 100%, 2021: 100%)	1 301	(46)	808	(808)	853	(524)
More than 4 months past due: 100% (2022: 100%; 2021:100%)	931	(73)	933	(933)	917	(917)
More than 5 months past due: 100% (2022: 100%; 2021:100%)	1 360	(294)	1 531	(1 531)	787	(787)
More than 6 months past due: 100% (2022: 100%; 2021: 100%)	4 405	(1 656)	1 427	(1 427)	1 272	(1 272)
More than 7 months past due: 100% (2022: 100%; 2021: 100%)	2 880	(1 378)	1 475	(1 475)	1 045	(1 045)
More than 8 months past due: 100% (2022: 100%; 2021:100%)	709	(413)	848	(848)	1 597	(1 597)
More than 9 months past due: 100% (2022: 100%; 2021: 100%)	430 444	(430 444)	400 171	(397 725)	351 938	(351 938)
Total	**448 353**	**(434 304)**	**417 969**	**(404 747)**	**361 646**	**(358 080)**

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts. All trade and other receivables are short term in nature.

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

13. Deferred tax

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement.

AIDC our subsidiary decided to recognise the deferred tax liability in the current financial year on their separate annual financial financial statements. This has resulted to disclosure of the reconciliation of the deferred tax in the previous financial year. Deferred tax asset/liability was nil for the year ended 31 March 2022 and such reconciliation is reflected below.

Deferred tax liability	739	-	-	-	-	-
Reconciliation of deferred tax asset						
Decrease in tax loss available for set off against future taxable income	-	107	-	-	-	-
(Deductible) temporary difference on leave pay	259	(74)	-	-	-	-
(Deductible) taxable temporary difference movement on employee benefit provision	489	(341)	-	-	-	-
(Deductible) taxable temporary difference on allowance for credit losses	5	-	-	-	-	-
Taxable temporary difference movement on lease liability	6	(1)	-	-	-	-
Taxable / Deductible temporary difference movement on prepaid expenses	(20)	8	-	-	-	-
Deferred tax not recognised / recognised	-	301	-	-	-	-
	739	-	-	-	-	-

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

14. Cash and cash equivalents

Cash and cash equivalents consist of:						
Bank balances	159 460	160 112	166 509	128 270	123 779	116 801
Short-term deposits	143 825	73 591	64 952	143 825	73 591	64 952
	303 285	**233 703**	**231 461**	**272 095**	**197 370**	**181 753**
Cash and cash equivalents held by the entity that are not available for use by the group.	217 409	183 702	149 436	198 321	183 702	149 436

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

15. Share capital

Authorised						
50 billion Ordinary Type A shares of one cent each	500 000	500 000	500 000	500 000	500 000	500 000
50 billion Ordinary Type B shares of once cent each	500 000	500 000	500 000	500 000	500 000	500 000
	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000	1 000 000
Reconciliation of number of shares issued:						
"A" Ordinary shares of 1 cent each	213 975	213 975	213 975	213 975	213 975	213 975
"B" Ordinary shares of 1 cent each	213 975	213 975	213 975	213 975	213 975	213 975
	427 950	427 950	427 950	427 950	427 950	427 950
Issued						
Reported as at 31 March 2023	427 590	427 590	427 590	427 590	427 590	427 590

16. Reserves

Property, plant and equipment revaluation note for 2022 financial year was not updated with an audit adjustment entry that was passed against these reserves. This resulted to the note 16 not agreeing to the Reserves as reflected on the face of the Statement of Financial Position and the Statement of Changes in Equity. The difference is an amount of R481 thousand which has now been updated below. The statement of Financial Position and the Statement of Changes in Equity were reported correctly in 2022 financial year.

Balances as at 31 March 2023 are as follows:						
Pre-incorporation Reserve	384 265	384 265	384 265	384 265	384 265	384 265
Property, plant and equipment revaluation	18 529	11 758	12 239	12 349	8 028	8 509
Fair value adjustment on investments at fair value (Mark-to-Market Reserve)	23 092	23 092	1 827	23 092	23 092	1 827
	425 886	419 115	398 331	419 706	415 385	394 601

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

17. Loans from group companies

Subsidiaries						
Transkei Share Investment	-	-	-	24 820	25 059	25 095
Company SOC Ltd The loan is unsecured, interest free and is payable on demand.						
Transdev SOC Ltd	-	-	-	15 917	4 085	-
The loan is unsecured, interest free and is payable on demand. It is not likely that the loan will be settled within the next 12 months.						
	-	**-**	**-**	**40 737**	**29 144**	**25 095**

Split between non-current and current portions

Non-current liabilities	-	-	-	40 737	29 144	25 095

Refer to note 42 Changes in liabilities arising from financing activities for details of the movement in loans from group companies during the reporting period.

18. Retirement benefits

Defined benefit plan

The Corporation operates a medical aid defined benefit plan which provides post-employment medical benefits. The medical scheme provides retired employees with medical benefits. In terms of the plan, the Corporation is liable to the employees for specific payments on retirement for these benefits. The liabilities of these plans are reflected in the Statement of Financial Position. The ECDC does not have specific assets set aside to prefund this liability.

Carrying value						
Present value of the defined benefit obligation-wholly unfunded	(26 749)	(27 864)	(24 720)	(26 749)	(27 864)	(24 720)
Present value of the defined benefit obligation-partially or wholly funded	(801)	(1 045)	(850)	(801)	(1 045)	(850)
Fair value of plan assets	(3 170)	(3 018)	(2 739)	(3 170)	(3 018)	(2 739)
Net actuarial gains not recognised	3 070	4 194	956	3 070	4 194	956
Past service cost not recognised	1 076	984	(511)	1 076	984	(511)
	(26 574)	**(26 749)**	**(27 864)**	**(26 574)**	**(26 749)**	**(27 864)**
The fair value of plan assets includes:						
Changes in present value						
Opening balance	(26 749)	(27 864)	(24 720)	(26 749)	(27 864)	(24 720)
Contributions by members	1 076	984	956	1 076	984	956
Movement recognised in profit or loss	(901)	131	(4 100)	(901)	131	(4 100)
	(26 574)	**(26 749)**	**(27 864)**	**(26 574)**	**(26 749)**	**(27 864)**

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

18.Retirement benefits (continued)

Movement recognised in profit or loss						
Current service cost	(801)	(1 045)	(850)	(801)	(1 045)	(850)
Past service cost	(3 170)	(3 018)	(2 739)	(3 170)	(3 018)	(2 739)
Actuarial gains (losses)	3 070	4 194	(511)	3 070	4 194	(511)
	(901)	131	(4 100)	(901)	131	(4 100)
Past (accrued) and future service liability						

Assumptions used are according to the valuation performed for the year ended 31 March 2023.

Discount rates used	7.65%	8.37%	7.74%	7.65%	8.37%	7.74%
Expected rate of return on assets	11.64%	11.91%	10.82%	11.64%	11.91%	10.82%

Effect of 1% change in assumed medical cost trend rates

It is the policy of the Group to provide retirement benefit to all its employees. Based on the actuarial valuation performed at 31 March 2023, assumptions used in the sensitivity analysis are one percentage variation in health care cost inflation, mortality and resignation rate.

The Group is under no obligation to cover any unfunded benefits.

	Group			Company		
Figures in Rand thousand	2023	2022	2021	2023	2022	2021
1% increase - effect on accumulated benefit obligation	3 485	2 981	3 918	3 485	2 981	3 918
1% decrease - effect on current service cost & interest cost	(482)	(748)	(522)	(482)	(748)	(522)
1% decrease - effect on accumulated benefit obligation	(2 914)	(3 632)	(3 250)	(2 914)	(3 632)	(3 250)

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

18. Retirement benefits (continued)

Mortality Rate

Mortality during employment	SA 85-90 light	SA 85-90 (Light)-3	SA 85-90 (Light)-3	SA 85-90 light	SAB85-90(Light)-3	SAB85-90(Light)-3 PA (90)-1
Post-employment mortality	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improve-ment p.a. from 2010 Retirement age	PA(90) -1 with a 1% mortality improve-ment p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA (90)-1	
Retirement age	60 years	60 years	60 years	60 years	60 years	60 years

SA 85-90(Light) - 3: This reflects the mortality experience in South Africa rated down by three years for females.

PA (90) - 1: This refers to the standard actuarial mortality tables for current and prospective pensioners rated down by one year.

Five year forecast	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Post retirement obligation at beginning of period	26 749	26 574	29 447	32 726	36 472	40 754
Interest Cost	3 170	3 032	3 365	3 745	4 179	4 676
Service cost	801	914	1 020	1 139	1 272	1 420
Expected benefit payments	(1 076)	(1 073)	(1 106)	(1 138)	(1 169)	(1 200)
Actuarial gains (losses)	(3 070)	-	-	-	-	-
	26 574	**29 447**	**32 726**	**36 472**	**40 754**	**45 650**

19. Other financial liabilities

	Group			Company		
Figures in Rand thousand	2023	2022	2021	2023	2022	2021
Current Liabilities	47 619	47 619	47 619	47 619	47 619	47 619

This relates to funds that were identified by the Eastern Cape Provincial Treasury and Planning as uncommitted as at 31 March 2018 and therefore should be surrendered. The Eastern Cape Provincial Treasury has been notified that the ECDC will only be able to honour this obligation when its liquidity position improves.

Eastern Cape Development Corporation
Consolidated Annual Financial Statements for the year ended 31 March 2023

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

20. Deferred income

Non-current liabilities	5 681	1 065	1 105	-	-	-
Current liabilities	206 104	192 642	146 167	192 697	177 954	129 790
	211 785	**193 707**	**147 272**	**192 697**	**177 954**	**129 790**

Government grants are deferred to the extent that they are unspent. Funds that have been received for specific projects but not yet spent at 31 March are classified as deferred income and cash resources to fund deferred projects have been ring-fenced.

Analysis per entity	2023	2022	2021	2023	2022	2021
Eastern Cape Development Corporation	192 697	177 954	129 790	192 697	177 954	129 790
AIDC Development Centre Eastern Cape SOC Ltd	19 088	15 753	17 482	-	-	-
Total	**211 785**	**193 707**	**147 272**	**192 697**	**177 954**	**129 790**

21. Trade and other payables

Financial instruments:						
Trade payables	14 429	17 704	13 054	14376	17 659	13 151
Government Funds	5 624	4 965	19 640	5 624	4 965	19 640
Accrued leave	8 390	7 577	9 710	7 432	6 870	9 292
Accrued bonus	3 086	2 493	1 299	1275	1231	1 299
Accrued expense	26 385	25 244	37 071	25 397	24 770	36 648
Deposits received	8 988	9 115	9 123	8 988	9 115	9 123
Other payables	17 967	9 641	20 547	17702	9 414	6 094
Non-financial instruments:						
VAT payable	677	1 222	48	527	1 202	-
	85 546	**77 961**	**110 492**	**81 321**	**75 226**	**95 247**

Exposure to liquidity risk

Refer to note 40 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

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Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

22. Revenue

Revenue from contracts with customers				
Rendering of services	3 724	3 640	1 919	1 685
Operating lease and Interest revenue				
Rental Income	102 342	97 671	94 873	91 528
Interest received (trading)	27 850	25 982	27 850	25 982
Subtotal	**130 192**	**123 653**	**122 723**	**117 510**
Total	**133 916**	**127 293**	**124 642**	**119 195**
Interest revenue				
Interest on Loans	8 258	6 898	8 258	6 898
Interest on Rental	19 592	19 084	19 592	19 084
	27 850	**25 982**	**27 850**	**25 982**

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Timing of revenue recognition				
At a point in time				
Administration fees	(3 835)	(3 640)	(1 919)	(1 685)
Over time				
Interest on loans	(8 258)	(6 898)	(8 258)	(6 898)
Rental income	(102 342)	(97 671)	(94 873)	(91 528)
Interest on rent	(19 592)	(19 084)	(19 592)	(19 084)
	(130 192)	**(123 653)**	**(122 723)**	**(117 510)**

23. Government grants

Unconditional grants	142 885	150 901	94 286	130 951
Conditional grants	173 143	137 781	173 143	137 781
	316 028	**288 682**	**267 429**	**268 732**

24. Government grants and Other operating income

Administration and management fees received	20 773	8 715	20 773	8 715
Commissions received	13	14	13	14
Bad debts recovered	731	538	731	538
Other recoveries	6 688	7 773	6 688	7 773
Other income	4 415	358	5 968	1 661
Government grants	316 028	288 682	267 429	268 732
	348 648	**306 080**	**301 602**	**287 433**

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Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand		Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *
Gains (losses) on disposals, scrappings and settlements					
Investment property	5	5 804	-	5 804	-
Property, plant and equipment	3	(5)	(13)	(7)	-
		5 799	(13)	5 797	-
Fair value gains (losses)					
Investment property	5	(10 400)	-	(10 400)	-
Financial assets designated as at fair value through profit or loss		(660)	619	-	-
		(11 060)	619	(10 400)	-
Total other operating gains (losses)		(5 261)	606	(4 603)	-

25. Other operating expenses

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration - external

Audit fees	4 063	4 408	3 793	4 216

Remuneration, other than to employees

Consulting and professional services	12 119	14 050	11 733	12 612
Secretarial services	4	4	-	-
	12 123	14 054	11 733	12 612

Employees costs

As at 31 March 2023 the Company had 186 permanent employees (2022: 150 ; all employees, including executive directors, was as follows: 2021: 118). The total cost of employment of

Salaries, wages, bonuses and other benefits	141 027	119 109	118 737	102 860
Retirement benefit plans: defined benefit expense	(3 067)	(4 379)	(4 146)	(5 178)
Total employee costs	137 960	114 730	114 591	97 682
Leases				
Premises	715	995	333	326
Equipment	752	404	752	366
	1 467	1 399	1 085	692
Depreciation and amortisation				
Depreciation of property, plant and equipment	3 841	3 018	3 515	2 729
Depreciation of right-of-use assets	355	356	3 018	2 632
Amortisation of intangible assets	484	271	320	149
Total depreciation and amortisation	4 680	3 645	6 853	5 510

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

25. Other operating expenses (continued)

Expenses by nature

The major operating expenses are disclosed below by their nature. Included in Other expenses line item are Insurance, Legal matters and Marketing & Communication.

Employee costs	137 960	114 730	114 591	97 682
Lease expenses	1 467	1 399	1 085	692
Depreciation and amortisation	4 680	3 645	6 853	5 510
Other expenses	61 154	54 696	56 173	51 566
Debt impairments recognised in profit or loss	42 587	51 783	42 577	51 754
Assessment rates, municipal charges & utilities	55 409	59 481	54 025	58 333
Projects implemented	171 127	169 011	150 777	167 826
Directors Fees and other director related costs (travel, accommodation and training)	2 467	1 837	1 854	1 112
	476 851	456 582	427 935	434 475

Management reduced employee costs to exclude directors fees and other directors expenses. All director related costs have now been classified as other expenses. The impact of this change in prior year is as follows:

Decrease in employee costs by R1 837 (Company: R1 112) thousand and increase in other expenses (directors fees and other director related costs) by R1 837 (Company: R1 112) thousand. The overall expenses for the prior year remains the same as this change is just reclassification on expense line items.

26. Employee costs

Employee costs

Basic	138 098	116 553	117 936	101 815
Bonus	1 811	1 262	-	-
Medical aid - company contributions	801	1 045	801	1 045
UIF	57	49	-	-
WCA	70	60	-	-
SDL	190	140	-	-
Retirement benefit plans	(3 067)	(4 379)	(4 146)	(5 178)
	137 960	114 730	114 591	97 682

In the current financial year, management decided to reclassify fees, travel, accommodation and other benefits that are due or paid to directors from employee costs to other expenses. The impact of this in the prior year is a decrease in employee costs by R1 837 (Company: R1 112) thousand and increase in other expenses (directors fees, travel, accomodation and other benefits) by R1 837 (Company: R1 112) thousand.

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Figures in Rand thousand		Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

27. Depreciation, amortisation and impairment losses

	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *
Depreciation				
Property, plant and equipment	3 841	3 018	3 515	2 729
Right-of-use assets	355	356	3 018	2 632
	4 196	**3 374**	**6 533**	**5 361**
Amortisation				
Intangible assets	484	271	320	149
Total depreciation, amortisation and impairment				
Depreciation	4 196	3 374	6 533	5 361
Amortisation	484	271	320	149
	4 680	**3 645**	**6 853**	**5 510**

28.Investment income

	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *
Dividend income				
Equity instruments at fair value through profit or loss:				
Listed investments - Local	179	207	-	-
Interest income				
Investments in financial assets:				
Bank and other cash	15 578	7 772	14 536	6 305
Loans to group companies:				
Subsidiaries	-	-	3 948	4 147
Total interest income	**15 578**	**7 772**	**18 484**	**10 452**
Total investment income	**15 757**	**7 979**	**18 484**	**10 452**

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

29. Finance costs

	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *
Lease liabilities	130	111	526	437
Other interest paid	271	301	271	301
Total finance costs	**401**	**412**	**797**	**738**

30. Other non-operating gains (losses)

	Note	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *
Fair value gains (losses)					
Investment property	5	(24 532)	3 781	(27 588)	3 781
Financial assets designated as at fair value through profit or loss		2 223	5 241	2 223	5 241
		(22 309)	**9 022**	**(25 365)**	**9 022**

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Notes to the Consolidated Annual Financial Statements

31. Taxation

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *
Major components of the tax (income) expense				
Current				
Local income tax - current period	558	435	-	-
Deferred				
Originating and reversing temporary differences	(219)	-	-	-
Recognition of deferred tax asset	(520)	-	-	-
	(739)	**-**	**-**	**-**
	(181)	**435**	**-**	**-**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting loss	1 247	388	-	-
Tax at the applicable tax rate of 27%% (2022: 28%%)	336	109	-	-
Tax effect of adjustments on taxable income				
Utilisation of assessed loss	-	(107)	-	-
Non-deductible expenses	3	3	-	-
Tax rate change	-	15	-	-
Deferred tax asset recognised in the current year	(520)	415	-	-
	(181)	**435**	**-**	**-**

The Eastern Cape Development Corporation (ECDC) is exempt from Income Tax in terms of Section 10 of the Income Tax Act. The taxation expense tabulated above relates to the Automotive Industry Development Centre Eastern Cape SOC Ltd, a subsidiary of the ECDC.

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

32. Other comprehensive income

Components of other comprehensive income - Group – 2023

	Gross	Tax	Net
Movements on revaluation			
Gains (losses) on property revaluation	6 771	-	6 771

Components of other comprehensive income - Group – 2022

	Gross	Tax	Net
Items that will not be reclassified to profit (loss)			
Movements on valuation of equity investments			
Gains (losses) on valuation	21 265	-	21 265
Movements on revaluation			
Gains (losses) on property revaluation	(481)	-	(481)
Total items that will not be reclassified to profit (loss)	**20 784**	**-**	**20 784**

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

32. Other comprehensive income (continued)

Components of other comprehensive income - Company - 2023

	Gross	Tax	Net
Items that will not be reclassified to profit (loss)			
Movements on revaluation			
Gains (losses) on property revaluation	4 321	-	4 321

Components of other comprehensive income - Company – 2022

	Gross	Tax	Net
Items that will not be reclassified to profit (loss)			
Movements on valuation of equity investments			
Gains (losses) on valuation	21 265	-	21 265
Movements on revaluation			
Gains (losses) on property revaluation	(481)	-	(481)
Total items that will not be reclassified to profit (loss)	**20 784**	**-**	**20 784**

33. Cash (used in)/generated from operations

	Group 2023	Group 2022	Company 2023	Company 2022
Loss before taxation	(5 961)	(3 333)	(13 972)	(9 111)
Adjustments for non-cash items:				
Depreciation, amortisation, impairments and reversals of impairments	4 678	3 645	6 853	5 510
(Gains) losses on sale of assets and liabilities	(5 799)	13	(5 797)	-
Fair value losses (gains)	22 970	(9 641)	25 365	(9 022)
Defined benefit plan expense	(175)	(1 115)	(175)	(1 115)
Other non cash - derecognition of investment properties	10 400	-	10 400	-
Share of profit or loss of equity accounted investments	(540)	(2 681)	-	-
Other non-cash item - Interest on Leases	130	-	526	-
Other non-cash item - Interest on CIMEC Loan	-	-	(3 948)	-
Other non-cash items - loans receivables	(14 133)	(4 561)	(14 136)	(4 563)
Adjust for items which are presented separately:				
Interest income	(15 578)	(7 970)	(14 536)	(6 305)
Dividends received	(179)	(207)	-	-
Finance costs	271	412	271	738
Changes in working capital:				
(Increase) decrease in trade and other receivables	(1 844)	(1 312)	4 659	(1 603)
Increase (decrease) in trade and other payables	7 585	(32 537)	6 095	(20 027)
Increase (decrease) in deferred income	18 078	46 435	14 743	48 164
Other non-cash items - loans receivables/reclassification	(4 785)	-	(4 785)	-
	15 118	**(12 852)**	**11 563**	**2 666**

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

34. Tax paid

Balance at beginning of the year	32	112	-	-
Current tax recognised in profit or loss	(558)	(435)	-	-
Balance at end of the year	450	(32)	-	-
	(76)	**(355)**	-	-

35. Commitments

Authorised capital expenditure				
Already contracted for but not provided for				
• Project expenditure contracted for at the end of the reporting period but not yet recognised as expenditure	23 475	80 790	23 475	80 790
Operating leases – as lessor (income)				
Minimum lease payments due				
- first year	38 914	28 192	38 914	28 192
- second year	30 107	21 840	30 107	21 840
- third year	22 783	13 797	22 783	13 797
- fourth year	17 648	10 276	17 648	10 276
- fifth year	13 079	9 051	13 079	9 051
- sixth year and onwards	27 679	23 375	27 679	23 375
	150 210	**106 531**	**150 210**	**106 531**

The Group leases out its investment properties and the leases have been classified as operating leases, as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

A number of leases have expired and they automatically become month to month agreements until the lease is renewed.

Rental income recognised by the Group during the year ending 31 March 2023 was R 102,342 million (2022: R 97,761 million).

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

36. Contingent assets and liabilities

Contingent assets

The Group has contingent assets of R 59,252 million (2022: R29,320 million).

Investment properties:

On an annual basis, the Corporation undertakes a process of ensuring the completeness of investment properties in the register . Investment properties worth R32,372 million were identified as being registered in the name of the ECDC. However, management deemed it prudent to investigate these properties to confirm control over them.

ECDC vs Bushman Sands Development (Pty) Ltd:

The matter is still awaiting date allocation from the Supreme Court of Appeal. Attorneys have confirmed that the Court roll for matters that have been awarded dates for hearing during the second term of 2023, has been made available and this appeal has unfortunately not been allocated a date for hearing in the second term. Their further advice will follow towards the end of June 2023 when they expect to receive the roll for matters that have been awarded dates for the third term of 2023. The value of contingent asset is estimated at R 19,358 million.

Central Transkei Trading (Pty) Ltd v ECDC:

The matter was heard on the 30th of January 2023. Judgment has been reserved herein. ECDC was anticipating being provided with Judgment end of April 2023. Following up with the lawyers. The value of contingent asset is estimated at R 6,000 million.

PWC vs ECDC:

The High Court found that the agreement between ECDC and PWC was invalid. We are attending to draft ECDC's bill of costs. Recovery of ECDC's costs is in progress. and the estimated amount of the fees to be recovered is R 1,522 million.

Contingent liabilities

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

36. Contingent assets and liabilities (continued)

The Group has exposure to litigation of R5,687 million (2022: R5,687 million) and disputed municipal accounts of R158,674 million (2022: R121,886 million).

2023 Financial Year

The matters under litigation are as follows:

EASTERN CAPE DEVELOPMENT CORPORATION

1. Claim for payment of damages - Rem Development (Pty) Ltd t/a Phambili Property Developments and four others

Approximate liability: R3,122,109

Status of the matter:

The matter is pending at the East London High Court. ECDC Attorneys were mandated to write to the opposing parties. ECDC is awaiting the Sherriff's Return of Service. In the instance, the ECDC will instruct the lawyers to recover costs.

2. Claim for payment of damages - Telesure Group

Approximate liability: R2,565,006

Status of the matter:

The matter is pending at the Grahamstown High Court. ECDC Attorneys were mandated to write to the opposing parties. ECDC is awaiting the Sherriff's Return of Service. In the instance, the ECDC will instruct the lawyers to recover costs.

Disputed municipal accounts are as follows:
1. BCM - Fort Jackson - R59,128,977
2. BCM (Dimbaza) - R65,626,055
3. OR Tambo DM - R33,919,217

These matters are currently pending. ECDC is challenging these charges with the respective municipalities. No summons have been issued.

2022 Financial Year

The matters under litigation are as follows:

EASTERN CAPE DEVELOPMENT CORPORATION

1. Claim for payment of damages - Rem Development (Pty) Ltd t/a Phambili Property Developments and four Others

Approximate liability: R3,122,109

Status of the matter:

The matter is pending at the East London High Court.

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	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

36. Contingent assets and liabilities (continued)

2. Claim for payment of damages - Telesure Group

Approximate liability: R2,565,006

Status of the matter:

The matter is pending at the Grahamstown High Court.

Disputed municipal accounts are as follows:
1. BCM - Fort Jackson - R39,164,354
2. BCM (Dimbaza) - R54,317,654
3. OR Tambo DM - R28,403,549

These matters are currently pending. ECDC is challenging these charges with the respective municipalities. No summons have been issued.

37. Related parties

Relationships	
Holding company	Department of Economic Development, Environmental Affairs and Tourism
Subsidiaries	Refer to note 7
Associates	Refer to note 8
Minority shareholding held to safeguard interest against loans advanced	Boarder Copiers (Pty) Ltd Cross-med Health Care (Pty) Ltd Ndlambe Natural Industries Products (Pty) Ltd
Members of key management	Mr A Wakaba (Chief Executive Officer) Mr N Ravgee (Chief Financial Officer) Dr L Govender (Executive Manager: Corporate Services up to 30 September 2022) Mr Mpikashe (Head: Legal, Governance and Compliance) Mrs Z Thomas (Acting Head: Legal, Governance and Compliance from 23 August 2022) Mr C Thompson (Executive: Properties and Infrastructure Delivery) Mr P George (Acting Head: Trade, Investment and Innovation) Mr M Geqeza (Acting Head: Development Finance and Business Support up to 11 April 2022) Mr E Jooste (Acting Head: Development Finance and Business Support from 12 April 2022 until 31 December 2022) Mr DZ Nkonki (Executive: Rural & Enterprise Finance and Business Support from 1 January 2023 Ms LPeinke (Acting Executive: Econ Dev Coordination and Sector Support from 17 October 2022) Ms N Matoti (Acting Executive: Corporate Services from 1 October 2022)

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

37. Related parties (continued)

Related party balances

Loan accounts - Owing (to) by related parties				
Border Copiers Proprietary Limited	-	-	-	5 882
Cross-med Health Care Proprietary Limited	-	-	3 503	3 503
Ndlambe Natural Industries Products Proprietary Limited	-	-	8 342	7 732
Centre for Investment and Marketing in the Eastern Cape (NPC)	-	-	36 713	33 751
Transdev Properties SOC Ltd	-	-	(15 917)	(4 085)
Transkei Share Investments Company SOC Ltd	-	-	(24 820)	(25 059)
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Department of Public Works	-	-	514	479
Eastern Cape Provincial Arts and Culture	-	-	3	-
Department of Economic Development , Environmental Affairs and Tourism (DEDEAT)	-	-	33	-

Related party transactions

Interest paid to (received from) related parties				
Centre for Investment and Marketing in the Eastern Cape (NPC)	-	-	(3 948)	(4 172)
Ndlambe Natural Industries Products (Pty) Ltd	-	-	(610)	(386)
Purchases/services rendered from (sales/services rendered to) related parties				
Department of Economic Development , Environmental Affairs and Tourism (DEDEAT)	-	-	(7 901)	-
Rent paid to (received from) related parties				
CIMVEST SOC LTD	-	-	3 172	2 758
Department of Public Works (Rent including interest charged on rent)	-	-	(34)	(73)
Eastern Cape Liquor Board	-	-	-	(1 038)
Eastern Cape Provincial Arts and Culture	-	-	(348)	(365)
Administration fees paid to (received from) related parties				
Department of Economic Development , Environmental Affairs and Tourism (DEDEAT)	-	-	(362)	-
CIMVEST SOC LTD	-	-	(476)	(414)
Transdev Properties SOC Ltd	-	-	(1 120)	(928)
Government Grants paid to related parties				
AIDC Development Centre Eastern Cape SOC Ltd	-	-	57 800	36 168

All transactions and balances with related parties are at arm's length.

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

38. Directors' and prescribed officer's emoluments

Non-executive

2023

Directors' emoluments	Board	Total
Services as director or prescribed officer		
Chairperson of the Board - Mr V Jarana	247	247
Deputy Chairperson of the Board - Mr S Somdyala	187	187
Ms S Siko	150	150
Ms P Bono	145	145
Ms T Cumming	153	153
Ms N Pietersen	167	167
Ms B Koneti until 01 February 2023	-	-
Ms T Buthelezi up until 01 March 2023	-	-
Mr R Nicholls - External Audit Committee Member up to 31 March 2022	5	5
Dr M Makamba	5	5
Mr V Tshangana (Audit Committee member) from 1 May 2022	153	153
Mr T Maphanga (Audit Committee Member) from 1 May 2022	64	64
Ms L Smith (Audit Committee Member) from 1 May 2022	53	53
	1 329	**1 329**

2022

Directors' emoluments	Board	Total
Services as director or prescribed officer		
Chairperson of the Board - Mr V Jarana	131	131
Deputy Chairperson of the Board - Mr S Somdyala	158	158
Ms S Siko	111	111
Ms P Bono	74	74
Ms T Cumming	103	103
Ms N Pietersen	113	113
Mr R Nicholls - External Audit Committee Member	103	103
	793	**793**

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

38. Directors' and prescribed officer's emoluments (continued)

Compensation to ECDC executive management

2023

Remuneration to executives

	Earnings	Contributions paid under pension scheme and medical aid	Total
Compensation to ECDC executive management			
Mr A Wakaba - Chief Executive Officer	3 077	228	3 305
Mr N Ravgee - Chief Financial Officer appointed on 01 November 2022	1 247	-	1 247
Mr C Thompson (Head: Properties and Infrastructure Delivery)	1 679	149	1 828
Ms L Peinke (Acting Executive: Econ Dev Coordination and Sector Support) appointed on 7 October 2022	62	-	62
Mr P George (Acting Head: Chief Investment Office)	123	-	123
Dr L Govender (Executive: Corporate Services) until 30 September 2022	907	60	967
Ms M Matoti (Acting Executive: Corporate Services) appointed on 1 October 2022	65	-	65
Mr M Geqeza (Acting Head: Development Finance and Business Support) up to April 2022	9	-	9
Mr E Jooste (Acting Head: Development Finance and Business Support) appointed on12 April 2022 until 31 December 2022	90	-	90
Mr DZ Nkonki (Executive: Rural and Enterprise Finance and Business Support) appointed on 1 January 2023	491	15	506
Mrs Z Thomas (Acting Head: Legal, Compliance and Governance) appointed on 23 August 2022	82	-	82
Mr M Mpikashe (Head: Legal, Compliance and Governance)	1 526	213	1 739
	9 358	665	10 023

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

38. Directors' and prescribed officer's emoluments (continued)

2022

Remuneration to executives	Earnings	Contributions paid under pension scheme &	Total
Compensation to ECDC executive management			
Mr A Wakaba - Chief Executive Officer	2 168	172	2 340
Mr P George (Acting Head: Trade, Investment and Innovation) - Appointed on 1 June 2021	100	-	100
Mr M Geqeza (Acting Head: Development Finance & Business Support) - Appointed on 01 September 2021	85	-	85
Mr R Govender (Acting Head: Trade, Investment and Innovation) - Up to May 2021	22	-	22
Mr N Ravgee (Interim Chief Financial Officer)	1 688	-	1 688
Mr Mpikashe (Executive: Legal, Governance and Compliance)	1 494	208	1 702
Dr L Govender (Executive: Corporate Services)	1 554	119	1 673
Mr R C Thompson (Head: Properties)	1 627	149	1 776
Ms T Rozani (Head: Development Finance and Business Support) up to August 2021	798	63	861
Mr N Dlulane (Former Chief Executive Officer) - up to May 2021	919	53	972
	10 455	764	11 219

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	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

39. Prior period errors

Restatement to Investment Properties relates to the following:

Derecognition - These derecognitions relate to Indwe shopping centre that was meant to be transferred to the tenant as per approved minutes. This transaction was never concluded and the property remained in the register. It is through the revenue completeness exercise that this was discovered. ERF numbers derecognised that relate to prior years are ERF 2674, ERF 503&504 and ERF 421. The total value of derecognised investment properties equates to R2.1 million.

Recognition – Three investment properties were recognised in the current year; these were confirmed to be belonging to ECDC. ECDC intensely correlated asset register to MDA to ensure Revenue completeness. It was during this process that three properties were discovered, it was discovered that these properties we are billing but are not in our register. The reason why these were not in our register is that the tittle deed is not under ECDC's name in the Deeds Office, it is either sitting on tribal land that is not registered at the deeds office.

Vidgiesville is one of the properties recognised, this property is not under our name but we have control as we are billing on them, we are in the process of registering it in the deeds office.

Transido Motor town is also one of the recognised properties, there have been attempts to hand the property over to the municipalities, when the hand over is finalised, property will be derecognised in ECDC's register.

Zamukulungisa, it is in the name of the government of Transkei. ECDC built top structures and is billing the tenants, we therefore have control over Zamukulungisa.

The ERFs numbers and their values as at the recognition date are (ERF5694: R9.6 million, ERF1595: R4.920 million and ERF4956-7: R9 760 million). The total value of recognised investment properties is R24 280 million.

Duplicated properties on investment property register – This has been as a result of big plots that contains lots of erf numbers and has been valued as one valuation, these were previously valued individually and were recorded as such on the register. There was therefore double accounting of these properties hence the adjustments. These properties are ERF 2535, ERF 2539, ERF 2653 and ERF 1000. Total value of duplicated properties that were removed in our investment property register is R11,709 million.

Errors on revaluation of prior year disposals – Revaluation were incorrectly made in the intervening years on valid pending sales, these adjustments correct this error. Property ERF 6827, ERF 125 and ERF 24979 were erroneously fair valued. These are legacy sales that were concluded but not yet transferred and were to be kept in the register at the fair value they were disposed for. The total reduction in investment properties is R1,696 million.

Fair Value was incorrectly recorded in the property register - These properties were incorrectly fair valued in our property register (ERF 9972, ERF 3957, ERF 24991, ERF 2401, ERF 2410 and ERF 9973). The reduction in the investment property register as a result of incorrect valuation amounts to R4.284 million.

Realisation of disposal proceeds on legacy sales - Proceeds were incorrectly realised to profit before the property was transferred. The net value of this entry is R16.5 thousand increase in trade and other payables and relates to ERF 6841. The entry does not affect investment properties, but a reduction in trade and other payables.

Rent an billing errors - Property division:

Turnover - Backbilling of Turnover for Wavecrest Hotel which can only be done on receipt of tenant's AFS. The value of this error amounts to R184 thousand and is a reduction in the rent income of prior years.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

39. Prior period errors (continued)

Development lease - Backdating of subtenant rent and rates as per development lease concluded in 2010 and not correctly implemented in respect of Little Swift. This results to increase in rent in prior years to an amount of R2,169 million.

New leases & renewals - Late processing of rental charges which relate to the loading of lease renewals and new leases with commencement dates effective in prior year. The error results to an increase in rent in prior year to the value of R2.582 million.

Disposals - Reversal of rental billed in current year which relates to properties disposed of in prior financial periods. The impact of these incorrect rent billings is a reduction in rent in prior years to the value of R272 thousand.

Vacations - Reversal of rental due to late processing of tenant vacations which impact rental billed in prior financial periods. The value of incorrect billings amount to R7.280 million in prior year rental income.

Prior year dividend declared by Transkei Share Investment to ECDC:

Transkei Share investment (TSI) a subsidiary of ECDC declared a dividend to the value of R11,989 million to ECDC. This dividend was recorded in the books of TSI, but was never recorded in ECDC books. The board of directors of TSI decided to pay off this dividend to ECDC and when the payment was processed it needed to be recorded in the accounting records of ECDC. The impact of this was a dividend income in prior years and recognition of dividend accrual in prior years to the value of R11,989 million. This entry although recorded in the books of TSI it was never eliminated from the group as it was never recorded in the books of ECDC. The effect of this was the overstatement of group trade and other payables; management has now corrected this in the current financial year.

Investment at Singisi Forest:

Management made a transposition error on the revaluation of Singisi Forest investment in the previous financial year. The percentage holding of ECDC at Singisi Forest is 7.36%, however the calculation of the valuation was reflected at the percentage holding of 7.63%. Investment at fair value for Singisi is reported directly into Equity and forms part of Other comprehensive Income. As a result of this errorr, the prior year financials were adjusted to correct the overstatement of investments at fair value. The impact is a reduction on Investments at fair value and Gains on valuation of investments in equity instruments by R877 thousand in the 2022 financial year end.

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	Group		Company	
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39. Prior period errors (continued)

The above prior year adjustments did not have an impact on the 2022 Statement of of Profit or Loss and Other Comprehensive Income as well as Statement of Cash Flows for the same accounting period. The adjustments were booked against opening Retained income of 2021 as most of errors corrected relates to prior years.

The correction of the error(s) resulted in adjustments as follows in the 2022 and 2021 financial years:

Statement of Financial Position 2022

	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Investment Properties	1 377 512	4 491	1 382 003	1 294 768	4 491	1 299 259
Trade and other payables	(89 934)	11 973	(77 961)	(75 210)	(16)	(75 226)
Trade and other receivables	31 852	(2 617)	29 235	24 998	9 371	34 369
Investments at fair value	42 170	(877)	41 293	40 723	(877)	39 846
Subtotal	1 361 600	12 970	1 374 570	1 285 279	12 969	1 298 248
	1 361 600	**12 970**	**1 374 570**	**1 285 279**	**12 969**	**1 298 248**

Statement of Financial Position 2021

	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Investment Properties	1 375 939	4 491	1 380 430	1 293 195	4 491	1 297 686
Trade and Other payables	(122 465)	11 973	(110 492)	(95 231)	(16)	(95 247)
Trade and other receivables	30 540	(2 617)	27 923	23 395	9 372	32 767
Subtotal	1 284 014	13 847	1 297 861	1 221 359	13 847	1 235 206
	1 284 014	**13 847**	**1 297 861**	**1 221 359**	**13 847**	**1 235 206**

Statement of Profit or Loss and Other Comprehensive Income

	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
Gains on valuation of investments in equity instruments	(22 143)	877	(21 265)	(22 143)	877	(21 265)
Subtotal	(22 143)	877	(21 265)	(22 143)	877	(21 265)
	(22 143)	**877**	**(21 265)**	**(22 143)**	**877**	**(21 265)**

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	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

39. Prior period errors (continued)

Summary of prior year restatements	**Total**
Derecognition of investment property	(2 100)
Recognition of investment property	24 280
Fair Value was incorrectly recorded in the property register	(4 284)
Duplicated properties on investment property register	(11 709)
Errors on revaluation of prior year disposals	(1 696)
Realisation of disposal proceeds on legacy sales	(16)
Dividend declared by TSI in prior years, but not recorded in ECDC books	11 989
Incorrect rent billings relating to prior years	(2 617)
Investment at fair value (Singisi Forest) incorrectly valued at shareholding of 7.63% instead of 7.36%	(877)
	12 970

40. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2023

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	30 363	30 363	-
Investments at fair value	11	23 913	19 102	-	43 015	43 015
Trade and other receivables	12	-	-	30 016	30 016	-
Cash and cash equivalents	14	-	-	303 285	303 285	-
		23 913	19 102	363 664	406 679	43 015

Group - 2022

	Note(s)	Fair value through other comprehensive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	30 455	30 455	-
Investments at fair value	11	23 913	17 380	-	41 293	41 293
Trade and other receivables	12	-	-	22 050	22 050	-
Cash and cash equivalents	14	-	-	233 703	233 703	-
		23 913	17 380	286 208	327 501	41 293

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	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

40. Financial instruments and risk management (continued)

Group – 2021

	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans receivable	10	-	-	35 328	35 328	-
Investments at fair value	11	2 647	11 120	-	13 767	13 767
Trade and other receivables	12	-	-	18 503	18 503	18 503
Cash and cash equivalents	14	-	-	231 461	231 461	-
		2 647	**11 120**	**285 292**	**299 059**	**32 270**

Company - 2023

	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9	-	-	36 713	36 713	-
Loans receivable	10	-	-	30 363	30 363	-
Investments at fair value	11	23 913	18 156	-	42 069	42 069
Trade and other receivables	12	-	-	28 849	28 849	-
Cash and cash equivalents	14	-	-	272 095	272 095	-
		23 913	**18 156**	**368 020**	**410 089**	**42 069**

Company – 2022

	Note(s)	Fair value through other comprehen-sive income - equity instruments	Fair value through profit or loss - Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9	-	-	33 751	33 751	-
Loans receivable	10	-	-	30 455	30 455	-
Investments at fair value	11	23 913	15 933	-	39 846	39 846
Trade and other receivables	12	-	-	34 369	34 369	-
Cash and cash equivalents	14	-	-	197 370	197 370	-
		23 913	**15 933**	**295 945**	**335 791**	**39 846**

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	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

40. Financial instruments and risk management (continued)

Company – 2021

	Note(s)	Fair value through other comprehensive income –equity instruments	Fair value Through profit or loss-Mandatory	Amortised cost	Total	Fair value
Loans to group companies	9			31 487	31 487	-
Loans receivable	10	-	-	35 328	35 328	-
Investments at fair value	11	-	-	30 577	13 340	13 340
Trade and other receivables	12	2 647	10 693	30 577	30 577	30 577
Cash and cash equivalents	14	-	-	181 753	181 753	-
		2 647	**10 693**	**279 145**	**292 485**	**43 917**

Categories of financial liabilities

Group – 2023

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	84 869 84 869	-	84 869	-
Lease liabilities	4	- -	1 564	1 564	-
		84 869	**1 564**	**86 433**	**-**

Group - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	76 739 76 739	-	76 739	-
Finance lease obligations	4	- -	1 748	1 748	-
		76 739	**1 748**	**78 487**	**-**

Group - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	110 444 110 444	-	110 444	-
Finance lease obligations	4	- -	35	35	-
		110 444	**35**	**110 479**	**-**

Company - 2023

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	80 794 80 794	-	80 794	-
Loans from group companies	17	40 737 40 737	-	40 737	-
Lease liabilities	4	-	19 877	19 877	-
		121 531	**19 877**	**141 408**	**-**

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

40. Financial instruments and risk management (continued)

Company - 2022

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	74 024	-	74 024	-
Loans from group companies	17	29 144	-	29 144	-
Finance lease obligations	4	-	3 726	3 726	-
		103 168	3 726	106 894	-

Company - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	95 247	-	95 247	-
Loans from group companies	17	25 095	-	25 095	-
Finance lease obligations	4	-	4 402	4 402	-
		120 342	4 402	124 744	-

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

Group - 2023

	Note(s)	Fair value through profit or loss - Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:					
Interest income	28	-	-	15 578	15 578
Dividend income	28	179	-	-	179
Gains (losses) on valuation adjustments	24&30	-	1 563	-	1 563
Net gains (losses)		179	1 563	15 578	17 320

Group - 2022

	Note(s)	Fair value through profit or loss - Mandatory	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:					
Interest income	28	-	-	7 772	7 772
Dividend income	28	207	-	-	207
Gains (losses) on valuation adjustments	24&30	-	5 860	-	5 860
Net gains (losses)		207	5 860	7 772	13 839

Company - 2023

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

40. Financial instruments and risk management (continued)

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:				
Interest income	28	-	18 484	18 484
Gains (losses) on valuation adjustments	30	2 223	-	2 223
Net gains (losses)		2 223	18 484	20 707

Company - 2022

	Note(s)	Fair value through profit or loss - Designated	Amortised cost	Total
Recognised in profit or loss:				
Interest income	28	-	10 452	10 452
Gains (losses) on valuation adjustments	30	5 241	-	5 241
Net gains (losses)		5 241	10 452	15 693

Gains and losses on financial liabilities

Group - 2023

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	29	(271)	(130)	(401)

Group - 2022

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	29	(301)	(111)	(412)

Company - 2023

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	29	(271)	(526)	(797)

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

40. Financial instruments and risk management (continued)

Company – 2022

	Note(s)	Amortised cost	Leases	Total
Recognised in profit or loss:				
Finance costs	29	(301)	(437)	(738)

Capital risk management

The Group's objective when managing capital which includes share capital, borrowings, working capital and cash and cash equivalents is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The capital structure and gearing ratio of the Group at the reporting date was as follows:

		Group			Company		
		2023	2022	2021	2023	2022	2021
Loans from group companies	17	-	-	-	40 737	29 144	25 095
Lease liabilities	4	1 564	1 748	35	19 877	3 726	4 402
Trade and other payables	21	85 546	77 961	110 492	81 321	75 226	95 247
Other financial liabilities	19	47 619	47 619	47 619	47 619	47 619	47 619
Total borrowings		**134 729**	**127 328**	**158 146**	**189 554**	**155 715**	**172 363**
Cash and cash equivalents	14	(303 285)	(233 703)	(231 461)	(272 095)	(197 370)	(181 753)
Net borrowings		**(168 556)**	**(106 375)**	**(73315)**	**(82 541)**	**(41 655)**	**(9 390)**
Equity		1 455 907	1 446 035	1 428104	1 323 855	1 324 625	1 312 082
Gearing ratio		(12)%	(7)%	4 %	(6)%	(3)%	7 %

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

40. Financial instruments and risk management (continued)

Financial risk management

Overview

Risk management is fundamental to the Group's business and plays a fundamental role in enabling management to operate more effectively in an ever-changing environment.

The approach followed by the Group to manage risk is to ensure that all significant risks are identified and managed.

This note describes the Group's overall risk management. Information has been disaggregated relative to the characteristics of the various financial instruments used by the Group. Further, quantitative information in respect of these risks is presented throughout these Group consolidated annual financial statements.

The Group is exposed to the following risks from its financial instruments:

- Credit risk related to the potential for counterparty default
- Liquidity and/or funding risk relating to the cost of maintaining various financial positions, financial compliance risk and the dependency in relation to income from grant funding;
- Market risk related to the volatility in interest rates and inappropriate pricing relative to the cost of funding and risk assumed;
- Concentration risk of investments in certain asset classes, industries and/or regions; and
- Dependency in relation to income on a limited number of exposures or counterparties and/or financial products. The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

- The board has established the risk committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the board of directors on its activities.

The Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies and for the establishment and oversight of the Group's risk management framework. The board has established the Audit, Risk and Compliance Committee, which is responsible for developing and monitoring the Group's risk management policies and framework. The committee reports regularly to the Board of Directors on its activities.

The overall objective of the Board is to set policies that reduce the risk that they are exposed to as far as possible without unduly affecting the Group's general business operations. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has established an Enterprise Risk Management Framework (ERM) that is organisationally embedded and is reviewed on a regular basis by the Audit, Risk and Compliance Committee. ERM is considered from an enterprise wide portfolio perspective, namely, integration (spanning all lines of business), comprehensive (covering all types of risk) and strategic (aligned with the overall business strategy).

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	2022 Restated *	Company 2023	2022 Restated *

40. Financial instruments and risk management (continued)

The objective of ERM is to continuously provide and update risk identification, validation, management and review of the risks.

One of the key practices of risk management is the determination and quantification of an organisation's risk appetite based on what is of strategic importance. The risk appetite forms the basis of the extent to which the Group tolerates risks as identified by performance indicators, operational parameters and process controls to increase shareholder value.

The Group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit and the risk committee and followed up through their internal audit findings review..

Credit risk refers to the risk that a counterparty to a financial instrument fails to meet its obligations in accordance with the agreed terms and conditions of the underlying contract, thereby causing the asset holder to suffer a financial loss.

Credit risk comprises the potential loss on loans receivable, advances, operating lease receivables, equity instruments at fair value through other comprehensive income, investments and the placement of cash and cash equivalents (deposits) with financial institutions. Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Operating Leases (rental receivables)

At initial recognition of an operating lease the credit risk of default of the tenant is assessed on an individual basis taking into account historic, current and forward looking information. Tenant collateral in the form of deposits and/or guarantees are obtained. When determining the risk of default, management considers information such as payment history to date.

Cash and cash equivalents

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

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Figures in Rand thousand	Group 2023	2022 Restated *	Company 2023	2022 Restated *

40. Financial instruments and risk management (continued)

Loans receivable

At initial recognition the credit risk of loans receivable is evaluated with reference to available historical, forward looking financial information and external bureau data (where available) of each transaction on its own merit before terms and conditions of the loan is offered.

Collateral is also obtained when necessary. Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit loss allowances

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determines whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management applies the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due).

In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Rental receivables and loans which do not contain a significant financing component are the exceptions and are discussed below.

Notes to the Consolidated Annual Financial Statements

	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

40. Financial instruments and risk management (continued)

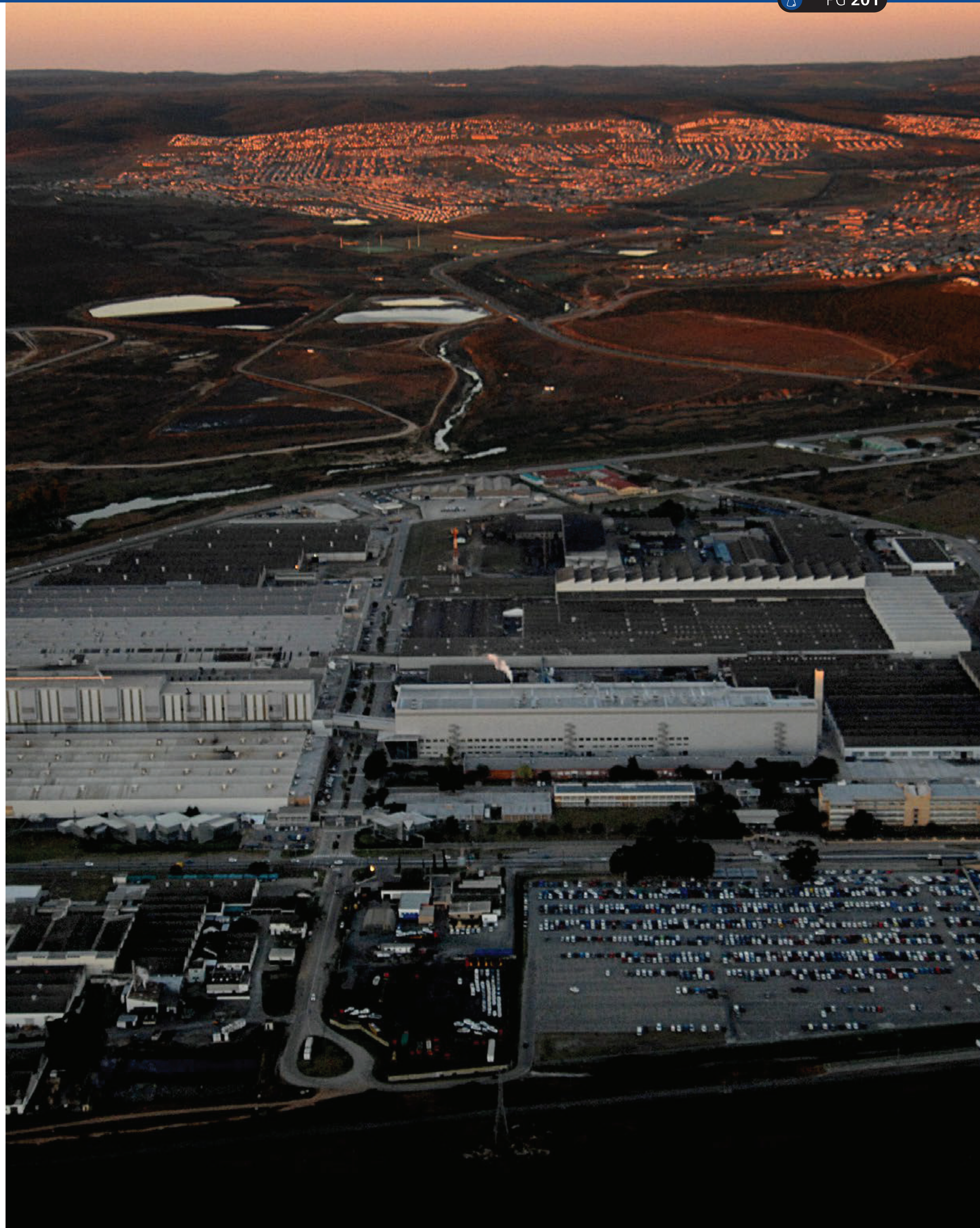
The methodology and assumptions used for estimating future cash flows are reviewed on a regular basis to reduce any differences between loss estimates and actual loss experience. A measurement of Expected Credit Loss (ECL) allowances has been done, taking into account the forward looking information, time value of money. Based on the regression analysis performed, there was no correlation between the loss rates and the macroeconomic factors. However, no adjustment factor for the impact of Covid-19 has been applied to the allowances for loans advanced and rent receivables as the impact has been insignificant.

The Group's internal rating is applied on rental receivables and loans advanced based on the national or local economic conditions that correlate with defaults on the receivables. Objective reasons may further result in an exposure being classified manually based on covenant breaches and payment arrangements made.

The credit rating categories are assigned to the rent receivables and loans advanced, on an individual basis.

The exposure of the Group to credit risk at the end of the reporting period, without taking into account any collateral held, would increase to the full balances of gross carrying amounts indicated in the table below. Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The Group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

The maximum exposure to credit risk is presented in the table below:



Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Group 2021 Restated *	Company 2023	Company 2022 Restated *

40. Financial instruments and risk management (continued)

Group

		2023			2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans receivable	10	124 776	(94 413)	30 363	183 423	(152 968)	30 455	183 209	(147 881)	35 328
Trade and other receivables	12	465 420	(434 341)	31 079	434 009	(404 774)	29 235	386 003	(358 080)	27 923
Cash and cash equivalents	14	303 285	-	303 285	233 703	-	233 703	231 461	-	231 461
		893 481	**(528 754)**	**364 727**	**851 135**	**(557 742)**	**293 393**	**800 673**	**(505 961)**	**294 712**

Company

		2023			2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to group companies	9	36 713	-	36 713	33 751	-	33 751	31 487	-	31 487
Loans receivable	10	124 776	(94 413)	30 363	183 423	(152 968)	30 455	183 209	(147 881)	35 328
Trade and other receivables	12	464 014	(434 304)	29 710	439 116	(404 747)	34 369	390 847	(358 080)	32 767
Cash and cash equivalents	14	272 095	-	272 095	197 370	-	197 370	181 753	-	181 753
		897 598	**(528 717)**	**368 881**	**853 660**	**(557 715)**	**295 945**	**787 296**	**(505 961)**	**281 335**

Concentration Risk

Risk concentrations can arise in a financial organisation’s assets, liabilities or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. The potential for loss reflects the size of the position and the extent of loss given a particular adverse circumstance.

The Group can be exposed to various forms of credit risk concentration which, if not properly managed, may cause significant losses that could threaten its financial health. Accordingly, the Group considers the management (including measurement and control) of its credit concentrations to be of vital importance. In this instance, due to ECDC’s business model, ECDC is exposed to the economic conditions affecting the Eastern Cape.

However, despite the recognition of credit concentration as important sources of risk for portfolios, there is no generally accepted approach or methodology for dealing with the issue (including measurement) of concentration particularly with respect to sector or industry concentration. The Group's risk appetite and tolerance framework, sets concentration limits which are monitored on an individual and asset level.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

40. Financial instruments and risk management (continued)

Liquidity risk

The ECDC is accountable to its sole shareholder, the Department of Economic Development Department (DEDEAT). The performance as well as management of ECDC's capital is supported by the agreement between the Corporation and the shareholder in a form of the Shareholder's Compact which outlines the agreements between the two parties.

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through cash generated from operations and deposits are held at central banking institutions.

The ECDC's risk appetite and tolerance framework, sets the liquidity requirement which is monitored by management and the Board on a regular basis.

Further, a twelve month cash flow forecast is prepared to identify and manage liquidity risk. Where necessary, additional resources are secured from the shareholder to shore up liquidity. In addition to these measures, management constantly assesses the most liquid assets for liquidation should the need arise to mitigate the liquidity risk.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Group - 2023

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	1 054	1 054	1 099
Current liabilities					
Trade and other payables	21	84 869	-	84 869	84 869
Lease liabilities	4	465	-	465	465
		(85 334)	(1 054)	(86 388)	(86 433)

Group - 2022

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	1 312	1 312	1 312
Current liabilities					
Trade and other payables	21	77 961	-	77 961	77 961
Lease liabilities	4	436	-	436	436
		(78 397)	(1 312)	(79 709)	(79 709)

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Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

40. Financial instruments and risk management (continued)

Group - 2021

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	35	35	35
Current liabilities					
Trade and other payables	21	110 492	-	110 492	110 492
		(110 492)	(35)	(110 527)	(110 527)

Company - 2023

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loans from group companies	17	-	-	40 737	40 737	40 737
Lease liabilities	4	-	14 932	-	14 932	14 932
Current liabilities						
Trade and other payables	21	81 321	-	-	81 321	81 321
Lease liabilities	4	4 965	-	-	4 965	4 945
		(86 286)	(14 932)	(40 737)	(141 955)	(141 935)

Company - 2022

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities Loans from group companies	17	-	-	29 144	29 144	29 144
Lease liabilities	4	-	1 312	-	1 312	1 312
Current liabilities						
Trade and other payables	21	75 226	-	-	75 226	75 226
Lease liabilities	4	2 414	-	-	2 414	2 414
		(77 640)	(1 312)	(29 144)	(108 096)	(108 096)

Notes to the Consolidated Annual Financial Statements

Figures in Rand thousand	Group 2023	Group 2022 Restated *	Company 2023	Company 2022 Restated *

40. Financial instruments and risk management (continued)

Company – 2021

		Less than 1 year	1 to 2 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Loans from group companies	17	-	-	25 095	25 095	25 095
Lease liabilities	4	-	1 983	-	1 983	1 983
Current liabilities						
Trade and other payables	21	95 247	-	-	95 247	95 247
Lease liabilities	4	2 419	-	-	2 419	2 419
		(97 666)	(1 983)	(25 095)	(124 744)	(124 744)

Lease liabilties amounting to R1 312 thousand in Non-current liabilities was not included in the note under liquidity risk in the prior year. We have subsequently restated prior year note to include non current portion of the lease liability.The current portion of lease liability on company was previously reported as R2 500 thousand in the note under the liqudity risk; we have subsequently restated the figure to be R2 414 thousand in line with the disclosure on the face of the Statement of Financial Position.

Market risk

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

Interest rate risk is the potential negative impact on Interest income and it refers to the vulnerability of the Group's financial condition to the movement in interest rates. Changes in interest rates affect earnings, value of assets, liabilities and cash flow.

The Group policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

The Group is exposed to interest rate risk arising mainly from the investment in development loans, rent receivables and investment in surplus operational cash. The changes in prime lending rate throughout the financial year ending 31 March 2020 has reduced the interest earned on loans advanced, rent receivables and investment income earned on surplus operational cash. Interest rates have started going up during 2022 financial year end as a result of high inflation forcing the Reserve bank to increase its Repo rate and subsequent increase in Prime lending rates.

There has been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Details of interest rate risk exposure are contained in the relevant notes throughout these financial statements.

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Figures in Rand thousand	Group 2023	Group 2022 Restated *	Group 2021 Restated *	Company 2023	Company 2022 Restated *

41. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:
Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. Levels of fair value measurements

Level 1

Recurring fair value measurements

	Note(s)						
Assets							
Financial assets mandatorily at fair value through profit or loss	11						
Listed shares		2 470	3 130	2 512	-	-	-
Total		2 470	3 130	2 512	-	-	-

Listed shares are valued at their market values as at year end. The share price for all shares held by Group is readily available on JSE.

Level 2

Recurring fair value measurements

	Note(s)						
Assets							
Investment property	5						
Investment property		1 329 243	1 382 003	1 380 430	1 243 443	1 299 259	1 297 686
Property, plant and equipment	3						
Land		4 565	4 565	4 565	3 265	3 265	3 265
Buildings		60 643	54 550	55 715	25 843	22 200	23 365
Total property, plant and equipment		65 208	59 115	60 280	29 108	25 465	26 630
Equity investments at fair value through other comprehensive income	11						
Unlisted shares		23 913	23 913	2 647	23 913	23 913	2 647
Financial assets mandatorily at fair value through profit or loss	11						
Unlisted shares		16 632	14 250	8 608	18 156	15 933	10 693
Total		1 434 996	1 421 043	-	1 314 620	1 339 982	-

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	Group		Company	
Figures in Rand thousand	2023	2022 Restated *	2023	2022 Restated *

41. Fair value information (continued)

1.1 The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the investment property being valued. The valuation company provides the fair value of the Group's investment portfolio every third year and at any time when suitable to dispose of a property.

1.2 The remainder were all valued within the 3-year cycle for external valuations in line with our accounting policy. Valuations of investment properties are performed by the professional valuers using a combination of income capitalisation, depreciated cost method and comparable sales, depending on the existing use of each individual investment property.

2. The fair value of office buildings (owner occupied properties which includes and land buildings) is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the investment property being valued. The valuation company provides the fair value of the Group's property portfolio every third year and when suitable to dispose of a property.

3. Investments in equity instruments that are accounted for through other comprehensive income are valued using the free cash flow valuation technique. In the current financial year we have used an unofficial valuation that was done by SAFCOL who is also a shareholder at Singisi, SAFCOL owns 10% of shares at Singisi. This valuation was also compared the net asset value (Equity) of Singisi, which is significantly higher than the valuation actually performed. To be prudent we used a lower value which was free cash flow in this case.

4. Investments in equity instruments that are accounted for through profit or loss are valued using the Earnings based method. The Earnings growth are looked for over a period of time to establish the growth in the entity.

The group policy is to value its investments in equity every 3 years. Yearly valuations are done where valuation information is available.

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41. Fair value information (continued)

Reconciliation of assets and liabilities measured at level 1 & 2

	Note(s)	Opening balance	Gains (losses) recognised in profit (loss)	Gains (losses) recognised in other comprehensive income	Purchases	Sales	Other Movements or changes	Closing balance
Group – 2023								
Assets								
Investment property								
Investment property		1 382 003	(24 532)	-	1 309	(19 137)	(10 400)	1 329 243
Property, plant and equipment	3							
Land		4 565	-	-	-	-	-	4 565
Buildings		54 550	-	6 771	-	-	(678)	60 643
Total property, plant and equipment		59 115	-	6 771	-	-	(678)	65 208
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		23 913	-	-	-	-	-	23 913
Financial assets mandatorily at fair value through profit or loss	11			-	-	-	-	2 470
Listed shares		3 130	(660)	-	-	-	-	16 632
Unlisted shares		14 250	2 382					
Total financial assets mandatorily at fair value through profit or loss		17 380	1 722	-	-	-	-	19 102
Total		1 482 411	(22 810)	(12 366)	-	(19 137)	(678)	1 437 466

Group - 2022

Assets

Notes to the Consolidated Annual Financial Statements

	Note(s)	Opening balance	Gains (losses) recognised in profit (loss)	Gains (losses) recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance
40. Fair value information (continued)								
Investment property	5							
Investment property		1 380 430	3 781	-	-	(2 208)	-	1 382 003
Property, plant and equipment	3							
Land		4 565	-	-	-	-	-	4 565
Buildings		55 715	-	(481)	-	-	(684)	54 550
Total property, plant and equipment		60 280	-	(481)	-	-	(684)	59 115
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		2 647	-	22 143	-	-	(877)	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Listed shares		2 512	618	-	-	-	-	3 130
Unlisted shares		8 608	5 642	-	-	-	-	14 250
Total financial assets mandatorily at fair value through profit or loss		11 120	6 260	-	-	-	-	17 380
Total		1 454 477	10 041	21 662	-	(2 208)	(1 561)	1 482 411
Group - 2021								
Assets								
Investment property	5							
Investment property		1 417 312	(223)	-	-	(83)	(36 576)	1 380 430

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	Note(s)	Opening balance	Gains (losses) recognised in profit (loss)	Gains (losses) recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance
41. Fair value information (continued)								
Property, plant and equipment	3							
Land		4 565	-	-	-	-	-	4 565
Buildings		56 324	-	-	-	-	(609)	55 715
Total property, plant and equipment		60 889	-	-	-	-	(609)	60 280
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		2 647	-	-	-	-	-	2 647
Financial assets mandatorily at fair value through profit or loss	11							
Listed shares		2 191	321	-	-	-	-	2 512
Unlisted shares		4 042	4 566	-	-	-	-	8 608
Total financial assets mandatorily at fair value through profit or loss		6 233	4 887	-	-	-	-	11 120
Total		1 487 081	4 664	-	-	(83)	(37 185)	1 454 477
Company - 2023								
Assets								
Investment property	5							
Investment property		1 299 259	(27 588)	-	1 309	(19 137)	(10 400)	1 243 443
Property, plant and equipment	3							
Land		3 265	-	-	-	-	-	3 265
Buildings		22 200	-	4 321	-	-	(678)	25 843
Total property, plant and equipment		25 465	-	4 321	-	-	(678)	29 108

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41. Fair value information (continued)

	Note(s)	Opening balance	Gains (losses) recognised in profit (loss)	Gains (losses) recognised in other comprehensive income	Purchases	Sales	Issues	Closing balance
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		23 913	-	-	-	-	-	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Unlisted shares		15 933	2 223	-	-	-	-	18 156
Total		1 364 570	(25 365)	4 321	1 309	(19 137)	(11 078)	1 314 620
Company – 2022								
Assets								
Investment property	5							
Investment property		1 297 686	3 781	-	-	(2 208)	-	1 299 259
Property, plant and equipment	3							
Land		3 265	-	-	-	-	-	3 265
Buildings		23 365	-	(481)	-	-	(684)	22 200
Total property, plant and equipment		26 630	-	(481)	-	-	(684)	25 465
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		2 647	-	22 143	-	-	(877)	23 913
Financial assets mandatorily at fair value through profit or loss	11							
Unlisted shares		10 693	5 240	-	-	-	-	15 933
Total		1 337 656	9 021	21 662	-	(2 208)	(1 561)	1 364 570

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Notes to the Consolidated Annual Financial Statement

41. Fair value information (continued)

Company – 2021

	Note(s)	Opening balance	Gains (losses) recognised in profit (loss)	Gains (losses) recognised in other comprehensive income	Purchases	Sales	Isuues	Closing balance
Assets								
Investment property	5							
Investment property		1 334 568	(223)	-	-	(83)	(36 576)	1 297 686
Property, plant and equipment	3							
Land		3 265	-	-	-	-	-	3 265
Buildings		23 973	-	-	-	-	(609)	23 364
Total property, plant and equipment		27 238	-	-	-	-	(609)	26 629
Equity investments at fair value through other comprehensive income	11							
Unlisted shares		2 647	-	-	-	-	-	2 647
Financial assets mandatorily at fair value through profit or loss	11							
Unlisted shares		6 127	4 566	-	-	-	-	10 693
Total		1 370 580	4 343	-	-	(83)	(37 185)	1 337 655

The fair value of unlisted investments is performed by the Group's finance department, every third year and at any time when suitable to dispose of the investment.
The fair value of investment properties is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's investment portfolio every third year and at any time when suitable to dispose of a property.

The fair value of office land & buildings (owner occupied properties) is determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuation company provides the fair value of the Group's office land and buildings portfolio every third year and at any time when suitable to dispose of a property.

Management of ECDC decided to include items of Property, plant and equipment, specifically the property to the fair value information note. This was done in line with the requirements of IFRS 13 as the companies properties are recognised at revalued amounts. There is no impact on the overall financial statements of the current year and the previous years. This is additional disclosure line in note 41 based on the information presented on note 3 of the annual financial statements.

Notes to the Consolidated Annual Financial Statement

42. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities Group - 2023

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities	47 619	-	-	-	-	47 619
Lease liabilities	1 748	187	129	316	(500)	1 564
	49 367	187	129	316	(500)	49 183
Total liabilities from financing activities	49 367	187	129	316	(500)	49 183

Reconciliation of liabilities arising from financing activities - Group - 2022

	Opening balance	New leases	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities	47 619	-	-	-	47 619
Finance lease liabilities	35	1 743	1 743	(30)	1 748
	47 654	1 743	1 743	(30)	49 367
Total liabilities from financing activities	47 654	1 743	1 743	(30)	49 367

Reconciliation of liabilities arising from financing activities - Group - 2021

	Opening balance	Cash flows	Closing balance
Other financial liabilities	47 619	-	47 619
Finance lease liabilities	63	(28)	35
	47 682	(28)	47 654
Total liabilities from financing activities	47 682	(28)	47 654

Notes to the Consolidated Annual Financial Statement

42. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities - Company - 2023

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities: current	47 619	-	-	-	-	47 619
Lease liabilities	3 726	19 228	526	19 754	(3 603)	19 877
Loans from group companies	29 144	-	-	-	11 593	40 737
	80 489	19 228	526	19 754	7 990	108 233
Total liabilities from financing activities	80 489	19 228	526	19 754	7 990	108 233

Reconciliation of liabilities arising from financing activities - Company - 2022

	Opening balance	New leases	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities: current	47 619	-	-	-	-	47 619
Finance lease liabilities	4 402	1 743	340	2 083	(2 759)	3 726
Loans from group companies	25 095	-	-	-	4 049	29 144
	77 116	1 743	340	2 083	1 290	80 489
Total liabilities from financing activities	77 116	1 743	340	2 083	1 290	80 489

Notes to the Consolidated Annual Financial Statements

42. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities - Company - 2021

	Opening balance	Cash flows	Closing balance
Other financial liabilities	47 619	-	47 619
Finance lease liabilities	6 587	(2 185)	4 402
Loans from group companies	25 129	(34)	25 095
	79 335	**(2 219)**	**77 116**
Total liabilities from financing activities	**79 335**	**(2 219)**	**77 116**

Management in the current financial year decided to include Loans from group companies in the note for Reconciliation of liabilities arising from financing activities. This has resulted to the additional disclosure to the the annual financial statements. We have now reported Loans to group companies at R40, 737 (2022: R29, 144; 2021: R25, 095) million. The figures are in line with what has been reported in the Statement of Financial Position and related note on Loans to group companies. The note disclosure does not change the picture that is reported on the Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income and the Statement of Cash flows.

43. Going concern

We draw attention to the fact that at 31 March 2023, the Group had accumulated surplus of R601,508 million and that the Group's total assets exceeded its liabilities by R 1,455.91 million.

We also draw attention to the following factors:

- The Group experienced operating losses for the last two financial years

- Stringent cash flow management was applied due to the liquidity challenges experienced by the Group

- Adverse key ratios exist in relation to the liquidity ratio’s, rental and loan collection rates and debt impairment.

Management have mitigated the impact of these factors through effective cash flow management, cost reduction initiatives and have finalised a comprehensive strategy review process. The confirmation of funding from the shareholder in the form of additional recapitalisation funding of R85 million, R52 million for film studio infrastructure and production and R100 million for the Provincial Economic Development Fund over the MTEF period show a high level of confidence and commitment from Government in the continued operations of the ECDC.

On the basis of the mitigation, the consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

44. Events after the reporting period

The directors are not aware of any other matters or circumstances arising since the end of the financial year which significantly affect the financial position of the Group or the results of its operations.

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	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

45. Irregular and fruitless & wasteful expenditure

<u>Irregular expenditure:</u>

The Eastern Cape Development Corporation incurred irregular expenditure of R 558 thousand, (2022: R 1338 thousand).

Expenditure for 2023 relates to the following procurement against the suppliers indicated below:

1. Mkoby's Security - Expenditure relates to Mkoby's secuirty. Total expenditure exceeded the contract amount, this is a continuation of expenditure from the previous financial year. The current year expenditure is R138 thousand.

2. Dipuvax Security Services - Due diligence was not undertaken when sourcing services through the deviation process. The expenditure relates to the company appointed to secure properties after they have been evacuated by PACTOA The cost for irregular expenditure is R420 thousand.

An application to the Provincial Treasury for the balance of the irregular expenditure is underway.

The AIDC:
The AIDC incurred irregular expenditure of R269 064 (2022:R1 193 441) during the year under review. This relates to the awarding of a marketing and communications contract outside of the validity period of the tender. Prior year irregular expenditure also relates to a lease agreement for offices of the company. The expenditure has been recorded in the relevant accounts.

The organisation has implemented the following in terms of the consequence mangement on the identified irregular expenditure with regards to the lease:

A disciplinary process was completed with the identified employees

The company has secured office space in the short term and is in the process of evaulating other premises over the longer term.

With regards to the marketing and communications tender the following steps have been undertaken: A disciplinary

process was completed with the identified employees

The courts have set aside the contract.

Internal audit has been invited to sit on both the evaluation and adjudication committees to observe the awarding process. The company is in the process of applying for condonation of all its outstanding irregular expenditure.

The company is in the process of applying for Condonation of all its irregular expenditure.

<u>Fruitless and wasteful expenditure:</u>

ECDC did not not incur any wasteful and fruitless expenditure in the current financial year (2022: R301 thousand).

Notes to the Consolidated Annual Financial Statements

	Group			Company		
Figures in Rand thousand	2023	2022 Restated *	2021 Restated *	2023	2022 Restated *	2021 Restated *

	Group		Company	
	2023	2022	2023	2022
Irregular expenditure	827	2 531	558	1 338
Fruitless and wasteful expenditure	-	301	-	301
Total	**827**	**2 832**	**558**	**1 639**

46. Compliance with Broad Based Economic Empowerment Act

In terms of section 13G(1) all spheres of government, public entities and organs of state must report on their compliance with the Broad Based Black Economic empowerment in their annual financial statements and annual reports. ECDC has submitted its Annual report to BBBEE commission timeoulsy and was found to be non compliant.

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