Annual Report
2019/2020

NORTH WEST
DEVELOPMENT
CORPORATION

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A

General Information

1. General Information

Country of Incorporation and Domicile
South Africa

Legal Form of the Entity
State Owned Entity

Nature of Business and principal activities
Trade and Investment facilitation, SMME Finance and Development, Property Management and Project Management

Directors North West Development Corporation SOC Ltd
Ms MK Sentle (Chairperson)
Ms KA Dikgole
Ms M Chokoe
Prof Dr LTB Jackson
Ms G Moyo
Mr R Malapane (Acting CEO)
Mr MI Motala (resigned 2 August 2020)
Ms B Lamola (resigned 26 October 2020)
Mr T Phiri
Mr SF Kgodumo
Mr ME Mojaki
Ms J Nyathi
Ms N Matlala (Company Secretary) (resigned 1 October 2020)
Mr DG Duma (resigned 28 July 2019)
Mr B Khumalo (resigned 30 October 2019)
Mr TC Dlamini (resigned 28 July 2019)
Mr KK Tlhoaele (resigned 27 July 2019)
Ms N Koloti (resigned 31 August 2019)

Registered Office
22 James Watt Crescent
Industrial Sites
MAHIKENG
2745

Business Address
22 James Watt Crescent
Industrial Sites
MAHIKENG
2745

Postal Address
PO Box 3011
MMABATHO
2735

Holding Company
North West Provincial Government

Bankers
ABSA, First National Bank and Standard Bank

Auditors
Auditor-General of South Africa

2. List of Abbreviations

AGSA	Auditor-General South Africa
AOD	Acknowledgement of Debt
BNDC	Bophuthatswana Development Corporation
CATA	Department of Culture, Arts & Traditional Affairs
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Properties Commission
CIPX	Consumer Price Index
DAFF	Department of Agriculture, Forestry and Fisheries
DAX	Deutscher Aktienindex
DBSA	Development Bank of South Africa
DEDECT	Department of Economic Development, Environment, Conservation & Tourism
DFI	Development Finance Institutions
DTI	Department of Trade and Industry
EXCO	Executive Committee
FTSE	Financial Times Stock Exchange
FIFO	First-In, First-Out
GAAP	Generally Accepted Accounting Principles
GDP	Growth Domestic Product
GLR	Golden Leopard Resorts SOC Ltd
GRAP	Generally Recognised Accounting Practices
GVA	Growth Value Add (- R = Region)
HDI	Human Development Index
HOA	House Owners Association
IAA	Internal Audit Activity
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
MEC	Member of the Executive Council
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NWDC	North West Development Corporation SOC Ltd
NWP	North West Province
NWPG	North West Provincial Government

2. List of Abbreviations

NWPTB	North West Parks & Tourism Board
OECD	Organisation for Economic Co-operation and Development
PFMA	Public Finance Management Act
SAMAF	South African Micro-Finance
SASSA	South African Social Security Agency
SARS	South African Revenue Service
SDIP	Service Delivery Improvement Plan
SDL	Skills Development Levy
SEZ	Special Economic Zone
SIU	Special Investigation Unit
SMME	Small, Medium and Micro Enterprises
SOC	State Owned Company
SSAS	Sector Specific Assistance Scheme
STC	Standard Tax on Companies
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
VTSD	Villages, Townships and Small Dorpies
WEO	World Economic Outlook

3. Foreword by the Chairperson

“The future depends on what we do in the present.” Such veracious words, spoken by civil rights and freedom activist Mahatma Ghandi.

The year that lies behind has seen us embrace and labour in the present to invest in a brighter future, for South Africa and for the North West Province and its people.

In May 2019 South Africans went to the polls to exercise their democratic right, voting in the South African general elections. In doing so, we welcomed the Sixth Administration to office and with that were granted the leadership of our appointed Shareholder, MEC Kenetswe Mosenogi heading the provincial Department of Economic Development, Environment, Conservation and Tourism. Under MEC Mosenogi's leadership, the appointed Board of Directors of the North West Development Corporation (NWDC) were ratified in January 2020.

At the North West Development Corporation, the year produced a number of highlights as we passionately continued our relentless journey of realising economic development and investment growth for the North West Province. We made significant progress towards obtaining a license to start operating the designated Bojanala Special Economic Zone. In June 2019, a successful public participation meeting was hosted in Mogwase, the area where the zone will be established.

Securing investors into the SEZ and into the North West Province is vital for economic growth, job creation and stimulating small business in the value chain. As such, NWDC secured exposure and actively participated and networked at a number of key platforms this year, including the 2020 Investing in African Mining Indaba, the Department of Trade and Industry's SEZ Conference held in KwaZulu-Natal, the second annual South African Investment Conference hosted by President Ramaphosa as well as the North West Province Mining Round-table held in November 2019.

We celebrated twice this year with our proudly-North West innovation, Moonshine Reflective Paint. First when the product was officially launched to communities by the Road Accident Fund in July 2019 and secondly when its innovator - small, medium and mirco enterprise (SMME), Morebodi Kaotsane, won first place in the SAB Foundation's Social Innovation Awards in October 2019.

Our enclosed Annual Report for 2019/2020 reflects the collective efforts of all units within in the NWDC as we had laboured toward creating economic growth and prosperity for the businesses in the North West Province.

I sincerely thank NWDC's valued stakeholders, our Shareholder, every NWDC staff member, clients, tenants, partners, public servant colleagues and the NWDC board for their passion and dedication towards investing in the present to build a brighter future.

It is indeed a historic time to be alive. In the closing weeks of this fiscal, South Africa, in solidarity with the globe, started to experience the first effects of the COVID-19 pandemic, of which the far-reaching impact of its threats and also of its opportunities to assist communities, will only be fully realised in the next fiscal.

Ms MK Sentle
Chairperson of the Board

4. Board of Directors

North West Development Corporation SOC Ltd Group

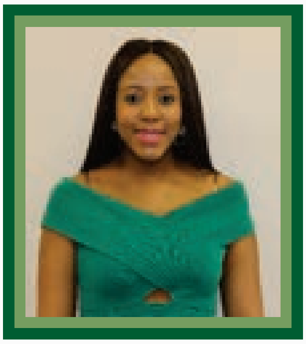
Ms MK Sentle
Chairperson

Ms G Moyo
Director

No Photo Avaible

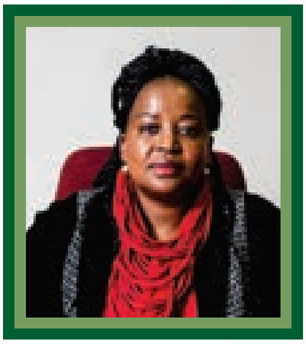
Mr MI Motala
Director

Ms KA Dikgole
Director

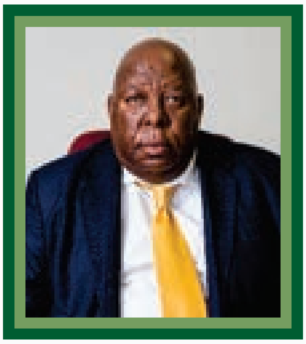


Ms B Lamola
Director

Mr T Phiri
Director



Ms M Chokoe
Director



Prof L Jackson
Director

Mr SF Kgodumo
Director

Mr ME Mojaki
Director

Ms J Nyathi
Director

Ms N Matlala
Company Secretary

4. Board of Directors

Golden Leopard Resorts SOC Ltd

Mr SF Kgodumo
Chairperson of the Board

Prof Dr LTB Jackson
Director

Ms B Lamola
Director

Mr T Phiri
Director

Ms J Nyathi
Director

Ms FN Matlala
Company Secretary

Ms PS Mudramuthoo
Acting Chief Executive Officer

5. Report of the Acting Chief Executive Officer

There is nothing quite like a changing landscape and challenging times to test the tenacity and resilience of an organisation. The year that was, did exactly that.

The realities of a slowdown in economic growth, South Africa's rising debt burden and the subsequent negative credit ratings by Moody's Investment Services urged the NWDC as the province's economic development agency to adjust our sails.

Borrowing from the wisdom of former farmer and 39th US President, Jimmy Carter, the NWDC firmly believes that it has to constantly "adjust to changing times and still hold on to unchanging principles".

Directed by the principles of unwavering ethics, job preservation and creation, and economic prosperity for the people of the North West Province, the NWDC pursued it's operational plans to the best of its ability while adopting a forward-thinking strategy.

To position ourselves for providing future loans to assist small businesses, the fiscal under review necessitated us to actively pursue the hefty NWDC debt book. The enclosed report bears testimony to the fact that we made significant progress towards recovering this debt, exceeding the set target.

On the investment side, the NWDC recorded concrete progress towards obtaining the official designation for the Bojanala SEZ. The application for the designation was tabled before the National Cabinet on August 2019. It was not approved, and NWDC was sent back to the drawing board to address a number of outstanding matters which include improving the governance of the SEZ, building human capacity, demonstrated support by the mining industry and the provision of infrastructure costs by local and provincial government. Pursuing the outstanding matters will receive high priority in the next fiscal, so that the NWDC can deliver the province's first special economic zone to the benefit of economic cluster growth and job creation.

A long-standing poor cash flow and a decrease in occupancy has continued to take its toll on the state and standard of our property infrastructure, including both our industrial and hospitality properties. Developing tangible strategies to resolve the property infrastructure matter will be among the corporation's top priorities in the next financial year.

Serving the people of the North West Province requires a collective effort. I therefore sincerely thank the NWDC staff for their ongoing dedication to executing our mandate, the NWDC management team for their vigour and the Board of Directors and our Shareholder for their steadfast leadership and vision.

We are excited about the next fiscal and look forward to report on more investment, greater SMME assistance and economic value chain growth. In the words of Tata Madiba, the father of our democracy: "A bright future beckons. The onus is on us, through hard work, honesty and integrity, to reach for the stars".

R Malapane
Acting Chief Executive Officer

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

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

- All information and amounts disclosed throughout the annual report are consistent.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the modified cash standard and the relevant frameworks and guidelines issued by the National Treasury.
- The Accounting Officer is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Officer is responsible for establishing, and implementing a system of internal control that 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 my opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the department for the financial year ended 31 March 2020.

Ms MK Sentle
Chairperson of the Board

7. Strategic Overview

7.1 Vision

To be the cornerstone of promoting trade, attracting investment, and ensuring economic growth and transformation in the North West Province.

7.2 Mission

To contribute to the economic growth and transformation of the North West Province through:

- industrial development;
- commercial investment;
- property development and management;
- development of sustainable enterprises;
- trade and investment attraction; and
- project management & implementation.

7.3 Values

Strategic

Fairness: Acting with objectivity, empathy, integrity and transparency

Focus (Batho Pele): Focusing on people, economic and rural development

Diversity: Show a positive feeling of high regards towards another or entity irrespective of race, gender, religious persuasion, etc.

Professionalism: To behave professionally in all circumstances by showing respect, good judgement and cooperation to customers and colleagues

Innovation: To be able to translate ideas or inventions into goods or services that create value which customers will pay for

Operational

Integrity: To demonstrate ethical behaviour by doing the right thing at all times and in all circumstances whether or not anyone is watching

Accountability: Taking responsibility for own actions; an obligation to one's self

Customer-Orientated: Client needs and satisfaction are one of the NWDC's biggest priorities. This includes responding promptly and respectfully to consumer complaints and queries

Saamwerk-Saamtrek: In alignment with the Premier's office we work together ("saamwerk"), giving direction and motivation ("saamtrek"). Good communication will prevent working in silos and duplicating work or research already done

8. Legislative and Other Mandates

8.1 Legislative Mandates

8.1.1 Status as a State Owned Company

The Company is a Pre-Existing Company, and accordingly continues to exist as if it had been incorporated and registered in terms of the Companies Act.

The Original Shares issued by the Company are freely transferable within the North West Provincial Government Department.

The Company is NOT entitled to offer its Ordinary Shares to the public.

The Company is, accordingly, classified as State-Owned in terms of section 8(2) of the Companies Act.

8.1.2 Powers of the Company

The Company is governed by:

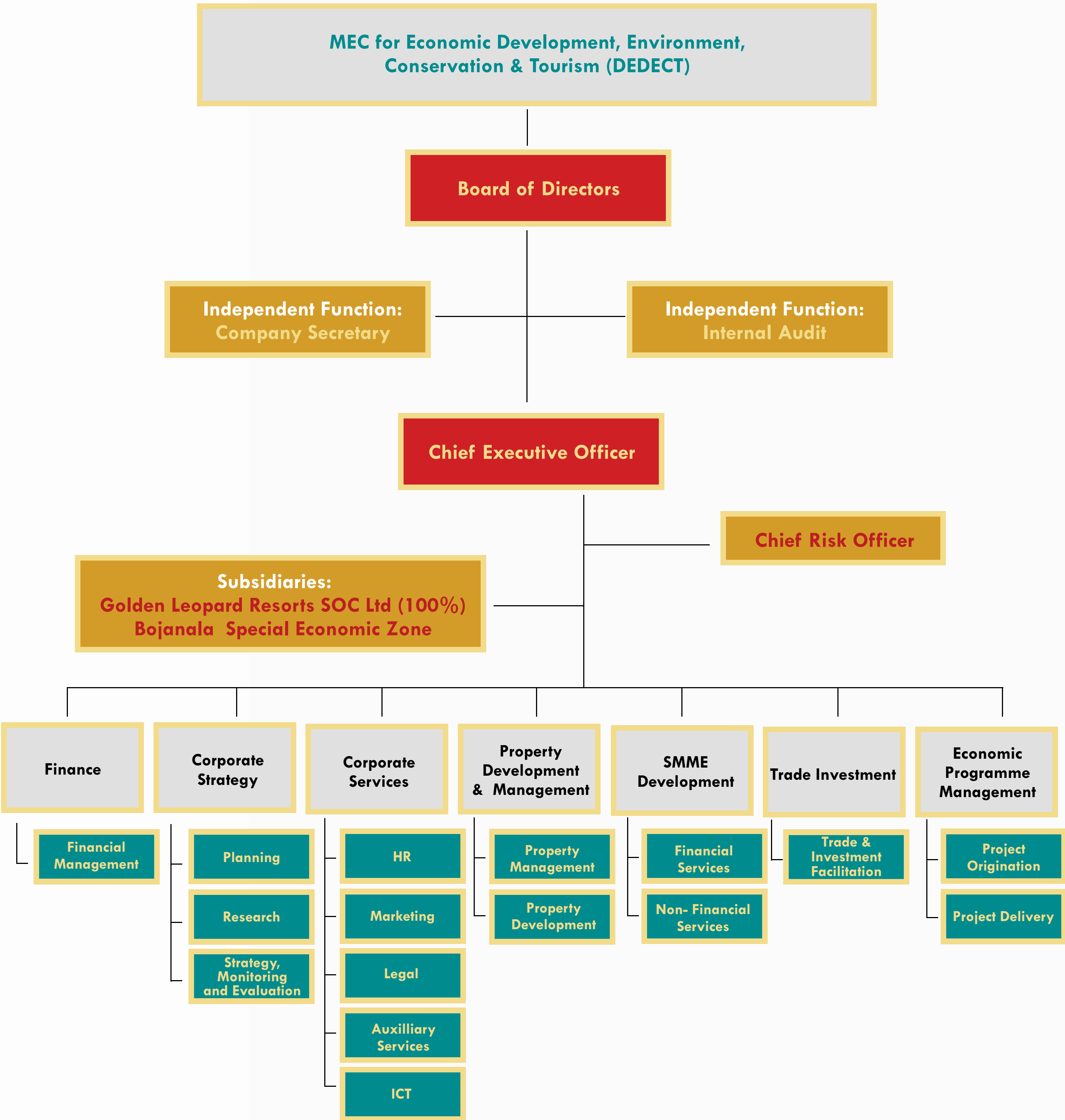
- the Provisions of the Memorandum of Incorporation;
- the Unalterable Provisions of the Companies Act;
- the Alterable Provisions of the Companies Act;
- the provisions of the Public Finance Management Act as amended; and
- subject to the extensions, limitations, substitutions or variations set out in the Memorandum of Incorporation

The Company has, subject to section 19(1)(b)(I) of the Companies Act, all of the legal powers and capacity of an individual, and the legal powers and capacity of the Company, are not subject to any restrictions, limitations or qualifications contemplated in section 19(1)(b)(ii) of the Companies Act. In particular and without derogating from the provisions of clause 7.1 the Company may borrow any amount without limitation and provide any form of security for the fulfilment of any of its obligations.

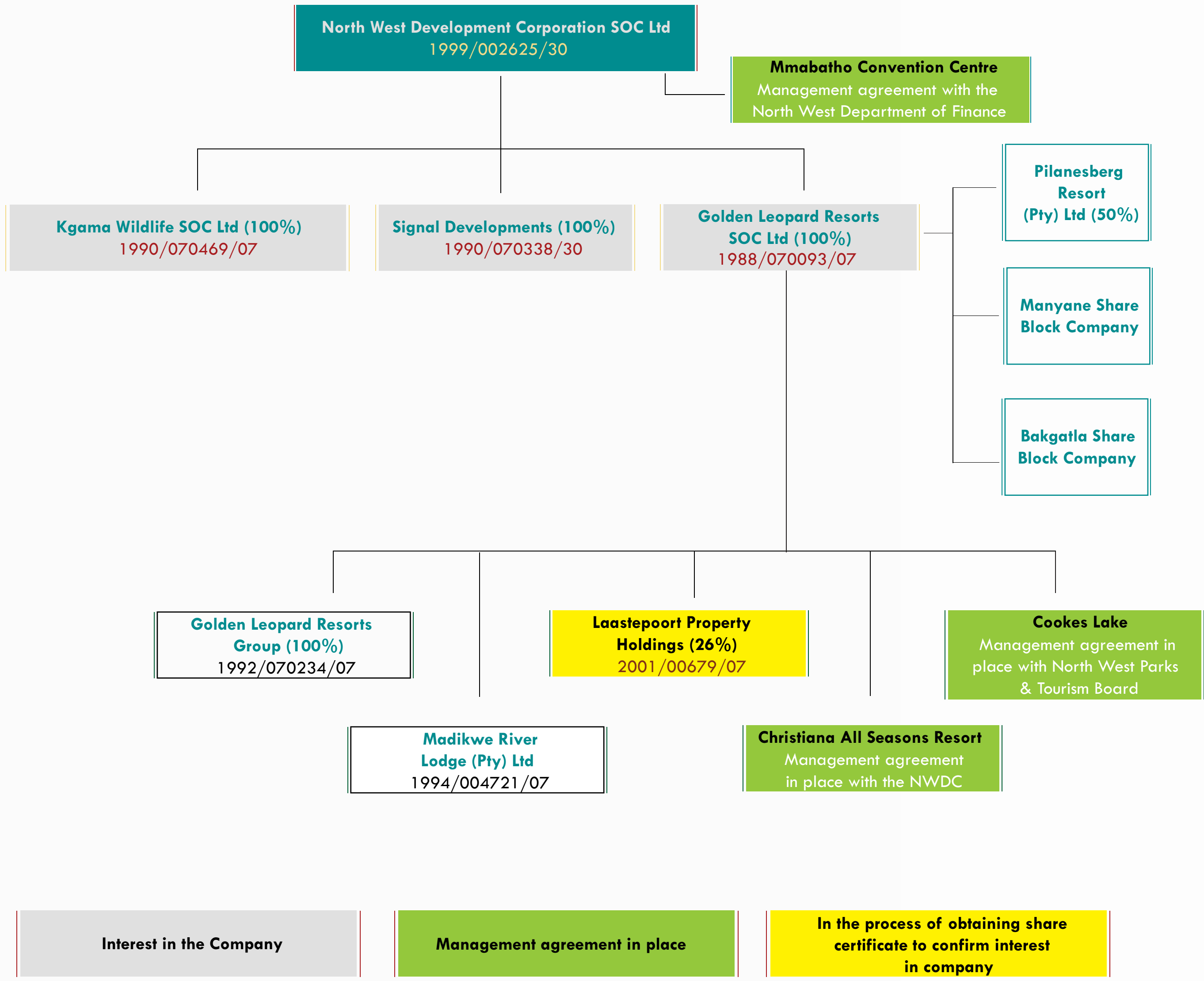
There is no provision of the Memorandum of Incorporation which constitutes a restrictive condition as contemplated in section 15(2)(b) of the Companies Act.

9. Organisational Structure

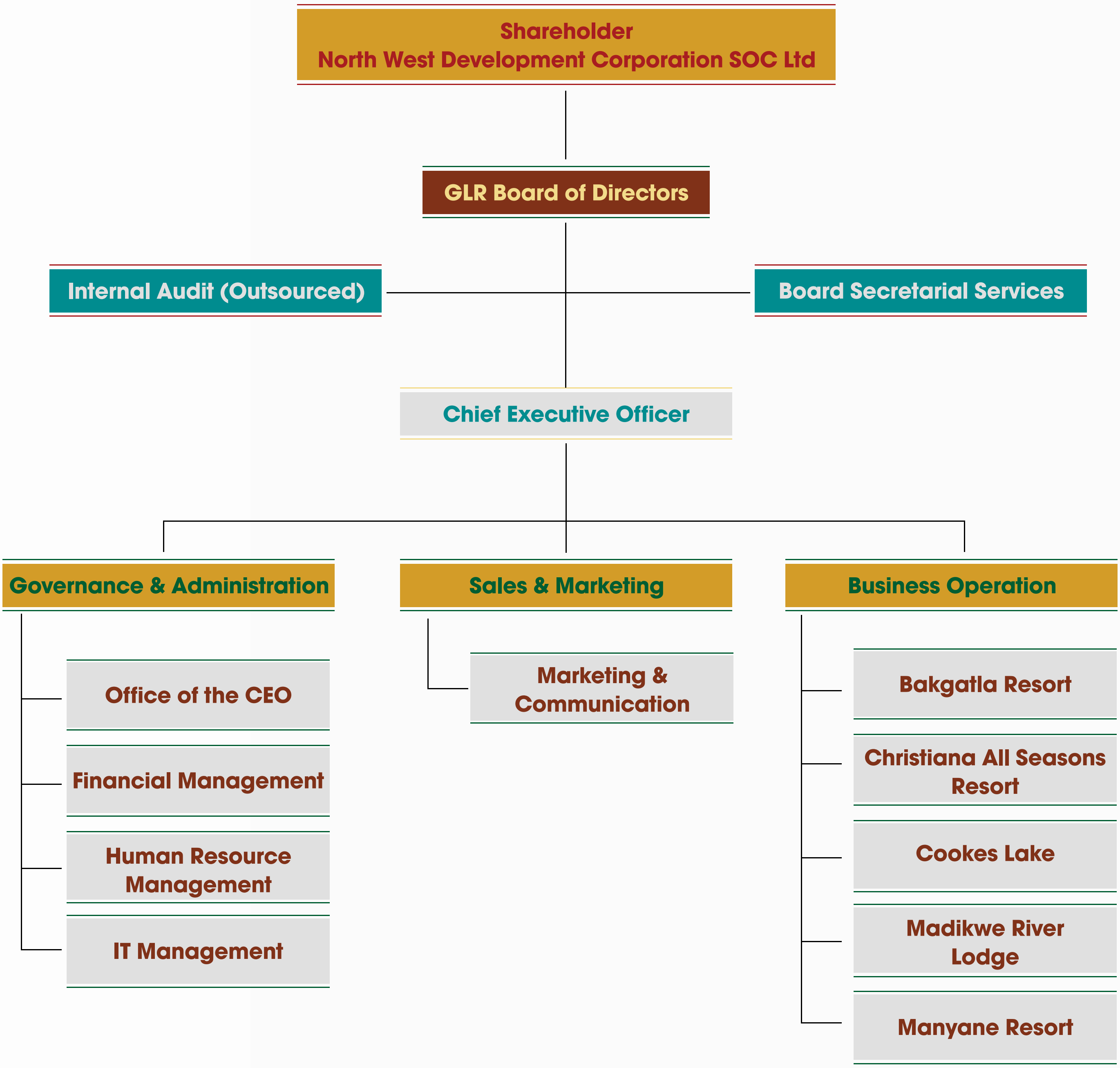
9.1 The Administrative Structure of the NWDC Group



9.2 The Structure of the NWDC Subsidiaries



9.3 Golden Leopard Resorts SOC Ltd Structure



9.4 Executive Management of the NWDC Group

Mr R Malapane
Acting Chief Executive Officer

Mr T Pitso
Acting Chief Financial Officer

Ms H Hoogkamer
Acting Chief Risk Officer

Ms N Phamodi
Executive Manager SMME Development & Management

10. Entities reporting to the NWDC

The legislative mandate of the NWDC Subsidiaries is to expand the investment envelope through unlocking the potential of local community to position the organisation as an investment vehicle in the Hospitality and Tourism sector, and to promote economic development in the North West Province. The below table reflects the financial relationship and nature of the operations of the entities reporting to the NWDC:

Name of Entity	Financial Relationship	Nature of Operations
Golden Leopard Resorts SOC Ltd	• Transfer payment • Free services • Partnership agreements • Human resources support • Financial Assistance	• Accommodation • Food & Beverage • Camping & Caravan • Conferencing
Madikwe River Lodge (Pty) Ltd	• Transfer payment • Free services • Partnership agreements • Human resources support • Financial Assistance	• Accommodation • Food & Beverage • Game Drives
Christiana All Seasons Resorts	• Transfer payment • Free services • Partnership agreements • Human resources support • Financial Assistance	• Accommodation • Food & Beverage • Game Drives • Camping/Caravan • Conferencing
Cookes Lake	• Transfer payment • Free services • Partnership agreements • Human resources support • Financial Assistance	• Accommodation • Food & Beverage • Conferencing

B

Performance Information

1. Auditor-General's Report: Predetermined Objectives

The Auditor-General South Africa (AGSA) currently performs certain audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on performance against predetermined objectives is included in the Report to Management, under the Predetermined Objectives heading in the Report on other legal and regulatory requirements' section of the Auditor's Report.

Refer to pages 83 and 84, paragraphs 28 to 35, of the Auditors Report, published as Part E: Financial Information.

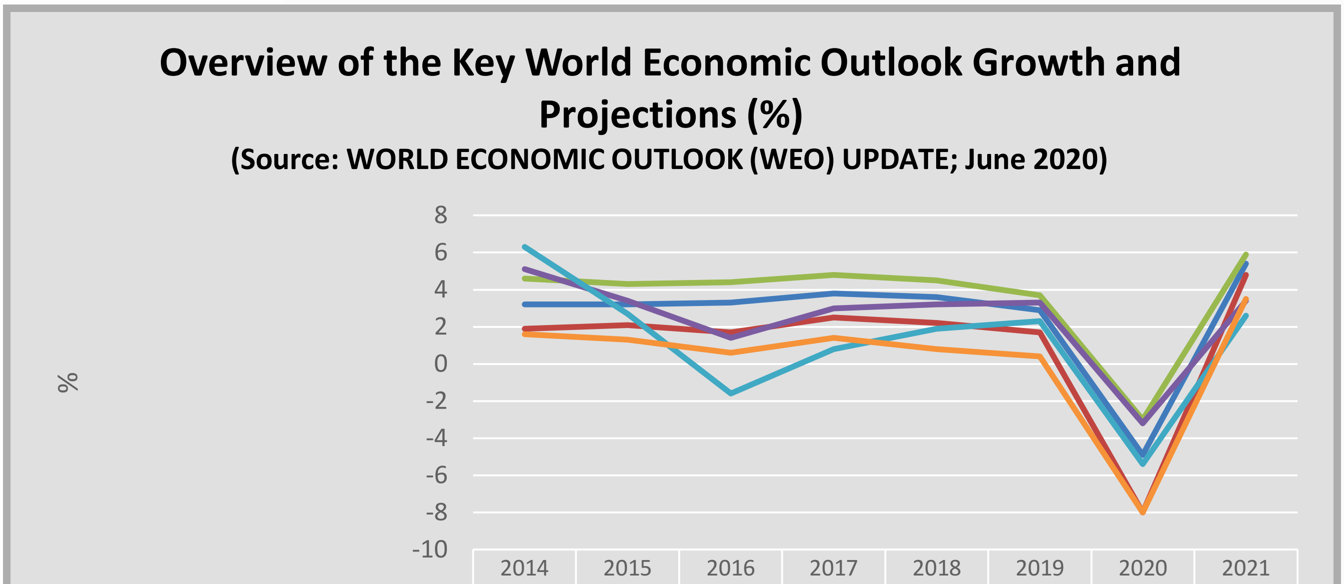
2. Overview of the NWDC Performance

2.1 Service Delivery Environment

2.1.1 Economic Overview

It is important to place NWDC within a macro economic environment. The period under review was only effected by the COVID-19 pandemic during the last quarter of 2019/2020, however the impact will be more obvious in the year to come as indicated in the graph and table below where the economic growth forecast of South Africa is plotted with major global projections.

Figure 1: Overview of the Key World Economic Outlook Growth and Projections (%) (Source: WORLD ECONOMIC OUTLOOK (WEO) UPDATE; June 2020



	2014	2015	2016	2017	2018	2019	2020	2021
World Output	3.2	3.2	3.3	3.8	3.6	2.9	-4.9	5.4
Advanced Economies	1.9	2.1	1.7	2.5	2.2	1.7	-8.0	4.8
Emerging Market and Developing Economies	4.6	4.3	4.4	4.8	4.5	3.7	-3.0	5.9
Sub-Saharan Africa	5.1	3.4	1.4	3	3.2	3.3	-3.2	3.4
Nigeria	6.3	2.7	-1.6	0.8	1.9	2.3	-5.4	2.6
South Africa	1.6	1.3	0.6	1.4	0.8	0.4	-8.0	3.5

When comparing the growth forecast of the International Monetary Fund (IMF) in January to June 2020, the table below indicates the possible impact of COVID-19 on growth projections:

Table 1: Difference of the Key World Economic Outlook Growth and Projections (%) from January 2020 to June 2020 for 2020 (Source: WORLD ECONOMIC OUTLOOK (WEO) UPDATE; June 2020

Region	Difference in % growth projections from January 2020 to June 2020 for 2020
World Output	-8,2%
Advanced Economies	-9,2%
Emerging Market and Developing Economies	-7,4%
Sub-Saharan Africa	-6,7%
Nigeria	-7,9%
South Africa	-8,8%

(Source: WORLD ECONOMIC OUTLOOK (WEO) UPDATE; June 2020

The South African economy recorded its third consecutive quarter of economic decline, falling by 2.0% (seasonally adjusted and annualised) in the first quarter of 2020. This followed a contraction of -1.4% and -0.8% in the fourth and third quarters of 2019, respectively.

The North West Province Economic Overview:

a) Covers approximately 104 882 square kilometers, comprising 8.6% of the national area;

b) Is not densely populated when compared to the national population density. In 2019, with an average of 39.5 people per square kilometre, North West Province had a lower population density than National Total (48.3 people per square kilometre);

c) Houses approximately 4.14 million people, 7.02% of the country's total population of which nearly 44.6% are in the Bojanala District and is growing at an annual rate of 2.55% compared to the North West province that is growing at 1.97% per annum;

d) The North West Province has a GDP of R3.4 billion (current prices which comprise 6.0% of the National GDP of which Bojanala contributed 88.5%. The longer-term average growth rate for (0.75%) is significant lower than that of South Africa (1.68%). The economic growth peaked in 2015 at 4.61%;

e) In 2019, employed 927 000 people which is 5.66% of the total employment in South Africa (16.4 million). Employment increased annually at an average rate of 1.47% from 2009 to 2019;

f) The Province's economy is made up of various industries. The GVA-R variable provides a sector breakdown, where each sector is measured in terms of its value added produced in the local economy.

Table 2: Gross Value Added (GVA) by Broad Economic Sectors of the North West Province, 2019 (R Billions, Current Prices)
Source: IHS Markit Regional eXplorer version 1923

	North West	National Total	North West as % of national
Agriculture	6.3	95.7	6.6%
Mining	91.7	376.4	24.4%
Manufacturing	14.3	598.2	2.4%
Electricity	10.4	173.4	6.0%
Construction	6.9	172.2	4.0%
Trade	31.8	685.3	4.6%
Transport	16.3	442.1	3.7%
Finance	33.5	889.3	3.8%
Community services	60.1	1,091.2	5.5%
Total Industries	271.2	4,523.6	6.0%

g) The North West Province improved in most of the developmental indicators (2009 used as baseline) with the Human Development Index (HDI) currently at 0.628 up 0.52 in 2009 compared to the National Total with a HDI of 0.662. South Africa's HDI increased at an average annual growth rate of 1.44% and this increase is lower than that of the Province (1.81%);

h) The province also improved in all measures relating to schooling and education;

i) In 2019, there were 2.51 million people living in poverty, using the upper poverty line definition, across the Province - this is 13.46% higher than the 2.22 million in 2009. The percentage of people living in poverty has decreased from 65.01% in 2009 to 60.71% in 2019, which indicates a decrease of 4.3 percentage points;

j) Income levels are below the national average (which is to be expected for the more rural areas in South Africa) The per capita income for the Province (R54,100) is lower than that of the South Africa as a whole which is R60,800; Gini coefficient indicated that the level of inequality decreased from 0.60 in 2009 to 0.613 in 2019;

k) Index of Buying Power has also increased and was 0.06 in 2019;

l) Unemployment rate was slightly higher than that of the national average in 2019. In 2019, the unemployment rate in the Province (based on the official definition of unemployment) was 28.79%, which is an increase of 2.36 percentage points. The unemployment rate in the Province is higher than that of National Total. The unemployment rate for South Africa was 28.21% in 2019, which is an increase of -3.91 percentage points from 24.31% in 2009;

m) In terms of trade, the merchandise exported from the Province amounts to R103 billion and as a percentage of total national exports constitutes about 7.94%. The exports from North West Province constitute 33.99% of total North West Province's GDP;

n) Merchandise imports of R6.24 billion constitute about 0.49% of the national imports. Total trade within North West is about 4.27% of total national trade. The Province had a positive trade balance in 2019 to the value of R97.2 billion;

o) The Province has a well-developed electricity distribution network due to mining activities;

p) Water is considered one of the key limiting factors to development in the North West Province;

q) Ideally positioned to access the 14 countries comprising the Southern African Development Community (SADC) and the development of the proposed Trans-Kalahari corridor;

r) Well-developed road and rail links provide the platform and infrastructure for ground transportation deep into sub-Saharan Africa;

s) Offers easily available skills and distribution channels imperative for agricultural commercial ventures;

t) Plays a significant role in the supply of energy, transport and communications to the continent;and

u) Is well-positioned to a shared services hub for investors interested in African operations, especially for Sub-Saharan countries.

2.1.2 North West Development Corporation SOC Ltd

The below information relates to the service delivery environment in which the NWDC operated during the period under review.

2.1.2.1 Property Development and Management

The property portfolio has been under strain for a number of years due to the rising costs of utilities (electricity, water and municipal rates), rising cost of security and overall maintenance. The NWDC Portfolio is heavily impacted on the rate of recovery of electricity costs due to the old conventional meters that are still being utilised on the properties. The proposed smart meter project will ensure 100% recovery even on non-metered charges and expansion of the offerings to tenants to include internet solutions. Going forward, the new valuation rates will include pro-rata calculations of rates into the rental rate per square metre to mitigate the increasing costs of municipal rates.

For the NWDC, the situation is worsened by the state of the properties which require renovation and refurbishment due to their ageing infrastructure. Most of the properties were constructed in the 1980s with the more recent ones built around 1995. This has led to an exodus of tenants, moving into new developments that have been erected in the areas where NWDC owns property, which is mainly in townships and/or rural localities.

Economic conditions have resulted in some big businesses being placed under business rescue, thus increasing vacancy rates in most of the industrial parks. Businesses that have remained resilient are retail-based and are not necessarily major job creators nor GDP contributors, as is the case with the manufacturing sector, for instance.

However, a strong emergence of SMMEs as tenants has been observed. This requires a move towards supporting these businesses with other financial and non-financial instruments to assist them in thriving.

2.1.2.2 Bojanala Special Economic Zone

The North West Province made some progress towards securing the Bojanala SEZ designation. The application for designation was presented to the National Cabinet Cluster on 14 August 2019. The progress made by the Province was acknowledged, however further work was recommended to meet the targets expected by the Cluster. The advice received included:

- the governance and oversight of the SEZ needs improvement to demonstrate support by the North West Provincial EXCO including the local municipalities;
- the Cabinet requested that both the pipeline investment and support by local stakeholders be updated; and
- commitment of the North West Provincial Government to the roll out of infrastructure.

The NWDC engaged with the North West Provincial Government (EXCO) and secured a positive outcome to elevate the Bojanala SEZ as a strategic provincial project. Going forward, the progress on the project will be reported to EXCO on a monthly basis, while any new request for support will be placed before the committee for its consideration. The Province entered into separate engagements with the Department of Trade and Industry and Competition (DTIC) to implement the recommendations of Cabinet and to report on all the progress made to ultimately secure the SEZ designation.

2.1.2.3 SMME Development and Management

For the past six years, the SMME Development and Management unit did not receive a budget allocation for loan funding. This has negatively impacted on its performance and resulted in yearly reduced targets which have negatively impacted the support, development and growth of enterprises in the North West Province. The service delivery of the North West Province has also been affected and one of the reasons is the lack of financial assistance to enterprises who were awarded procurement opportunities by both the public and private sector, as funding could have enabled them to respond to the contractual obligations.

The unit has entered into a cession agreement with North West Provincial Departments to create a secure lending environment which will enable those enterprises granted procurement opportunities to be assisted without stringent requirements or red tape. This model will allow the NWDC to grow the bridging loan facility and enabling funding for enterprises.

During the 2019/2020 financial year the unit has realised 94% of the loan collections. There was an improvement of the turnaround time to respond to contracts obligations of clients who were funded through the secured bridging loan. The following are some of the few service delivery achievements resulting from the model stated above:

- supply of protective clothing for the Bophelong Provincial Hospital;
- renovations of the Stat Clinic;
- renovation of the Brits Health Center; and
- supply of the office equipment at Ngaka Modiri Molema District.

2.1.2.4 Trade and Investment Facilitation

The North West Province's operational environment has been difficult in the year under review. There has been persistent declining investment in the mining sector in the NWP with business optimisation common among many miners as they strive to achieve operational efficiencies. Added to the above, are large retrenchments undertaken by major players in the province, companies such as Merafe-Glencore and Samancor Chrome Limited had already applied for retrenchments during the period under review.

A number of the enterprises being assisted with market access programme rely on the mining sector for much of their business flow. The on-going cost cutting and reduction in the mining sector reduces business opportunities for SMMEs in the province who rely on these larger companies for sub-contracting opportunities. To mitigate this, efforts are being made to expose the SMMEs to alternative markets including but not limited to external mining industries in the rest of Africa outside of South Africa. Opportunities which links to specific niche areas outside this industries are also being highlighted.

2.1.2.5 Economic Programme Management

The NWDC established a project management unit to create internal capacity. The purpose of the unit is to implement economic development projects on behalf of North West Provincial Government Departments, in exchange of charging a project management fee.

2.1.2.6 Tourism

During the 2019/2020 financial year, the GLR Group continued to make strides towards amalgamation into one entity. The process is not yet finalised and it is anticipated that this lengthy process will see finalisation and fruition in the 2020/2021 financial year. The tourism industry continued to be adversely affected by the economic downturn and the South African downgrade to junk status as well as the “technical recession” that saw many domestic tourists postponing holidays as uncertainty loomed on disposable income.

The continued contraction of the economy also meant that the lifeblood of tourist arrivals in the domestic sector to GLR declined significantly. Whilst renovations to properties have continued on an urgent basis, major renovations and upgrades have not yet been effected due to financial constraints. This has harmed the perception of "value for money" by potential guests and has resulted in less favourable comparisons to competitors.

It has not been all doom and gloom at the subsidiaries for the 2019/2020 fiscal as much needed improvements have been effected. An electrified security fence has been installed at the largest resort of Manyane in Pilanesberg.

A face-lift in softs and patio furnishings have been installed at our premier Madikwe River Lodge resort.

Christiana All Seasons Resort continued to be a central recreational facility for the majority of provincial and provincial cross-border visitors.

Bakgatla Resort continued to carry the mantle for provision of facilities for school groups, especially those from previously disadvantaged communities.

The GLR Group continues supporting local procurement by ensuring fair distribution of purchasing power to uplift local businesses.

From the early start of the fourth quarter, January to March 2020, the GLR Group witnessed the slowing down and eventual halt of the Tourism industry as the COVID-19 pandemic started sweeping the globe and reaching our South African shores in March 2020. The subsequent border closures, restrictions on travel and revised visa regulations meant that international visitors had to cancel bookings, some resulting in refunds and outflow of cash. The national shutdown effected on 26 March 2020 adversely affected the GLR Group as this was during the much anticipated domestic peak period, school holidays and upcoming Easter long weekend. They lost potential accommodation revenue and had to refund a large portion of pre-paid bookings. Moreover, the lost retail income from food and beverage sales can also not be disregarded.

It is unlikely that the Tourism industry will return to normality anytime soon. Therefore the GLR Group found a mitigating business model to try and weather the storm of COVID-19 until such time that business can resume in some sense. The facilities have been availed to the North West Province to be utilised as Persons under Isolation facilities for travellers mandated to serve 14 days quarantine upon re-entry into South Africa as well as contacts traced by the Department of Health.

2.1.2.7 Corporate Services

The Corporate Services unit is a support function within the NWDC and does not directly render services to the public. However, during the period under review, the unit encountered several challenges that hampered the collection of the historical debt. The unit under achieved on its target set for the collection of historical debt of former tenants of the NWDC. Processes will follow in the next financial year to address the prescription of debt, write-offs and finalisation of long outstanding litigation processes.

2.1.2.8 COVID-19 Activities after Year-End

COVID-19 Steering Committee

The NWDC as an entity of the State, has established the COVID-19 Steering Committee which is overseen and chaired by the Office of the CEO in line with the legislation and regulations issued. The following indicates the activities in place:

- The Committee meets every Thursday and is fully empowered to practice oversight over all matters related to COVID-19.
- COVID-19 Compliance Officers for each branch have been identified.
- The COVID-19 portal where all cases must be reported has been established and is accessed by three key people nominated by the Committee.
- The Procurement of all items in line with COVID-19 protocols is on-going to ensure complete compliance.
- Return-to-work Plans and all the necessary policy and procedures pertinent to COVID-19 have been drafted, approved and are implemented by the Committee.

- In terms of the readiness of the offices to return to work, it can be reported that the Property Unit, which mostly do maintenance, is back at work on a platoon system and all other Units would be returning on a phased approach.
- IT has provided staff with tools of trade as well as support to enable them to work from home.

2.2 Service Delivery Improvement Plan

The NWDC did not develop a Service Delivery Improvement Plan (SDIP) during the year under review.

2.3 Organisational Environment

2.3.1 The NWDC is the development agency for the North West Province and its Shareholder being the Department of Economic Development, Environment, Conservation and Tourism.

2.3.2 The NWDC Group must play a leadership and catalytic role in transformation and development. The NWDC Group needs to implement projects in line with the provincial developmental agenda and needs to prioritise projects that shall yield the biggest impact in terms of job creation and enterprise development.

2.3.3 To be able to carry out its mandate the NWDC has organised itself along line functions as follows:

- Administration and Governance, Financial Management and Corporate Services;
- Property Development and Management;
- Bojanala Special Economic Zone;
- SMME Development and Management;
- Trade and Investment Facilitation;
- Economic Programme Management; and
- Tourism.

2.3.4 The following developments internal to the entity have impacted the NWDCs ability to deliver on its mandate:

- financial constraints and cash flow challenges;
- reserve funds depleted;
- high staff vacancy rate of 20%;
- the organisational design/structure which needs to be aligned to the strategy;
- funding for refurbishments of dilapidated infrastructure to maximise rental collection;
- unfavourable audit opinions;
- hierarchy inclined with many silos;
- unskilled and incorrectly placed employees; and
- suspension of employees in key positions.

2.3.5 The challenges that the NWDC are faced with will be remedied as follows:

- clear business strategy that will address the assessment and implementation of viable and financially beneficial projects;
- alignment of the organisational design/structure;
- optimum utilisation of human capital;
- attract new skills;
- develop standard operating procedures;
- appointment of strategic leaders in key positions; and
- finalisation of legal processes with regards to suspended employees.

2.4 Key policy developments and legislative changes

No major changes were made to relevant policies or legislation that may have affected the NWDC operations during the period under review.

3. Strategic Outcome-Oriented Goal

3.1 Strategic Outcome-Oriented Goal and Strategic Objectives:

Strategic Outcome-Oriented Goal of the NWDC

- Improved economic growth

Strategic Objectives of the NWDC

- Maintain the going concern of the NWDC Group by achieving sustainability ratios annually
- Contribute annually to the economic growth and transformation of the North West Province through multiplying initial investments
- Increase the NWDC Group capacity by implementing operating systems
- Conduct annual external surveys to measure the quality of services rendered by the NWDC Group

3.2 Reflecting on Outcomes:

a) The Medium Term Strategic Framework (MTSF) is government's strategic plan for the 2014-2019 electoral terms. It reflects the commitments made in the election manifesto of the governing party, including the commitment to implement the NDP.

b) The NWDC has aligned its strategy to the MTSF. In its focus on these priorities, and their elaboration into 14 key outcomes and associated activities and targets, the MTSF has two over-arching strategic themes, namely radical economic transformation and improving service delivery.

c) The MTSF outcomes, Correlating NDP Chapters and Relevance to NWDC:

Outcome	Subject	Correlating NDP Chapter	Relevance to NWDC
Outcome 4	Decent employment through inclusive growth	Chapter 3	NWDC Mandate
Outcome 5	A skilled and capable workforce to support an inclusive growth path	Chapters 9 & 13	NWDC Values
Outcome 6	An efficient, competitive and responsive economic infrastructure network	Chapter 4	NWDC Properties
Outcome 7	Vibrant, equitable, sustainable rural communities contributing towards food security for all	Chapter 6	Projects
Outcome 10	Protect and enhance our environmental assets and natural resources	Chapter 5	• Ensure that projects have RODs on • Environmental Impact Assessments (EIAs) • Ensure energy efficiency of all properties • Facilitate investment in renewable energy • Reduce, reuse and recycle
Outcome 11	Create a better South Africa and contribute to a better Africa and a better world	Chapter 7	Destination Marketing and Exports (Trade and Investment promotion)
Outcome 12	An efficient, effective and development-oriented public service	Chapters 13 & 14	NWDC (Strategic Objective 1) Ensure the sustainability of the NWDC

d) The NWDC aims to implement key programmes and to provide support for the development of key sectors of the economy in line with the conventional economic and industrial policies of the Province. Furthermore, the NWDC aims to grow The cooperatives economy, trade and investment facilitation and increased strategic economic infrastructure. The NWDC aims to be the cornerstone of promoting trade, attracting investment, and ensuring economic growth and transformation in the North West Province.

e) The desired outcome for the NWDC is to contribute towards the growth and transformation of the economy by positioning the North West Province as a competitor in investment attraction in both the SADC region and the rest of the globe.

4. Performance Information by Programme

4.1Programme 1: Property Development & Management

4.1.1Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To ensure the development and management of the property portfolio	Maintain the going concern of the NWDC Group by achieving sustainability ratios annually

4.1.2 Performance Indicators

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Value of current rental collected within 30 days	R128m	R122,502,740.85	R5,497,259.15	Two of NWDC's major clients in Babelegi went into business rescue during the financial year under review. This resulted in the programme only being able to collect 95% of its rental target. Furthermore, economic conditions saw many companies not honouring their monthly rental.	A more robust engagement process with tenants will be implemented in the 2020/2021 financial year. This will enable early detection of businesses experiencing difficulties and joint intervention with the SMME unit.

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Occupancy percentage of rented properties	90%	70.14%	19.86%	The occupancy rate declined due to two anchor tenants and the Department of Education terminating their lease agreements with the NWDC in the Babelegi area. The dilapidated state of the properties, which is brought about by the lack of funding for refurbishments, makes the available properties unlettable.	• Negotiations with government departments, such as Health, to occupy offices in Babelegi, CATA for offices in Rustenburg are at an advanced stage. • Government departments offer a more solid and resilient occupancy. • Improvements and refurbishment projects to the shopping centres in Mogwase and Lehurutse will retain the current tenants.
Number of vacant sites earmarked for development	1	1	0	Achieved	Not applicable

4.1.3 Narrative

The Property Development and Management Programme was able to reach the target set for new developments by commencing with a process to develop the Itsoseng Shopping Complex as a project to increase lettable space and thus increasing rent collection.

The unit's rental collection target was not achieved. The shortfall (variance) of 5% was mainly due to major tenants terminating their lease agreements.

Challenges continued regarding the occupancy of vacant properties due to the dilapidated state of the properties, which is brought about by a lack of funding to carry out refurbishments. The dilapidated state of the properties renders the available properties unattractive to prospective tenants. This resulted in the occupation variance being 17.93% at the end of the financial year.

4.1.4 Strategy to overcome areas of underperformance

The funds obtained from the revitalisation of state owned industrial parks through the Critical Infrastructure Programme of the Department of Trade and Industry will assist with occupancy levels in the two major industrial parks of Babelegi and Mogwase. The same funds will be utilised to refurbish the NWDC offices located in these parks to enable NWDC to let to two regional departments. This should increase occupancy levels and improve rental collection.

To increase rental collections, other planned strategies are to extend into new sectors such as student accommodation. More vacant properties will be brought into the market for new developments in the next financial year.

4.1.5 Linking performance with budgets

The financial information as presented in the table below outlines the Property Development & Management expenditure:

Programme Name	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Property Development & Management	175 462 000	90 403 000	85 059 000	162 726 000	55 472 000	107 254 000
TOTAL	**175 462 000**	**90 403 000**	**85 059 000**	**162 726 000**	**55 472 000**	**107 254 000**

4.2 Programme 2: Special Economic Zone (SEZ)

4.2.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To build commercial industrial infrastructure and attract new investment into the SEZ	Contribute annually to the GDP economic growth and transformation of the NWDC by multiplying the initial investments

4.2.2 Performance Indicators

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Value of investment attracted into the SEZ	R2b	R0	R2b	The decision on the designation of the SEZ was pended until the following matters have been attended to: • Review of the Bojanala SEZ Business Case; • Improvement of the Investment pipeline; • The Provincial EXCO to demonstrate support for the SEZ through oversight and additional resources.	• A service provider will be appointed to review the SEZ Business Case; • The IDC has been requested to provide additional support to attract new investment. • The SEZ will be elevated to be a Provincial Project for oversight and support by all infrastructure departments.
Value of Zone Infrastructure Development	R100m	R21,900,742.00	R78,099,258.00	The target was not achieved due to the delay in the implementation of Phase II of the Industrial Park Revitalisation Programme from the Department of Trade, Industry and Competition.	The NW Province will apply for the Critical Infrastructure Programme once current project is completed.

4.2.3 Narrative

The Bojanala SEZ is a Department of Trade, Industry and Competition (DTIC) national project implemented in partnership with the North West Provincial Government. The Department of Economic Development, Environment, Conservation and Tourism (DEDECT) is the implementing Department in the North West Province and has since appointed the NWDC as the implementing agent. The NWDC established the SEZ Project Management Unit to coordinate the planning phase of the SEZ through a Project Steering Committee consisting of key provincial and national role players. The implementation of the SEZ follows the prescribed DTIC National Planning Guidelines which outlines how the pre-feasibility, technical feasibility as well as how the business case should be done and packaged for application for designation, as well as the structure and resourcing of the Project Management Unit.

The following milestones have been reached:

- pre-feasibility studies were completed;
- technical feasibility studies were completed;
- the development of the business case was completed; and
- the application for the designation of the Bojanala SEZ was tabled before the National Cabinet on August 2019 and was not approved due to the following outstanding matters:
- improvement of the governance of the Bojanala SEZ;
- local and Provincial Government to provide the infrastructure costs in the SEZ;
- the Mining Industry to support the implementation of the SEZ;
- improvement of the current investment pipeline to attract high value investments into the SEZ; and
- building capacity of the SEZ Project Management Unit.

4.2.4 Strategy to overcome areas of underperformance

Since the designation of the Bojanala SEZ has been postponed, the following actions will be implemented:

- the provincial EXCO has elevated the SEZ to be a provincial strategic project and will hence forth be monitored at an EXCO level;
- the partnership between the province and the DTIC has been strengthened to monitor the project more closely, with key milestones to be achieved in future agreed to; and
- the remaining recommendation from the National Cabinet Cluster will be implemented before an update report is submitted back to Cabinet for the designation consideration.

4.2.5 Linking performance with budgets

The financial information as presented in the table below outlines the Bojanala SEZ expenditure:

Programme Name	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Bojanala SEZ	5 398 000	4 335 000	1 063 000	4 595 000	8 659 000	(4 064 000)
TOTAL	**5 398 000**	**4 335 000**	**1 063 000**	**4 595 000**	**8 659 000**	**(4 064 000)**

4.3 Programme 3: SMME Development & Management

4.3.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To develop sustainable enterprises	Maintain the going concern of the NWDC Group by achieving sustainability ratios annually

4.3.2 Performance Indicators

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Value of loans disbursed	R4.2m	R1,290,470.89	R2,909,529.11	During the process of setting targets for the year under review, the SMME Development & Management Programme took it that funding will be allocated for disbursement of new loan applications. However, no funding was allocated and this resulted in insufficient funding for disbursement of loans to SMMEs.	• The unit will collaborate with other institutions that are involved in the field of funding of the small businesses. • The unit partners with funding institutions to gain access to a database of small businesses that approach the NWDC for funding.
Amount recovered from collections	R2.5m	R2,696,766.70	(R196,766.70)	Collaboration with the Legal Unit to intensify loan collections. Debtors from previous years were revisited and encouraged to enter into Acknowledgement of Debts (AOD). And these debtors responded positively which resulted to targets exceeded.	A separate key performance indicator that will account on the debtors that are over 90 days will be introduced under the SMME unit. This will ensure that the debtors with a period that is over 90 days are separated from the current debtors.

4.3.3 Narrative

The SMME Development & Management Programme has been charged with the mandate of provision of access to finance on behalf of the NWDC. Two targets have been set in pursuit of this mandate.

During the period under review, this programme collaborated with the Legal Unit to intensify loan collections which resulted in exceeding the target. Extensive planning for the collection of these debt/loans took place. Teams were established comprising officials from both the SMME Development & Management Programme and the Legal Unit within the NWDC. Each team was allocated accounts to:

- pursue and re-commit by signing Acknowledgement of Debt (AOD) agreements;
- report on progress weekly; and
- list defaulters of AODs with Credit Bureaus.

During the process of setting targets for the year under review, the SMME Development & Management Programme took it that funding would be allocated for disbursement of new loan applications. However, no funding was allocated and this resulted in insufficient available funding for the disbursement of loans to SMMEs.

4.3.4 Strategy to overcome areas of underperformance

The following strategies will be implemented to address the areas of underperformance:

- collaboration with other funding institutions that are involved in the field of funding small businesses;
- funding institutions gaining access to small businesses that approach the NWDC for funding;
- signing Memorandums of Understanding with SMMEs to ensure that the funding initiatives are sustainable;
- the NWDC to establish a call centre to service SMMEs in the North West Province with non-financial (CIPC services), and financial business (Business Finance) enquiries; and
- assistance with relief funding:
  - formal Business Relief Fund (financial assistance between R1 000 and R100 000).
  - informal Business Relief Fund (financial assistance between R1 000 and R10 000).

4.3.5 Linking performance with budgets

The financial information as presented in the table below outlines the SMME Development & Management expenditure:

Programme Name	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
SMME Development & Management	12 653 000	6 940 000	5 713 000	11 749 000	247 000	11 502 000
TOTAL	**12 653 000**	**6 940 000**	**5 713 000**	**11 749 000**	**247 000**	**11 502 000**

4.4. Programme 4: Trade and Investment Facilitation

4.4.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To attract foreign and local direct investments into the North West Province, promote exports and facilitate market access for local businesses	Contribute annually to the GDP economic growth and transformation of the NWDC by multiplying the initial investments

4.4.2 Performance Indicators

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Value of successful investment projects facilitated into the NWP	R100m	R30,452,434.50	R69,547,565.50	• Planned external investment missions, to attract investments, were not undertaken due to unavailable funding • A huge portion of the investment pipeline require additional development with assistance of DFI partners to bring it to bankability • The declining mining sector in the North West Province and difficult economic environment affected new investments in the period under review.	• Identify and/or sourcing of alternative of funding to support external investment missions. • Work with DFIs in the province to develop and improve bankability of projects. • Identify alternative sectors for focussed development outside of the mining sector.
Number of trade and investment initiatives with local and district municipalities	4	4	0	Achieved	Not applicable
Number of companies assisted with access to export markets	10	16	(6)	External funding was sourced from the DTI. As a result there was capacity to assist more SMEs than planned.	Work with projected number of companies for export as per the original corporate plan.

4.4.3 Narrative

During the year under review, the Trade and Investment Facilitation Programme had interactions as follows:

- Investment opportunities reached financial closure due to the facilitation of partnerships between the NWDC and Development Finance Institutions (DFIs).
- Provided secretarial support to the DFI Forum.
- Submitted, in partnership with Department of Agriculture, Forestry and Fisheries (DAFF), several agro opportunities to the Jobs Fund for consideration.
- Participated in the Manufacturing Roundtable through a partnership with the Department of Economic Development, Environment, Conservation and Tourism. This Roundtable is the first step towards a strategic platform to forge stronger relations between the North West Provincial Government (including municipalities), and the manufacturing industry in the North West Province.
- Participated and provided key technical support to the Mining Working Groups in the Province, as a follow up after the North West Province Mining Roundtable.

- Promoted the high impact high value project pipeline at the Presidency's South African Investment Conference. These projects will be submitted to the Presidential Infrastructure Programme for consideration.

- Successfully applied and acquired SSAS funds from the Department of Trade, Industry and Competition to support 13 emerging exporters from the North West Province to the amount of R1.258m, to participate at the Invest in African Mining Indaba 2020 which was held in Cape Town from 6 to 9 February 2020.

- Key linkages were made for the 13 companies referred to above, which are anticipated to develop into commercial ventures in the next financial year.

During the period under review, none of the planned external investment promotion missions to attract investment were undertaken due to unavailability of funding. A huge portion of the investment pipeline requires additional development with assistance of DFI partners to bring it to bankability. The declining mining sector in the North West Province and a difficult economic environment affected new investments.

4.4.4 Strategy to overcome areas of underperformance

- to identify alternative funding sources to undertake planned promotional missions;
- improvement of the investment pipeline to bring it to bankability in working with DFIs;
- explore and promote alternatives due to the declining mining sector and difficult environment; and
- absence of provincial seed funding for investment to unlock identified investment opportunities.

4.4.5 Linking performance with budgets

The financial information as presented in the table below outlines the Trade & Investment Facilitation expenditure:

Programme Name					2018/2019	
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Trade & Investment Facilitation	8 704 000	4 585 000	4 119 000	7 897 000	5 838 000	2 059 000
TOTAL	**8 704 000**	**4 585 000**	**4 119 000**	**7 897 000**	**5 838 000**	**2 059 000**

4.5 Programme 5: Economic Programme Management

4.5.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To facilitate and implement funded projects	Contribute annually to the GDP economic growth and transformation of the NWDC by multiplying the initial investments

4.5.2 Performance Indicators

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Number of funded projects to be implemented	5	6	(1)	The over achievement reflected is due to a project completed in the Q.1 2019/2020 of which it was due in the previous financial year, 2018/2019. The project could not be achieved due to delays in delivery of equipment by local suppliers as a result of lack of capacity to deliver.	In future, arrangements between the service provider and the suppliers must be made so that the corporation pays directly for the raw material at project inception.
Number of jobs created through projects implemented	58	96	(38)	Due to delays in the implementation of the project in financial year 2018/2019, more resources had to be assigned to minimise further delays in the project delivery.	Closely monitor the project delivery to minimise the delays to avoid extensions of time within projects.

4.5.3 Narrative

During the year under review, the Economic Programme Management Unit implemented the following six projects:

- Iriteleng Batlou Bakery
- Basha Bakery
- CATA Library (Stella)
- CATA Library (Redirile)
- North West Growth Accelerator Programme
- Tuckshop Economy

The programme experienced the following challenges:

- local unrests and delays in funding by the project owner impacted negatively on the delivery of projects. As a result of these challenges, 38 more jobs than expected were created;
- stoppages in the projects led to more resources being required to ensure delivery of projects within reasonable timeframes;
- Lack of post project implementation support; and
- vacant positions within the Economic Programme Management unit.

4.5.4 Strategy to overcome areas of underperformance

Despite the fact that this programme exceeded its targets, the unit needs to be capacitated with Project Managers to ensure timeous implementation of funded projects.

The following is planned to overcome some of the challenges

- evaluate the portfolio;
- reprioritise projects;
- mitigate the impact of slowed or deferred projects, and
- remotely monitor and support the portfolio.

4.5.5 Linking performance with budgets

The financial information, as presented in the table below, outlines the Economic Programme Management unit's expenditure:

Programme Name	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Economic Programme Management	58 280 000	12 467 000	45 813 000	7 782 000	108 440 622	(100 658 622)
TOTAL	**58 280 000**	**12 467 000**	**45 813 000**	**7 782 000**	**108 440 622**	**(100 658 622)**

4.6 Programme 6: Tourism

4.6.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To manage, promote and grow hospitality and eco-tourism in the North West Province	Contribute annually to the GDP economic growth and transformation of the NWDC by multiplying the initial investments

4.6.2 Performance Indicators

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Percentage increase in revenue for the quarter measured against prior year same period	10%	-9.51%	19.51%	• The loss of market share and decline in the domestic tourism spend meant that less revenue is generated. • Non-diversification of product offerings to attract more niche business such as game drives.	• An aggressive marketing campaign designed specifically for the domestic market utilising all available channels, B2B, B2C and social media with ring fenced funds must be implemented. • Engage the NWPB on issuing a game drive licence to GLR to operate its own game drives rather than outsourcing and losing revenue.

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Occupancy growth rate: Percentage difference between actual occupancy per quarter and prior year actual occupancy same quarter	1.85%	-1.37%	3.08%	• There has been a marked decline in the campingsector due to poor product offering. • Inability to have sufficient funds and skills to market the properties consistently and widely.	• Renovations and landscaping of the camping areas as well as ablutions will take priority with funding to improve service offering. • Re-structure the marketing and sales division with relevant skills and resources to launch a proper marketing and advertising campaign.

4.6.3 Narrative and Strategies to overcome underperformance

Overview of the GLR Group of the achievements, challenges and strategies to overcome underperformance:

Bakgatla Resort

Achievements	Challenges	Strategies to overcome Underperformance
• Maintained a high standard of service, both to guests and in compliance with regulations and legislation governing the industry; • Completed refurbishment of the reception area and partially upgraded two ablutions in the camp and caravan area; • Obtained a high OHS compliance rating; and • Group bookings and a large conference in August and September 2019 bolstered the occupancy rate.	• Lack of listing on marketing platforms within the digital sphere which is the modern way of sourcing accommodation for both business and leisure trave.l	• Robust marketing by introducing discounted rates for both local and international tourists on as many digital platforms as possible as well as look at alternative advertising platforms to target all markets.

Christiana All Seasons Resort

Achievements	Challenges	Strategies to overcome underperformance
• An increase in guests visiting the casr day visitors area contributed to an increase in revenue; • Decrease in payroll costs by ensuring sunday and public holiday shifts are balanced against occupancy; • Continued positive initiatives and gestures from staff toward generating additional revenue; • Maintained four star grading; • Return guests thanks to maintaining service standard; and • Ongoing selling of hunting/culling packages contributed to achieving additional revenue during the low season.	• ITC challenges and internet connectivity has been an on-going challenge resulting in loss of bookings.	• ITC department of NWDC has been working on implementing faster connectivity and limit downtime. • Further explore newer ITC developments to ensure constant connectivity now that COVID-19 has placed a huge emphasises on it capabilities.

Cookes Lake

Achievements	Challenges	Strategies to overcome Underperformance
• Usage of the resort garden for social events and picnics; • Partnering with Mahikeng FM, events companies and stakeholders for free advertising; • Installation of Wi-Fi in chalets; • Long stay bookings from government departments; • Hosting of events; and • Screening children's movies on weekends.	• The property is on a management contract terminating 31 March 2021 and therefore casts a focus on the business decision whether to spend huge amounts on infrastructure developments/ improvements on property not owned by the group. • Limited accommodation offering (10 units) therefore the business is primarily on events, meetings and conferences.	• Engage the NWPB on plans for infrastructure upgrades and possibly agree to a shared expense approach • Diversify offerings to target more leisure groups such as families, weddings, graduations, and possibly a monthly flea market

Madikwe River Lodge

Achievements	Challenges	Strategies to overcome Underperformance
• Sustainability of the lodge; • The installation of the new IT network connected to the NWDC system, minimised ICT related issues; • Partnered with the Academy for Field Guide Training and trained one Field Guide who is now fully qualified; and • Renovated the rock pool.	• Cancellations (local and international), due to the COVID-19 pandemic. • Re-engineer the marketing strategy to focus on domestic market once travel re-opens.	• Position the lodge to operate as a COVID-19 quarantine facility. • Develop specialised packages that are affordable to the local market, considering that international travel might still be restricted.

Manyane Resort

Achievements	Challenges	Strategies to overcome underperformance
• Maintained the 3 star grading by the South African tourism grading council; • Renewal of the website and plugging in of online booking channels like booking.com, expedia and glr online bookings; • Front office and housekeeping undertook job cross training; • Successfully hosted two conference groups from Limpopo Department of Education; • Maintained the hospitality status of the RCI timeshare scores; • Part (60%) installation of the electric fence around Manyane Resort; and • Partly re-thatching the front office and terrace, improving the impression of the entrance area at the reception and restaurant.	• Taverns close to the resort contributed to loss of revenue due to the noise levels, especially during peak periods. • Dilapidated infrastructure and lack of funding for refurbishments. • Increase in the daily entrance fees to the pilanesberg national park contributed to the loss of revenue.	• Management engaged SAPS and the local municipality to assist in controlling the noise levels of taverns near the resort. This was unsuccessful. As a next step, the plan is to engage the Liquor Licence Board for assistance. • The GLR management negotiated with NWPB and a 50% discount per day on the gate entrance fee was approved for guests who stay two days and longer.

4.6.4 Linking performance with budgets

The financial information as presented in the table below outlines the Tourism expenditure:

Programme Name	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Tourism	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**

4.7 Programme 7: Corporate Services

4.7.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To improve the going concern status for the NWDC Group	Maintain the going concern of the NWDC Group by achieving sustainability

4.7.2 Performance Indicators

Performance Indicator	Planned Target 2019/2020	Actual Achievement 2019/2020	Deviation from Planned Target to Actual Achievement 2019/2020	Comment on Deviations	Remedial Action
Amount collected of historical debt	R40m	R5,608,874.04	R34,391,125.96	The Corporate Services Programme did not achieve this target due to the fact that management decided, after the approval of the Corporate Plan, that the Legal Services Unit will only report on the collection of historical debt of former tenants. This decision derived from the double reporting challenges experienced between Property Development & Management, SMME Development & Management and the Legal Services Unit.	Most of the debt of the former tenants has already been prescribed and processes will take effect during the 2020/2021 financial year to address this challenge.

4.7.3 Narrative

During the period under review, the following can be highlighted:

- Management identified the former tenants' balances to be the debt book allocated to the Legal Services Unit. The other debt book remained the performance indicator of the Property Development & Management unit, until the legal process of eviction has been completed.
- The SBD debt book remained the performance indicator of SMME Development & Management Programme.
- The target of R40m per annum was equivalent to the former tenants' debt balance.
- The reasons for under collection of debt from former tenants were because most of the debt of the former tenants had already been prescribed and the legal processes are still underway and not yet completed.

4.7.4 Strategy to overcome areas of under performance

The Corporate Services Programme will address and/or implement the following strategies to overcome areas of underperformance:

- Use a panel of attorneys to assist with tracing and executing on the collectible debt and those that legal has obtained judgments on. This will ensure that former tenants who owe the NWDC money, pay their long outstanding debt.
- Management to submit to the Board, a formal submission requesting approval to write off of irrecoverable debt.
- To ensure training and/or attendance of annual labour conferences to ensure that employees within the programme are updated with legislation and amendments thereof and to expand their skills in terms of contract drafting.
- Implementation of proper controls and systems.

4.7.5 Linking performance with budgets

The financial information as presented in the table below outlines the Corporate Services expenditure:

Programme Name	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Corporate Services	60 920 000	47 390 000	13 530 000	32 201 000	84 111 000	(51 910 000)
TOTAL	**60 920 000**	**47 390 000**	**13 530 000**	**32 201 000**	**84 111 000**	**(51 910 000)**

5. Summary of Financial Information

5.1 Revenue Collection

Sources of Revenue	2019/2020			2018/2019		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
Revenue	202 659 000	167 509 000	35 150 000	168 840 000	152 088 000	16 752 000
Grants	136 750 000	74 072 000	62 678 000	86 750 000	96 750 000	(10 000 000)
Investment & Other Income	-	-	-	-	4 526 000	(4 526 000)
Other Gains & Losses	-	-	-	-	-	-
TOTAL	**339 409 000**	**241 581 000**	**97 828 000**	**255 590 000**	**253 364 000**	**2 226 000**

5.2 Programme Expenditure

Programme Name	2019/2020			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Office of the CEO*				24 332 000	17 072 000	7 260 000
Property Development and Management	175 462 000	90 403 000	85 059 000	162 756 000	55 472 000	107 284 000
Bojanala SEZ	5 398 000	4 335 000	1 063 000	4 595 000	8 659 000	(4 064 000)
SMME Development and Management	12 653 000	6 940 000	5 713 000	11 749 000	247 000	11 502 000
Trade and Investment Facilitation	8 704 000	4 585 000	4 119 000	7 897 000	5 838 000	2 059 000
Economic Programme Management	58 280 000	12 467 000	45 813 000	7 782 000	108 440 622	(100 658 622)
Mining				Included in Projects Budget		
Tourism	-	-	-	-	-	-
Financial Management	40 166 000	27 543 000	12 623 000	38 047 000	31 938 000	6 109 000
Corporate Services	60 920 000	47 390 000	13 530 000	32 201 000	84 111 000	(51 910 000)
TOTAL	**361 583 000**	**193 663 000**	**167 920 000**	**289 359 000**	**311 777 622**	**(22 418 622)**

* CEO included in Corporate Services

5.3 Capital Investment, Maintenance and Asset Management Plan

The following table present the maintenance and repairs:

Infrastructure Projects	2019/2020			2018/2019		
	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure	Final Appropriation	Actual Expenditure	(Over)/Under Expenditure
New and replacement assets	-	-	-	-	-	-
Existing infrastructure assets	-	-	-	-	-	-
Upgrades and additions	-	-	-	-	-	-
Rehabilitation, renovations and refurbishments	-	-	-	-	-	-
Maintenance and repairs	8 250 000	6 277 000	1 973 000	168 000	104 000	64 000
Infrastructure transfer	-	-	-	-	-	-
Current	-	-	-	-	-	-
Capital	-	-	-	-	-	-
TOTAL	**8 250 000**	**6 277 000**	**1 973 000**	**168 000**	**104 000**	**64 000**

Ms MK Sentle
Chairperson of the Board

Corporate Governance

1. Introduction

Corporate Governance embodies processes and systems by which the NWDC are directed, controlled and held to account. In addition to legislative requirements based on the Companies Act, corporate governance with regard to the NWDC is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King IV Report on Corporate Governance.

The MEC for Economic Development, Environment, Conservation & Tourism, the Board of Directors, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2. Risk Management

As an integral part of management, risk management relies on the effectiveness of the functioning of other divisions or units. Implementation and monitoring of the risk management strategies is pertinent to service delivery and the overall performance of the organisation. In this regard, the Risk Management unit at the NWDC has developed and reviewed all the necessary risk management strategies and policies and held meetings/workshops on risk assessments in order to determine the effectiveness of its strategy and to identify new and emerging risks.

The Audit & Risk Committee and the Board of Directors are the key oversight structures responsible for governance within the risk management framework. The Accounting Officer through its Executive Management assumes the responsibility of 'owners' of the corporate risks and the risk management processes including the effective dealing of risks by employing the necessary strategic and operational interventions. The monitoring structures are therefore in place and functioning.

The Audit & Risk Committee in particular, independently provides oversight on the effectiveness of risk management and advises management on the overall system of risk management and monitors the implementation of the mitigation plans.

Risk Management at NWDC espouses to best practices as encapsulated in the Public Sector Risk Management Framework, King Codes and partly ISO 31000.

The general objectives of risk management at the NWDC is to ensure that all decision-making processes and business approaches are founded on a solid Risk Management Framework and that employees are risk-attuned. To achieve the said objectives, the NWDC adopted a risk management process that included:

2.1 Risk Assessment: Strategic

The strategic risk assessment was conducted on 9 March 2019 and eleven risks were identified and incorporated in the Corporate Plan 2019/2020.

2.2 Risk Assessment: Operational

The operational risk assessment was conducted per individual unit with effect from 16 April 2019. A total of six risk assessments were conducted on different locations. These engagements were motivated by the identification of risks. The Risk Management Policies were workshopped and the Operational Risk Register was drafted and incorporated into the operational plans of all the units within the NWDC.

2.3 Mitigation Plans

The Risk Management Unit adopted a more assertive approach to ensure that risks are mitigated and continuously monitored. To this end, the Risk Management Unit implemented a system of issuing requests for information to units and continued to serve notices to hold units accountable and answerable to the risks identified.

3. Fraud and Corruption

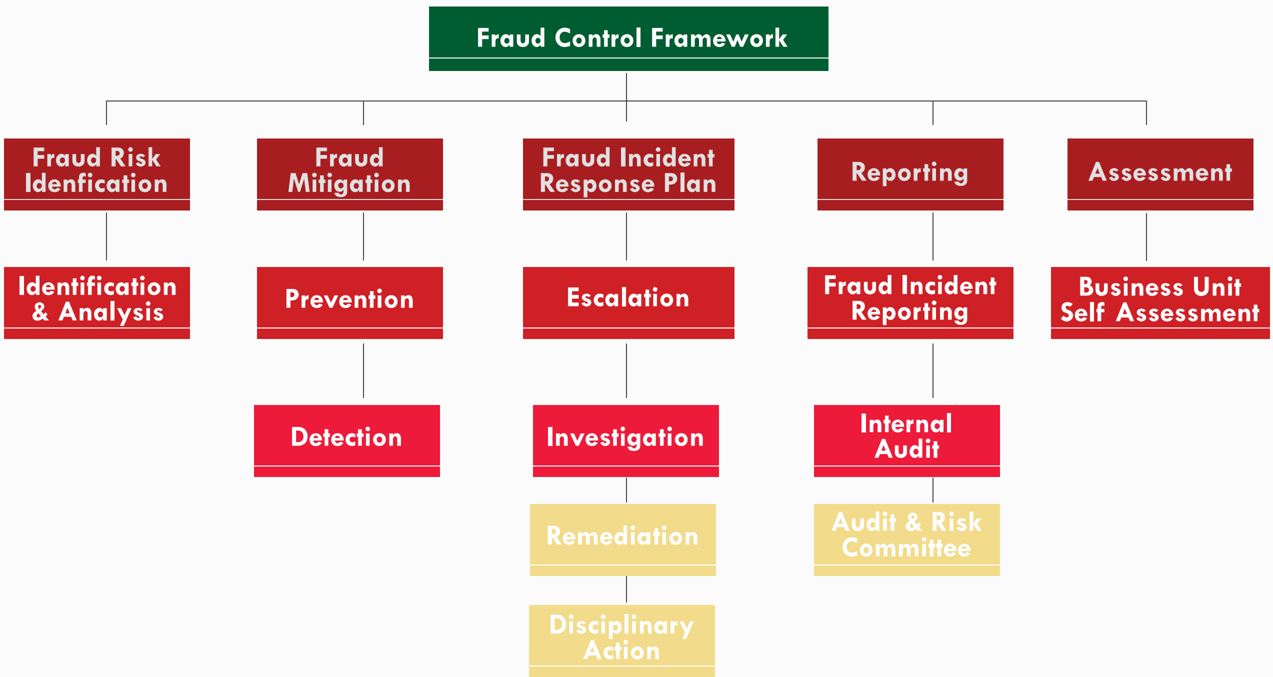
The NWDC does not tolerate corrupt or fraudulent activities, whether internal or external to the NWDC, and will vigorously pursue any party, by all legal means available, which engage in such practices or attempt to do so.

The strategy and policies on fraud and corruption has thus been established to facilitate the development of controls which will assist in the prevention and detection of fraud and corruption, as well as provide guidelines as to how to respond should instances of fraud and corruption be identified. The NWDC implemented the following:

- Prevention of Fraud and Corruption Policy;
- Anti-Fraud and Corruption Strategy; and
- Whistle Blowing Policy.

With regard to the mechanism in place for reporting fraud and corruption, it is the responsibility of all employees to report all incidents of fraud and corruption that may come to his/her attention to his/her supervisor. Alternatively, such reports can be made by way of submitting a report through the prescribed whistle blowing mechanism. All reports received are treated with the requisite confidentiality and will not be disclosed or discussed with parties other than those charged with investigation into such reports. All managers are responsible for the detection, prevention and investigation of fraud and corruption, within their areas of responsibility.

Refer to the diagram below which is a Fraud Control Framework in use at the NWDC intended to guide the Executive Management and Business Units in applying appropriate fraud prevention, detection and response processes.



The NWDC Group has a telecommunication channel where concerns may be raised by leaving an anonymous message through the fraud hotline number 0861 323 469.

4. Minimising Conflict of Interest

In terms of the NWDC Human Resources Policy: Business Code of Ethics, paragraph 4 (Policy Declaration), and Supply Chain Management Regulation 16A8.4, all the employees are required to declare their business interests. Furthermore, in all Procurement, Management and Board Meetings, members declare all their interest by filling in the declaration of interest form. Should there be any discussion matter which any member of the Committee is conflicted with, the member will at that stage recuse himself/herself from that discussion point.

5. Code of Conduct

The NWDC and its divisions are committed to a policy of fair dealing and integrity in the conduct of their business. This commitment, which is actively endorsed by the Board of Directors of the NWDC, is based on a fundamental belief that business should be conducted honestly, fairly and legally. The NWDC expects all employees to share its commitment to high moral, ethical and legal standards.

Employees who violate the standards in the Code of Conduct will be subject to disciplinary action, including possible dismissal. Furthermore, violations of the Code of Conduct may also be violations of the law and may result in civil or criminal penalties. Any waiver of the Code of Conduct for managers may be made by the Board of Directors and will be promptly disclosed as required by law or regulation.

6. Health Safety and Environmental Issues

6.1 The NWDC expects all employees to follow all applicable environmental laws and regulations of the Country.

6.2 The NWDC strives to provide each employee with a safe and healthy workplace by following environmental, safety and health rules and regulations, and by reporting accidents, injuries and unsafe equipment, practices and conditions.

6.3 Employees who become aware of circumstances relating to the NWDC's operations of activities which pose a real or potential health or safety risk should report the matter to their line manager or senior manager.

6.4 Employees are expected to perform their duties in a safe manner, free of the influence of alcohol, illegal drugs or controlled substances. The use of illegal drugs in the workplace will not be tolerated.

7. Portfolio Committees

The Portfolio Committee exercises oversight over the service delivery performance of the entity and in this regard, the NWDC tabled all its relevant reports, as prescribed by the PFMA, and honoured several invitations. The Portfolio Committee adopted the following reports during the year under review:

- Q4 of 2018/2019
- Corporate Plan 2019/2020
- Q1 of 2019/2020
- Q2 of 2019/2020
- Annual Report 2018/2019
- Q3 of 2019/2020

8. Prior modifications to Audit Reports

The NWDC has put in place to resolve the matters reported by the Auditor-General South Africa in the previous financial year. The following matters gave rise to a disclaimer:

Basis for Disclaimer of Opinion	Financial Year in which it first arose	Progress made in clearing/resolving the matter
Deferred tax	2017	Unresolved
Fruitless and wasteful expenditure	2019	Unresolved
Group Structure	2016	Resolved
Investment property	2015	Unresolved
Irregular expenditure	2015	Unresolved
Lease commitments	2019	Resolved
Material uncertainty relating to going concern	2016	Remained
Other operating expenses	2019	Resolved
Other operating income	2019	Resolved
Preparation of the financial statements	2019	Resolved
Prior period errors	2016	Unresolved
Property, plant and equipment	2015	Unresolved
Related parties	2019	Resolved
Revenue	2019	Resolved
Statement of cash flows	2019	Unresolved
Statement of changes in equity	2019	Resolved
Trade and other payables	2017	Resolved
Trade and other receivables	2019	Resolved

9. Executive Authority

The NWDC submitted to the Executive Authority, during the year under review, the following:

- Approved Corporate Plan and Budget for 2019/2020
- Signed Shareholders Compact 2019/2020 with the Shareholder
- Approved Quarterly Reports of the NWDC
- Approved and Printed Annual Report 2018/2019

10. The Accounting Authority: The Board

10.1 The role of the Board

The Board of Directors Charter are reviewed annually to ensure compliance with the below principles. The Board should:

Leadership, Ethics and Corporate Citizenship

a) Lead ethically and effectively;
b) Govern the ethics of the entity in a way that supports the establishment of an ethical culture;
c) Ensure that the entity is and is seen to be a responsible corporate citizen;

Strategy, Performance and Reporting

d) Appreciate that the entity's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process;
e) Ensure that reports issued by the entity enable stakeholders to make informed assessments of the entity's performance, and its short, medium and long-term prospects;

Governing Structures and Delegation

f) Serve as the focal point and custodian of corporate governance in the entity;
g) Comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively;
h) Ensure that its arrangements for delegation within its own structure promote independent judgement, and assist with balance of power and the effective discharge of its duties;
I) Ensure that the evaluation of its own performance that that of its committees, its chairperson and its individual members, support continues improvement in its performance and effectiveness;
j) Ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities;

Governance Functional Areas

k) Govern risk in a way that supports the entity in setting and achieving its strategic objectives;
l) Govern technology and information in a way that supports the entity setting and achieving its strategic objectives;
m) Govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the entity being ethical and a good corporate citizen;
n) Ensure that the entity remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term;
o) Ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the entity's external reports;

Stakeholder Relationships

p) Adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the entity over time; and
q) Ensure that responsible investment is practised by the entity to promote the good governance and the creation of value by the companies in which it invests.

10.2 The Board Charter

The below information reflects the progress made on complying with the Board Charter:

- Approved Strategic Risk Register and Risk Management Strategy 2019/2020;
- Approved the Corporate Plan and Budget for 2019/2020;
- Signed the Shareholders Compact 2019/2020 with the Shareholder;
- Approved the quarterly reports of the NWDC and its Subsidiaries;
- Ensured an Effective and Independent Audit and Risk Committee;
- Ensured that there was an effective risk based Internal Audit;
- Evaluated the Performance of the Chief Executive Officer and Chief Finance Officer;
- Approved the Annual Report 2018/2019; and
- Approved Business Code of Ethics Policy.

10.3 Composition of the Board

The Member of the Executive Council (MEC) of the Department of Economic Development, Environment, Conservation and Tourism appoint the members of the Board.

Members of the Board (Executive and Non-Executive)

Name	Role	Date Appointed
Ms MK Sentle (Chairperson)	Non-Executive Director	9 December 2019
Ms KA Dikgole	Non-Executive Director	1 July 2016
Prof Dr LTB Jackson	Non-Executive Director	1 July 2016
Ms M Chokoe	Non-Executive Director	1 July 2016
Ms G Moyo	Non-Executive Director	9 December 2019
Mr R Malapane	Non-Executive Director	9 December 2019
Mr MI Motala	Non-Executive Director	9 December 2019 and resigned 2 August 2020
Ms B Lamola	Non-Executive Director	9 December 2019 and resigned 26 October 2020
Mr T Phiri	Non-Executive Director	9 December 2019
Mr SF Kgodumo	Non-Executive Director	9 December 2019
Mr ME Mojaki	Non-Executive Director	9 December 2019
Ms J Nyathi	Non-Executive Director	18 March 2020

Qualifications and Expertise

Name	Qualifications	Areas of Expertise
Ms MK Sentle (Chairperson)	MBA, Magister Educationist: Master Degree Management, Bed Honours Degree: Training and Development, Further Diploma: Management; Diploma: Business Management; University Diploma: Teaching, National Certificate: Information Technology, Business Rescue Practitioner (current), Software Specialist (to complete)	• Leadership and Management • Corporate Governance • Project Management • Leadership and Training Development • SMME Development Projects • Operations Management • Risk Management • Investment Management • Mergers & Acquisition • Human Resource Management • Policy Development • Financial Decision Making • Financial Reporting & Management • International Finance • Advanced Research • Stakeholder Relations • Community Development • ICT Project Management • Information Technology Management
Ms KA Dikgole	National Diploma: Internal Auditing, National Certificate: The Institute of Internal Auditors South Africa, Senior Certificate	• Auditing and Financial Accounting • Corporate Governance • Internal Auditing • Risk Management • Managerial Skills
Prof Dr LTB Jackson	PhD, MA, MBA, Hons BA	• Industrial Psychology • Strategic Management • Education (Mathematics and Science)
Ms M Chokoe	MBL, Management Development Programme, B.Com, B.Com Honours (Business Management)	• Strategic Leadership of Supplier Development • Functional Leadership and Management • Management of Strategic Initiatives • Stakeholder Management • Capability Development • Vast SOE Experience
Ms G Moyo	National Diploma in Real Estate, B-Tech: Quantity Surveying, National Diploma: Building Science	• Property Valuations
Mr R Malapane	CA(SA), B.Com Honours Degree, B.Com Degree: Financial Accounting	• Development Finance from IDC and SEFA • Auditing, Accounting and Financial Reporting from Auditor General • Supply Chain Management • ICT Governance • Risk Management • Financial Management • Monitoring and Evaluation gained from Public Sector CFO role

Name	Qualifications	Areas of Expertise
Mr MI Motala	B Proc, LLB (Incomplete)	• Strategic Leadership • Legal Practitioner • Experience with SOEs • Corporate Governance • Risk Management • Auditing • Human Resources • Compliance
Ms B Lamola	Assessment of Professional Competence (Current Studies), Certificate in Theory of Accounting, Post Graduate in Accounting Science, Bachelors in Accounting Science, Bookkeeping and Pastel V7 Certificate	• Accounting • Auditing • Corporate Governance • Financial management • TAX
Mr T Phiri	PC Repair Diploma, A+ PC Technician Diploma, Microsoft Office User Specialist, Software Development Diploma	• Information Technology • IT Design Infrastructure
Mr SF Kgodumo	Post graduate Diploma in Public Management, BA in Development and Management, Certificate in Emerging Management Municipal Governance	• Youth Development Practitioner • Local Government Practitioner • Accredited Facilitator Consultancy and Training • Project Management • Strategic Management and Development
Mr ME Mojaki	MBA, Preferential Procurement Programme, Bachelor of Science Degree, Diploma in Animal Health	• Project Management • Operations Management • Economist
Ms J Nyathi	PMD 2016, Current studies: LLB UNISA	• Public Management • Policy and Finance Management

Meeting Attendance

Name	Number of Meetings (Normal and Special)		
	Period	Held	Attended
Ms MK Sentle	January to March 2020	5	5
Ms KA Dikgole	April 2019 to March 2020	12	11
Prof Dr LTB Jackson	April 2019 to March 2020	12	12
Ms M Chokoe	April 2019 to March 2020	12	10
Ms G Moyo	January to March 2020	5	5
Mr R Malapane	January to 23 March 2020	5	4
Mr MI Motala	January to March 2020	5	5
Ms B Lamola	January to March 2020	5	1
Mr T Phiri	January to March 2020	5	5
Mr SF Kgodumo	January to March 2020	4	4
Mr ME Mojaki	January to March 2020	4	4
Ms J Nyathi	18 to 31 March 2020	1	0
Ms A Tjale	April 2019 to February 2020	10	10

10.4 Committees

10.4.1 Audit & Risk Committee

a) The Audit & Risk Committee has been established in compliance with sections 76(4) (d) and 77 of the Public Finance Management Act, Section 3 of Treasury Regulations (GG 27388 - 15 March 2005) and Section 94 of the Companies Act 71 of 2008.

b) The duties and responsibilities of the members of the Audit & Risk Committee as set out below are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the Audit and Risk Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations as Directors.

c) The Audit & Risk Committee should provide independent oversight of, among others:

- The effectiveness of the entity's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function;
- The integrity of the annual financial statements and, to the extent delegated by the Board, other external reports issued by the entity;
- The Audit & Risk Committee has the power to make decisions regarding its statutory duties, and is accountable for its performance in this regard. In addition to its statutory duties, the Board may delegate other responsibilities to the committee, such as the approval of the annual financial statements, but the Board remains ultimately accountable for such delegated responsibilities;
- Overseeing the management of financial and other risks that affect the integrity of external reports issued by the entity; Members should, as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively;
- Members should be independent, non-executive members;
- The Board should appoint an independent, non-executive member to chair the Committee;
- The Committee should meet, at least, annually with the internal and external auditors respectively, without management being present, to facilitate and exchange of views and concerns that may not be appropriate for discussion in an open forum;
- Significant matters that the Committee has considered in relation to the annual financial statements, and how these were addressed by the Committee;
- Views of the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators;
- Views of the effectiveness of the chief audit executive and the arrangements for internal audit;
- Views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error;
- Views on the effectiveness of the CFO and finance function; and
- The arrangements in place for combined assurance and the Committee's views on its effectiveness.

- The Audit & Risk Committee should also disclose a statement as to whether the Committee is satisfied that the external auditors is independent of the entity. The statement should specifically address:
  - The policy and controls that address the provision of non-audit services by the external auditors, and the nature and extent of such services rendered during the financial year;
  - The tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;
  - The rotation of the designated external audit partner; and
  - Significant changes in the management of the entity during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management.

Members of the Committee

Name	Role	Internal or External Member	Date Appointed
Ms A Tjale	Chairperson	Non-Executive Director	• Appointed to the ARC as External Member on 17 September 2016 • Appointed as the ARC Chairperson and Board Member on 27 January 2019 • Appointed as the Board Chairperson on 30 July 2019 • Resigned 4 March 2020
Mr S Ngobeni	Chairperson	External Member	• Appointed as External Member of the ARC on 1 September 2016 • Appointed as the ARC Chairperson on 27 August 2019
Mr T Dlamini	Member	Non-Executive Director	Appointed on 1 July 2016 and resigned as Director on 28 July 2019
Ms M Chokoe	Member	Non-Executive Director	1 July 2016
Mr MI Motala	Member	Non-Executive Director	Appointed 9 December 2019 and resigned on 2 August 2020
Ms B Lamola	Member	Non-Executive Director	Appointed 9 December 2019 and resigned on 26 October 2020

Meeting Attendance

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Ms A Tjale	4	4
Mr S Ngobeni	5	5
Mr T Dlamini	4	4
Ms M Chokoe	4	3
Mr MI Motala	1	1
Ms B Lamola	1	1

10.4.2 Finance & Investment Committee

The Committee has an independent role with accountability to the Board. The Committee does not assume the functions of management, which remains the responsibility of the executive directors, officers and other members of senior managers. The Committee is established to:

a) Consider and recommend to the Board the Group's overall investment policy having regard to the requirement that the assets should be invested to produce the best possible return;

b) Ensure that the investment policy takes account of any investment guidelines determined by the Board, any constraints imposed by regulatory authorities or recommended by the Board Risk Committee having regard to solvency requirements;

c) Monitor the effectiveness and implementation of the investment policy;

d) Review the performance of the Group's funds and sub funds by reference to the performance of competitors;

e) Review and approve the implementation of the strategic asset and liability allocation of the investment funds;

f) Approve the over-arching principles of all investment mandates and review management monitoring of compliance against these mandates;

g) Monitor compliance with the requirements relating to the investment of insurance company assets;

h) Monitor quarterly reporting by management on the investment returns and financial performance of the assets within the Group;

i) Monitor the performance of the following units which form the core business of the organisation:

- Property Unit
- Investment Growth - Corporate Finance and Strategic Investments and Investment Facilitation
- Enterprise Development & Support
- Special Economic Zone

j) To assume the following responsibilities on the procurement matters:

- To approve the award of orders and contracts which exceed the delegation of the Chief Executive Officer;
- Grant mandates to negotiate on offers/tenders;
- Approve modifications to orders/contracts;
- Approve inter-divisional and inter-company purchases/sales;
- Ratify emergency procurement;
- Condone non-compliant procurement;
- Ratification of all commercial transactions above the CEO's delegation that have been approved by the preceding delegated Approval Authority to ensure an effective and efficient transitional process;
- To have access to the advice and services of the Procurement Officer and the relevant departments responsible for the procurement policy and procedures; and
- To review and recommend approval of the Procurement Policy and Procedures to the Board.

Members of the Committee

Name	Role	Internal or External Member	Date Appointed
Mr K Tlhoaele	Chairperson	Non-Executive Director	Appointed 1 July 2016 and resigned on 27 July 2019
Mr D Duma	Member	Non-Executive Director	Appointed 1 July 2016 and resigned on 28 July 2019
Ms N Koloti	Member	Non-Executive Director	Appointed 5 November 2014 and resigned on 1 September 2019
Ms M Chokoe	Non-Executive Director	Non-Executive Director	2 July 2016
Mr ME Mojaki	Chairperson	Non-Executive Director	Appointed 9 December 2019 and appointed as Chairperson on 28 April 2020
Ms MK Sentle	Member	Non-Executive Director	9 December 2019
Ms G Moyo	Member	Non-Executive Director	9 December 2019

Meeting Attendance

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Mr K Tlhoaele	1	1
Mr D Duma	1	1
Ms N Koloti	1	1
Ms M Chokoe	2	1
Mr ME Mojaki	1	1
Ms MK Sentle	1	1
Ms G Moyo	1	1

10.4.3 Human Resource & Remuneration Committee

The Committee has an independent role with accountability to the Board. The Committee does not assume the functions of management, which remains the responsibility of the executive directors, officers and other members of senior managers.

The Committee should perform all the functions necessary to fulfill its role as stated above and including the below. The Committee is established to:

Human Resources

a) Oversee the overall HR strategy for the Company and its subsidiaries, which is designed to provide high calibre talent, diversity of employees, training and development and a high performance culture and employee engagement that will drive organisational success;

b) Oversee the annual talent review process for senior management and the development of succession plans for senior management to foster an appropriate balance of skills, experience, and expertise and ensure the ongoing successful management of the Company;

c) Oversee the establishment of programmes for the induction and ongoing leadership and capability development of senior management (and potential senior management), as identified through the talent management and succession planning processes;

d) Oversee the Company's recruitment, retention and termination policies and procedures for Executives in order to ensure a market-aligned approach to these components;

e) Receive reports on performance appraisal in the group;

f) Review the results of the implementation of the HR policies for whether these policies promote the achievement of strategic objectives and encourage individual performance;

g) Monitor employment equity plans; and

h) Receive on quarterly basis the report on the employee relations within the group and to monitor the results of the employee surveys conducted.

Remuneration

i) Oversee the establishment and implementation of remuneration policies, benefit structures and related costs concerning executive directors and other employees in the group;

j) Recommend the salary packages for and bonus payments to executive directors including consideration of the growing pay gap from a sustainability, fairness and inclusive stakeholder point of view and the extent of disclosure regarding the pay gap which is a growing concern in terms of governance in organisations;

k) Ensure that key performance measures of the performance of the executive are agreed and that executive performance is assessed every year;

l) Review non-executive director remuneration arrangements (including Board and Board Committee fees, and travel allowances) against appropriate benchmarks, and having regard to the role and time requirements of non-executive directors, recommend to the Board changes to fees and allowances with supporting rationale; and

m) Consider on regular basis the appropriate mix of knowledge, skills and experience in the Board and its Committees.

Nomination

n) Oversee the development of a formal induction programme for new directors;

o) Oversee the development and implementation of continuing professional development programmes for directors;

p) Oversee the annual evaluation of the performance and effectiveness of the Committees, Board, Chairperson and individual non-executive directors; and

q) Ensure that the organisation promotes diversity in all its manifestation terms of gender and disability, in the Board membership.

Members of the Committee

Name	Role	Internal or External Member	Date Appointed
Mr T Dlamini	Chairperson	Non-Executive Director	Appointed 1 July 2016 and resigned 28 July 2019
Prof LTB Jackson	Member	Non-Executive Director	2 July 2016
Mr B Khumalo	Member	Non-Executive Director	Appointed on 5 November 2014 and resigned on 30 October 2019
Mr MI Motala	Member	Non-Executive Director	Appointed 9 December 2019, and appointed as Chairperson of REMCO 31 January 2020 and resigned 2 August 2020
Ms G Moyo	Member	Non-Executive Director	9 December 2019
Ms B Lamola	Member	Non-Executive Director	Appointed 9 December 2019 and resigned 26 October 2020

Meeting Attendance

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Mr T Dlamini	1	1
Prof LTB Jackson	3	3
Mr B Khumalo	1	0
Mr MI Motala	2	2
Ms G Moyo	2	2
Ms B Lamola	2	1

10.4.4 Social & Ethics Committee

The Committee has an independent role with accountability to the Board. The Committee does not assume the functions of management, which remains the responsibility of the executive directors, officers and other members of senior management.

The role of the Committee is to assist the Board with the oversight of social and ethical matters relating to the Company. The Committee is established to:

a) Monitor the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice;

b) Social and economic development, including the company's standing in terms of the goals and purposes of:

- The 10 principles set out in the United Global Compact Principles with regards to human rights, labour matters, environment responsibility, anti-corruption in line with the OECD recommendations;
- The Employment Equity Act; and
- The Broad-Based Black Economic Empowerment Act.

c) Good corporate citizenship, including the company's:

- Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
- Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed;
- Record of sponsorship, donations and charitable giving;
- The environment, health and public safety, including the impact of the company's activities and of its products or services; and
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.

d) Labour and employment, including:

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

e) Governance of Ethics:

- Review the Code of Conduct and Ethics Policy;
- Monitor the management of ethics in the organisation in terms of the Code of Conduct and Ethics and supporting policies.

f) Drawing matters within its mandate to the attention of the Board as occasion requires; and

g) Reporting, through one of its members, to the shareholder of the company's annual general meeting on the matters within its mandate.

Members of the Committee

Name	Role	Internal or External Member	Date Appointed
Ms K Dikgole	Chairperson	Non-Executive Director	1 July 2016
Ms K Tlhoaele	Member	Non-Executive Director	Appointed 1 July 2016 and resigned on 27 July 2019
Ms N Koloti	Member	Non-Executive Director	Appointed 5 November 2014 and resigned on 1 September 2019
Ms MK Sentle	Member	Non-Executive Director	Appointed 9 December 2019 and appointed as Chairperson of Social and Ethics Committee on 31 January 2020
Ms M Chokoe	Member	Non-Executive Director	1 July 2016
Prof L Jackson	Member	Non-Executive Director	1 July 2016

Meeting Attendance

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Ms K Dikgole	2	2
Ms K Tlhoaele	1	1
Ms N Koloti	1	0
Ms MK Sentle	1	1
Ms M Chokoe	1	1
Prof L Jackson	1	1

10.5 Remuneration of Board Members

The power to approve the Board remuneration is solely that of the Executive Authority guided by the National Treasury recommendations. National Treasury determines the remuneration level through an appointed Committee. The National Treasury Central Evaluation Committee meets with the relevant Department and the relevant institution to evaluate and make recommendations on the remuneration level of the Board members. The evaluation determine the relevant category/level of remuneration for the Board of Directors in terms of their mandate, responsibilities, number of meetings held as well as any additional and/or relevant information. The recommended classification category for the Board of Directors of the NWDC was stipulated as A1 (part time members).

The directive comes from the office of the MEC to the CEO to implement the rates as approved by the Executive Authority after the recommendations made by National Treasury. It is within the power of the Executive Authority to deviate from the recommendation should there be any valid justification. There are no clear guidelines on the range of deviations that may occur although the recommendation from National Treasury would invariably encourage the Executive Authority, in consultation with the Accounting Authority of Finance, to state the reasons for variation from the National Treasury recommendations.

Disclosure of Board Remuneration

In terms of the National Treasury Regulation 28.1: Financial Statements (Section 55 of the PFMA) 28.1.1:

The Annual Financial Statements must include a report by the Directors or controlling body which must also include a disclosure of all Directors' and Officers' emoluments of the holding company and its subsidiaries in accordance with the reporting standards determined by the National Treasury.

Remuneration: Board of Directors

The following table reflects the remuneration paid to the Board of Directors and external members of the Audit & Risk Committee during the 2019/2020 financial year:

Name	Remuneration	Travelling Expenses	Other re-imbursements	TOTAL
Mr D Duma	82,536.00	28,898.37	4,166.00	115,600.37
Mr B Khumalo	16,160.00	5,174.12	-	21,334.12
Mr K Tlhoaele	31,512.00	16,739.62	-	48,251.62
Ms N Koloti	36,942.00	23,608.76	-	60,550.76
Ms K Dikgole	102,414.00	8,842.96	300.00	111,556.96
Ms M Chokoe	124,616.00	69,787.26	127.50	194,530.76
Mr T Dlamini	81,502.00	-	172.50	81,674.50
Prof L Jackson	107,760.00	51,972.32	-	159,732.32
Ms A Tjale	288,942.00	56,625.28	300.00	345,867.28
Mr S Ngobeni	91,105.00	22,779.20	120.00	114,004.20
Ms MK Sentle	79,921.00	21,503.48	-	101,424.48
Ms G Moyo	59,778.00	27,255.91	618.00	87,651.91
Mr R Malapane	-	21,514.56	-	21,514.56
Mr MI Motala	74,909.50	32,641.04	-	107,550.54
Ms B Lamola	41,861.50	23,407.68	37.50	65,306.68
Mr T Phiri	43,740.00	23,502.66	-	67,242.66
Mr S Kgodumo	38,394.00	29,426.04	-	67,820.04
Mr ME Mojaki	38,394.00	19,427.72	-	57,821.72
Ms J Nyathi	-	-	-	-
TOTALS	**1,340,487.00**	**483,106.98**	**5,841.50**	**1,829,435.48**

Remuneration: Executive Management

The table below reflects the remuneration paid to the Executive Management during the 2019/2020 financial year:

Name	Position	Remuneration	Travelling Expenses	TOTAL
Mr T Phetla	Chief Executive Officer (suspended)	2,238,028.80	99,946.50	2,337,975.30
Mr R Malapane	Acting Chief Executive Officer	663,687.48	0.00	663,687.48
Ms L Sonqishe	Chief Financial Officer (suspended)	1,775,022.72	9,439.67	1,784,462.39
Mr T Pitso	Acting Chief Executive Officer	856,790.08	22,248.53	879,038.61
Mr T Shai	Acting Executive Manager Economic Programme Management	620,560.16	47,584.53	668,144.69
Ms N Matlala	Company Secretary	776,681.60	82,253.04	858,934.64
Ms N Phamodi	Executive Manager SMME Development and Management	883,867.77	69,597.29	953,465.06
Ms M Matabane	Executive Manager Property Development and Management	1,405,742.17	60,886.42	1,466,628.59
Ms H Hoogkamer	Acting Chief Risk Officer	965,812.40	23,700.64	989,513.04
Mr B Mabale	Chief Risk Officer (seconded to North West Gambling Board)	969,753.68	30,801.41	1,000,555.09
TOTALS		**11,155,946.86**	**446,458.03**	**11,602,404.89**

11. Internal Control Unit

The system of internal control applied by the Corporation over the financial risk and risk management is effective, efficient and transparent with the exception of control deficiencies identified by Internal Audit.

In line with the PFMA and the guidelines from King IV Report on Corporate Governance requirements, Internal Audit provides the Audit & Risk Committee and management with assurance whether the internal controls are functioning efficiently and effectively. This is achieved by means of the risk management process, control testing as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Report of the Auditor-General South Africa, we noted that the reports did indicate certain deficiencies in the system of internal control. Accordingly, we can report that the entity is in the process of implementing corrective action over recommendations as put through by the Internal Auditors and the Auditor-General to ensure a sound control environment that is effective, efficient and transparent.

12. Company Secretary

The Board has access to professional services and independent guidance provided by the Company Secretary. The statutory duties of the Company Secretary are:

According to Section 88 of the Companies Act No 71 of 2008, as amended

a) To be accountable to the company's board;

b) To provide the directors of the company with guidance as to their duties, responsibilities and powers;

c) To make the directors aware of any law relevant to or affecting the company;

d) To report to the company's board any failure on the part of the company or a director to comply with the Memorandum of Incorporation or rules of the company or this Act;

e) To ensure that minutes of all shareholders meetings, board meetings and the meetings of any committees of the directors, or of the company's audit committee, are properly recorded in accordance with the Companies Act;

f) To certify in the company's annual financial statements whether the company has filed required returns and notices in terms of this Act, and whether all such returns and notices appear to be true, correct and up to date;

g) To ensure that a copy of the company's annual financial statements is sent to every person who is entitled to it in terms of the Companies Act; and

h) To carry out the functions, where necessary, of a person who is responsible for the company's compliance with the filing of the annual returns in terms of the Companies Act.

In terms of King IV

i) The company secretary should assist in the proper induction, orientation, ongoing training and education of directors, including assessing the specific training needs of directors and executive management in their fiduciary and other governance responsibilities;

j) The individual directors, and the board collectively, should look to the company secretary for guidance on their responsibilities and duties and how such responsibilities and duties should be properly discharged in the best interests of the company;

k) The company secretary should provide a central source of guidance and advice to the board, and within the company, on matters of good governance and of changes in legislation;

l) The company secretary should have a direct channel of communication to the chairman and should be available to provide comprehensive practical support and guidance to directors, with particular emphasis on supporting the non-executive directors, the chairman of the board and the chairman of committees and the audit committee;

m)The company secretary should ensure that the board and board committee charters and terms of reference are kept up to date;

n) The company secretary should be responsible for ensuring the proper compilation and timely circulation of board papers and for assisting the chairperson of the board and committees with drafting of yearly work plans;

o) The company secretary should have the duty to obtain appropriate responses and feedback to specific agenda items and matters arising from earlier meetings in board and board committee deliberations;

p) The company secretary's role should also be to raise matters that may warrant the attention of the board;

q) The company secretary should ensure that the proceedings of board and committee meetings are properly recorded and that minutes of meetings are circulated to the directors in a timely manner, after the approval of the chairman of the board or relevant board committee; and

r) The company secretary should assist the board with the yearly evaluation of the board, its individual directors and senior management.

13. Social Responsibility

During the 2019/2020 financial year, the NWDC offered to the community, in a form of donations, the following:

Beneficiary	Donation
Lesedi La Batho Community Centre Mabopane Block B	R16 000 for food parcels at R160 for 100 food parcels for child-headed households.

14. Internal Audit

14.1 Key Activities and Objectives of the Internal Audit

The NWDC outsourced the Internal Audit function to an external institution with specialist audit expertise. The purpose, authority and responsibility of the internal audit function are defined in the audit charter. The Internal Audit function must, in consultation with the Audit & Risk Committee, prepare:

- A Rolling Three-Year Strategic Internal Audit Plan based on its assessment of key areas of risk for the NWDC, having regard to its current operations, the operations proposed in its corporate strategic plan and its risk management strategy;
- An internal Audit Plan for the current financial year of the rolling plan;
- Plans indicating the scope of each audit in the Annual Internal Audit Plan; and
- Reports to the Audit & Risk Committee detailing its performance against the plan to allow effective monitoring and intervention when necessary.

It is also the Company's policy that the Internal Auditor attends the strategic planning sessions and is available to report on the conduct thereof to the Audit &Risk Committee when requested.

The purpose of the internal auditing activity is to provide an independent and objective assurance and consulting services (limited to advisory) designed to add value and improve the operations.

The scope of work of the Internal Audit Activity (IAA) is to determine whether the NWDC Group network of risk management, internal control and governance processes, as designed and represented by management, is adequate and functioning in a manner designed to ensure amongst others that:

- risks are appropriately identified and managed;
- significant financial, managerial and operating information is accurate, reliable and timely accounted for;
- assets and resources are acquired economically, used efficiently and adequately protected;
- programs, plans and objectives are achieved; and
- applicable laws and regulations are complied with.

14.2 Summary of Audit work done

During the 2019/2020 financial year, the following audits were conducted and reported thereon by the Internal Auditors:

- Internal Audit Plan was submitted to the Audit Risk Committee for the NWDC 2019/2020;
- Review of the Consolidated Annual Financial Statement as at 31 March 2019; and
- Review of th Q1 Performance Information Report 2019/2020.

The Internal Auditors tenure was not extended and ended on 30 September 2019.

D

Human Resource Management

1. Introduction

The HR function within the NWDC focuses on the following:

- recruitment of employees;
- management of employees;
- compensation of employees;
- facilitation of the performance management process;
- employee health and safety;
- employee wellness programmes; and
- employee benefits, motivation, communication, administration and training.

It is the responsibility of the HR function to have a proper HR plan, the purpose of which is to enable the entity to adapt to changes in the competitive world, i.e. markets, technology and legislative requirements.

2. HR Oversight Statistics

Key information on human resources are outlined in the tables below (refers to paragraphs 3 to 18). The financial amounts agrees with the amounts disclosed in the Annual Financial Statements.

3. Personnel Costs

The following tables summarise the final audited expenditure by Programme and by Salary Bands. In particular, it provides an indication of amount spent on personnel, and amount spent on salaries:

Table 3.1: Personnel expenditure by Programme for the period 1 April 2019 to 31 March 2020

Programme	Total Expenditure	Personnel Expenditure	Training Expenditure	Professional and Special Services Expenditure	Personnel Expenditure as a % of Total Expenditure	Average Personnel cost per Employee
Administration & Support	30,974,305.00	31,259,158.03	268,925.00	70,662.00	43.02%	416,788.77
Operations	41,689,245.00	37,417,406.27	0	0	51.49%	498,898.75
TOTALS	**72,663,550.00**	**68,676,564.30**	**268,925.00**	**70,662.00**	**94.51%**	**915,687.52**

Table 3.2: Personnel expenditure by Salary Band for the period 1 April 2019 to 31 March 2020

Salary Band	Personnel Expenditure	% of Total Personnel Cost	Number of Employees	Average Personnel Cost per Employee
Top Management	7,729,446.00	11%	4	1,932,361.50
Senior Management	15,428,410.00	21%	16	964,275.63
Professionally Qualified	12,919,644.00	18%	23	561,723.65
Skilled	22,882,474.00	31%	53	431,744.79
Semi-Skilled	12,260,744.00	17%	50	245,214.88
Unskilled	1,442,832.00	2%	12	120,236.00
TOTALS	**72,663,550.00**	**100%**	**158**	**4,255,556.45**

Table 3.3: **Salaries, Overtime and Medical Aid by Programme for the period 1 April 2019 to 31 March 2020**

Programme	Salaries		Overtime		Medical Aid	
	Amount	Salaries as a % of personnel costs	Amount	Overtime as a % of personnel costs	Amount	Medical Aid as a % of personnel costs
Administration & Support	30,974,305.00	43%	5,401.78	0%	557,116.00	1.80%
Operations	41,689,245.00	57%	259,229.29	0.62%	586,325.50	1.41%
TOTALS	**72,663,550.00**	**100%**	**264,631.07**	**0.64%**	**1,143,441.50**	**1.57%**

Table 3.4: **Salaries, Overtime and Medical Aid by Salary Band for the period 1 April 2019 to 31 March 2020**

Salary Band	Salaries		Overtime		Medical Aid	
	Amount	Salaries as a % of personnel costs	Amount	Overtime as a % of personnel costs	Amount	Medical Aid as a % of personnel costs
Top Management	7,729,446.00	11%	0	0%	33,060.00	0.43%
Senior Management	15,428,410.00	21%	0	0%	214,400.00	1.39%
Professionally Qualified	12,919,644.00	18%	0	0%	138,945.00	1.08%
Skilled	22,882,474.00	31%	34,115.61	0.15%	121,603.00	0.53%
Semi-Skilled	12,260,744.00	17%	0	0%	556,618.00	4.54%
Unskilled	1,442,832.00	2%	230,515.46	15.98%	78,815.50	5.46%
TOTALS	**72,663,550.00**	**100%**	**264,631.07**	**0.36%**	**1,143,441.50**	**1.57%**

4. Employment and Vacancies

The tables in this section summarise the position with regard to employment and vacancies. The following tables summarise the number of posts on the company, the number of employees, the vacancy rate, and whether there are any staff that are additional to the company.

Table 4.1: **Employment and Vacancies by Programme as on 31 March 2020**

Programme	Number of Posts on approved Company	Number of Posts Filled	Vacancy Rate	Number of Employees additional to the Company
Administration & Support	79	106	-13%	1
Operations	124	52	35%	3
TOTALS	**203**	**158**	**22%**	**4**

Table 4.2: Employment and Vacancies by Salary Band as on 31 March 2020

Programme	Number of Posts on approved Company	Number of Posts Filled	Number of Vacant Posts	Vacancy Rate	Number of Employees additional to the Company
Top Management	8	4	4	50%	1
Senior Management	23	16	7	30%	0
Professional Qualified	30	23	7	23%	0
Skilled	61	53	8	13%	1
Semi-Skilled	54	50	4	7%	0
Unskilled	12	12	0	0%	0
TOTALS	**188**	**158**	**30**	**19%**	**2**

5. Employment Changes

This section provides information on changes in employment over the financial year. Turnover rates provide an indication of trends in the employment profile of the company. The following table provide a summary of turnover rates by salary band:

Table 5.1: Annual Turnover rates by Salary Band for the period 1 April 2019 to 31 March 2020

Salary Band	Number of Employees as at 1 April 2019	Appointments and transfers into the Company	Terminations and Transfers out of the Company	Turnover Rate
Top Management	4	1	1	25%
Senior Management	16	0	3	19%
Professional Qualified	23	0	0	0%
Skilled	53	0	2	4%
Semi-Skilled	50	1	0	0%
Unskilled	12	0	0	1%
TOTALS	**158**	**2**	**6**	**4%**

Table 5.2: Reasons why Employees are leaving the company

The table below identifies the major reasons why staff left the company.

Termination Type	Number	% of total Resignations
Death	1	10%
Resignation	2	40%
Expiry of Contract	0	0%
Dismissal (Operational Changes)	0	0%
Dismissal (Misconduct)	0	0%
Dismissal (Inefficiency)	0	0%
Discharged due to ill health	1	10%
Retirement	2	40%
Transfers to other Public Entities	0	0%
Other	0	0%
TOTAL	**6**	**100%**
Total Number of Employees who left as a % of the total employment		**4%**

6. Employment Equity

The tables in this section are based on the formats prescribed by the Employment Equity Act, Number 55 of 1998.

Table 6.1: Total number of Employees in each of the following occupational categories at 31 March 2020

Level	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	3	0	0	0	4
Senior Management	10	0	0	1	2	1	1	1	16
Professional Qualified	9	1	1	0	10	0	0	2	23
Skilled	13	0	0	0	36	3	0	1	53
Semi-Skilled	41	0	0	0	9	0	0	0	50
Unskilled	2	0	0	0	9	0	0	0	11
People with Disability	0	0	0	0	1	0	0	0	1
TOTALS	**76**	**1**	**1**	**1**	**71**	**4**	**1**	**4**	**158**

Table 6.2: Recruitment for the period 1 April 2019 to 31 March 2020

Level	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	0	0	0	0	0	0	0	0	0
Professional Qualified	0	0	0	0	0	0	0	0	0
Skilled	0	0	0	0	0	0	0	0	0
Semi-Skilled	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	1	0	0	1
People with Disability	0	0	0	0	0	0	0	0	0
TOTALS	**1**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**2**

Table 6.3: Terminations for the period 1 April 2019 to 31 March 2020

Level	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	1	0	0	0	0	0	0	0	1
Senior Management	1	0	0	0	0	0	0	1	2
Professional Qualified	0	0	0	0	0	0	0	0	0
Skilled	0	0	0	0	0	0	0	0	0
Semi-Skilled	0	0	0	0	0	0	0	0	0
Unskilled	1	0	0	0	1	0	0	0	2
People with Disability	1	0	0	0	0	0	0	0	1
TOTALS	**4**	**0**	**0**	**0**	**1**	**0**	**0**	**1**	**6**

Table 6.4: Disciplinary Action for the period 1 April 2019 to 31 March 2020

Disciplinary Action	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	1	0	0	0	1
Senior Management	2	0	0	0	0	0	0	0	2
Professional Qualified	0	0	0	0	0	0	0	0	0
Skilled	0	0	0	0	0	0	0	0	0
Semi-Skilled	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0
People with Disability	0	0	0	0	0	0	0	0	0
TOTALS	**4**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**3**

Table 6.5: Skills Development for the period 1 April 2019 to 31 March 2020

Level	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	0	0	0	0	0
Senior Management	0	0	0	0	0	0	0	0	0
Professional Qualified	0	0	0	0	0	0	0	0	0
Skilled	0	0	0	0	0	0	0	0	0
Semi-Skilled	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0
People with Disability	0	0	0	0	0	0	0	0	0
TOTALS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table 6.6: Promotions for the period 1 April 2019 to 31 March 2020

Level	MALE				FEMALE				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	2	0	0	0	2
Senior Management	0	0	0	0	0	0	0	0	0
Professional Qualified	0	0	0	0	0	0	0	0	0
Skilled	0	0	0	0	0	0	0	0	0
Semi-Skilled	0	0	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0
People with Disability	0	0	0	0	0	0	0	0	0
TOTALS	**0**	**0**	**0**	**0**	**2**	**0**	**0**	**0**	**2**

7. Performance Rewards

The NWDC did not grant any performance rewards during the period under review

8. Signing of Performance Agreements

All employees must conclude and sign performance agreements within specific timeframes. Information regarding the signing of performance agreements, the reasons for not complying within the prescribed timeframes and disciplinary steps taken are set out in the following:

Table 8.1: Signing of Performance Agreements for the period 1 April 2019 to 31 March 2020

Level	Total Number of funded Positions	Total Number of Employees	Total Number of signed Performance Agreements	Signed Performance Agreements as % of Total Number of Employees
Top Management	4	4	3	75%
Senior Management	16	16	11	69%
Professional Qualified	23	23	12	52%
Skilled	53	53	44	83%
Semi-Skilled	50	50	45	90%
Unskilled	12	12	6	50%
TOTALS	**158**	**158**	**121**	**77%**

Table 8.2: Reasons for not having concluded Performance Agreements for the period 1 April 2019 to 31 March 2020

Performance Agreements should annually be entered into between the NWDC and its employees to ensure delivery on the organisation's mandate.

For the year under review, the company embarked on revising its unit structures then the holistic organisational structure. The service provider has made the findings that the company has an inconsistent span of control with divisions having repetitive/operational work and have a low span of control. During this process, it was identified that the process would require additional resources and skills of which were not available within the company.

The NWDC has embarked on an exercise with an external service provider so that this key area can be finalised.

Table 8.3: Disciplinary Steps taken against Senior Management for not having concluded Performance Agreements for the period 1 April 2019 to 31 March 2020

No disciplinary action was taken against Senior Management who have not concluded Performance Agreements for the period under review.

9. Leave Utilisation

The Public Service Commission identified the need for careful monitoring of sick leave within the Public Service. The following tables provide an indication of the use of sick leave and disability leave. In both cases, the estimated cost of the leave is also provided.

Table 9.1: Sick Leave: 1 April 2019 to 31 March 2020

Level	Total Days	% Days with Medical Certification	Number of Employees using Sick Leave	% of Total Employees using Sick Leave	Average days per Employee	Estimated Cost
Top Management	6	100%	1	25%	6	25,380.66
Senior Management	47	66%	15	94%	3.13	187,105.12
Professional Qualified	82	61%	23	100%	3.57	170,523.92
Skilled	219	48%	35	66%	6.26	424,060.65
Semi-Skilled	103	76%	21	42%	4.90	138,076.65
Unskilled	161	43%	55	458%	2.93	156,355.15
TOTALS	**618**	**55%**	**152**	**97%**	**4.07**	**1,101,502.15**

Table 9.2: Disability Leave (temporary and permanent): 1 April 2019 to 31 March 2020

- None during the period under review.

Table 9.3: Annual Leave: 1 April 2019 to 31 March 2020

Level	Total Days Taken	Number of Employees using Annual Leave	Average per Employee
Top Management	47	4	11.75
Senior Management	389	19	20.47
Highly Skilled Supervision	501	22	22.77
Highly Skilled Production	684	35	19.54
Skilled	493	21	23.48
Lower Skilled	1 540	57	27.02
TOTALS	**3 654**	**158**	**23.13**

Table 9.4: Capped Leave: 1 April 2019 to 31 March 2020

- None

Table 9.5: Leave pay-outs for the period 1 April 2019 to 31 March 2020

Reason	Total Amount	Number of Employees	Average Payment per Employee
Leave pay-out for 2019/2020 due to non-utilisation of leave for the previous cycle	0	0	0
Capped leave pay-outs on termination of service for 2019/2020	0	0	0
Current leave pay-outs on termination of service for 2019/2020	399,441.99	6	66,573.67
TOTALS	**399,441.99**	**6**	**66,573.67**

10. Labour Relations

The following collective agreements were entered into with trade unions within the NWDC:

- Wage Agreement dated 7 August 2019

The following tables summarise the outcome of disciplinary hearings conducted with the NWDC for the year under review:

Table 10.1: Misconduct and Disciplinary Hearings finalised for the period 1 April 2019 to 31 March 2020

Outcomes of Disciplinary Hearings	Number	% of Total
Correctional Counselling	0	0%
Verbal Warning	0	0%
Written Warning	0	0%
Final Written Warning	1	33.3%
Suspended without Pay	1	33.3%
Fine	0	0%
Demotion	0	0%
Contract Ended	1	33.3%
Not Guilty	0	0%
Case Withdrawn	0	0%
TOTALS	**3**	**100%**

Table 10.2: Types of Misconduct addressed at Disciplinary Hearings for the period 1 April 2019 to 31 March 2020

Type of Misconduct	Number	% of Total
Repudiation	1	33.3%
Failed to comply with the resolution of the Audit & Risk Committee	1	33.3%
Financial Misconduct	1	33.3%
TOTALS	**3**	**100%**

Table 10.3: Grievances lodged for the period 1 April 2019 to 31 March 2020

	Number	Percentage of Total
Number of grievances resolved	3	50%
Number of grievances not resolved	3	50%
Total number of grievances lodged	**6**	**100%**

Table 10.4: Disputes lodged for the period 1 April 2019 to 31 March 2020

	Number	Percentage of Total
Number of disputes upheld	3	100%
Number of disputes dismissed	0	0%
Total number of disputes lodged	**3**	**100%**

Table 10.5: Strike actions for the period 1 April 2019 to 31 March 2020

Total number of persons working days lost	0
Total costs working days lost	0
Amount recovered as a result of not work no pay (R'000)	0

Table 10.6: Suspensions for the period 1 April 2019 to 31 March 2020

Number of employees suspe nded	2
Number of employees who's suspension exceeded 30 days	2
Average number of days suspended	375
Cost of suspension (R'000)	2,315,304.23

11. Skills Development

This section highlights the efforts of the NWDC with regard to skills development:

Table 11.1: Training needs identified for the period 1 April 2019 to 31 March 2020

#	Courses	Positions
1	Business Plan Analysis	Investment Specialists
2	Budgeting	Administrators
3	Resource Management	Fund Administrators
4	Financial & Administration	Fund Administrators
5	Project Management	Project Managers
6	Quality Management	Project Managers
7	Economic Analysis	Investment Specialist
8	Feasibility Studies	Investment Specialist, Fund Administrators, EDC Administrators
9	Customer Care Relations	Tenant Coordinators, Managers
10	Advance Report Writing	Administrators
11	Change Management	Management
12	Conflict Management	Management
13	Corporate Governance	Management
14	Effective Business Writing Skills	Administrators
15	Employment Equity Committee T raining	Employment Equity Committee Members
16	HIV & Aids Awareness	All employees
17	Interpersonal Skills	All employees
18	Innovation & Creative thinking	SMME Specialist
19	Managing Poor Performance	Managers
20	Operations Management	Tenant Coordinators, Managers
21	Problem Solving and Decision Making	Levels P5, P6, P7 and P8
22	Reception & Telephone Etiquette	Receptionists
23	Repute Writing	Administrators
24	Skills Development Training	HRBP
25	Time Management	Administrators
26	Woman in Management	Managers
27	Personal Mastery	Managers

#	Courses	Positions
28	Diversity Management	All employees
29	Monitoring & Evaluation	Monitoring & Evaluation Specialist
30	Data & Record Capturing	Auxiliary
31	Emotional Intelligence	Management
32	Finance for Non-Financial Management	Levels P5, P6, P7 and P8
33	Office Management	HRD
34	Moderator Training	Administrators
35	Sexual Harassment	All employees
36	HIV & Aids Peer Educator	Peer Educators
37	Effective Disciplinary Hearing Management	Human Resources Manager
38	Front Line Customers	Administrators
39	Property Management	Area Managers, Tenant Coordinators
40	Presentation Skills (Business)	Managers

Table 11.2: Training provided for the period 1 April 2019 to 31 March 2020

Occupational Categories	Number of Employees as at 1 April 2019	TRAINING PROVIDED WITHIN THE REPORTING PERIOD			
		Learnerships	Skills Programmes & Other Short Courses	Other forms of Training	Total
Top Management	4	0	0	0	0
Senior Management	16	0	1	0	1
Professional Qualified	23	0	2	0	2
Skilled	53	0	0	0	0
Semi-Skilled	50	0	0	0	0
Unskilled	12	0	0	0	0
TOTALS	**158**	**0**	**3**	**0**	**3**

Due to the financial constraints encountered by the NWDC, Management resolved to not embark on all the planned training until such time that the financial position improves.

12. Injury on Duty

The following tables provide basic information on injury on duty:

Table 12.1: Injury on duty for the period 1 April 2019 to 31 March 2020

Nature of Injury on Duty	Number	Percentage of Total
Required basic medical attention only	1	100%
Temporary Total Disablement	0	0%
Permanent Disablement	0	0%
Fatal	0	0%
TOTAL	**1**	**100%**

13. Utilisation of Consultants

The following tables relates to information on the utilisation of consultants in the NWDC:

Table 13.1: Report on Consultant appointments using appropriated funds for the period 1 April 2019 to 31 March 2020

Project Title	Total Number of Consultants that worked on the Project	Duration: Work Days	Contract Value in Rand
Deloitte & Touche	3	5	2,440,152.00
TOTALS	**3**	**5**	**2,440,152.00**

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Financial Information

NORTH WEST DEVELOPMENT CORPORATION SOC Ltd

Annual Financial Statements
for the year ended 31 March 2020

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	State Owned Entity
Nature of business and principal activities	Trade and Investment facilitation, SMME Finance and Development, Property Management and Project Management, Hospitality
Members	Ms MK Sentle (Chairperson of the Board) Ms KA Dikgole Ms M Chokoe Prof Dr LTB Jackson Ms G Moyo Mr R Malapane (Acting CEO) Mr MI Motala (Resigned on 2 August 2020) Ms B Lamola (Resigned on 26 October 2020) Mr T Phiri Mr SF Kgodumo Mr ME Mojaki Ms J Nyathi Ms N Matlala (Company Secretary) (Resigned on 1 October 2020) Mr T Phetla (CEO) Ms L Sonqishe (CFO)
Registered office	22 James Watt Crescent Industrial Site Mafikeng 2745
Auditors	Auditor-General South Africa

Board of Director's Responsibilities and Approval

The Board is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

The annual financial statements set out on pages 87 to 140, which have been prepared on the going concern basis, were approved by the Board on 30 August 2020 and were signed on its behalf by:

Ms MK Sentle
Chairperson of the Board

Report of the Audit & Risk Committee

We are pleased to present our report for the financial year ended 31 March 2020.

1. Audit and Risk Committee Responsibility

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

2. The Effectiveness of Internal Control

Based on the results of the formal documented review of the design, implementation and effectiveness of the company's system of internal controls conducted by the internal audit and AGSA during the financial year ended 31 March 2020, and in addition, considering information and explanations given by management plus discussions held with the external auditor on the results of their audit, the ARC concluded that the company's system of internal financial controls is ineffective and material internal control breaches come to the Committee's attention.

3. In-Year Management and Monthly/Quarterly Report

Based on the quarterly review of in-year monitoring systems and reports, the ARC is not happy with the quality, accuracy, uselessness, reliability, appropriateness and adequacy of the company in-year reporting systems.

4. Performance Management

The ARC reviewed functionality of the performance management system and it appears to be not fully functional, however there is room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

5. Risk Management

The ARC reviewed the company's policies on risk management and strategy (including IT Governance) and monitored the implementation of risk management policy and strategy and concluded that company's risk management maturity level is not satisfactorily.

6. Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by ARC, AGSA, and Internal Audit during the year. Thus there is a room for improvement in so far as establishing an effective system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

7. Internal Audit

The company did not have internal audit for more than six months during the year under review, as result the ARC is unable to assessment the internal audit's effectiveness.

8. Progress in implementation of AGSA findings from prior year

AGSA recommendations were fully implemented by management at the time of this report. There is a room for improvement in this regard and the ARC recommended to the company to prioritise the implementation of recommendations by AGSA.

9. Implementations of ARC Recommendations by management

A material number of ARC recommendations to management were not implemented. There is a room for improvement in this regard and thus, ARC recommended to the company to fast track the implementation of recommendations by ARC.

10. Evaluation of Annual Financial Statements

Following the review by the ARC of the annual financial statements for the year ended 31 March 2020 before and after the audit, the committee is of the view that, in all material respects, not complied with the relevant provisions of the PFMA and GRAP and fairly presents the financial position at that date and the results of its operations and cash flows for the year then ended.

11. Evaluation of Annual Performance Report

Following the review by the ARC of the annual performance report for the year ended 31 March 2020 before and after the audit, the committee is of the view that, in all material respects, the company complied with the relevant provisions of the PFMA and Framework for Managing Programme Performance Information (FMPPI) and not fairly presents the performance of the company at that date. Furthermore, the ARC concurs with reasons for deviations and measures proposed to address the underachieved contained in the report.

12. Final Auditor General's Report

The ARC concurs and accepts the conclusions of the Auditor-General on the annual financial statements and annual performance reports, which is the disclaimer audit opinion with findings. Consequently, the ARC is of the opinion that the audited annual financial statements and annual performance report be accepted and read together with the report of the Auditor-General.

13. COVID-19 Outbreak (Post Subsequent Events)

Based on the review of the company's COVID-19 outbreak response and management response strategy and plan (include Business Continuity Plan), the ARC concluded that entity plan and strategy is not adequate and resilient.

14. Conclusion

The ARC wishes to acknowledge the commitment from Board, management and staff of the company. The stability in terms of the political and administrative leadership of the company has contributed to these improvements report above. We would also like to thank the Board Chairperson for her support, Board members, management for their efforts and internal audit for their contribution.

Mr S Ngobeni
Chairperson of the ARC

Report of the Board of Director's

The members submit their report for the year ended 31 March 2020.

1. Review of activities

Main business and operations

The economic entity is engaged in trade and investment facilitation, SMME finance and development, property management and project management, hospitality and operates principally in South Africa.

2. Going concern

We draw attention to the fact that at 31 March 2020, the company had an accumulated surplus of R752 252 and that the company's total assets exceed its liabilities by R1 466 553.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the Board continues to procure funding for the ongoing operations for the company. With the advent of the pandemic, the entity has been identified as one of the quarantine centers. As a property management company, COVID-19 had an impact on our revenue generation capabilitities. Earlier indications during the lockdown was that revenue from properties decreased to 49% recovery. The status appeared to improve with the easing of the lockdown regulations. Furthermore, as an company of government, the NWDC is to some extend reliant on government for assistance. There has been no indication from government of its intention to discontinue the operations of NWDC or to materially change its operations. The provincial government has also committed to continous support of the NWDC.

3. Subsequent events

The members are not aware of any matter or circumstance arising since the end of the financial year except for the imapct of COVID-19 on the rental collection capabilities. The financial statements have not been adjusted because the impact is part of the current year operations and did not materially affect the closing balances.

4. Share capital/contributed capital

There were no changes in the authorised or issued share capital of the economic company during the year under review.

5. Board

The members of the entity during the year and to the date of this report are as follows:

Name	Changes
Ms MK Sentle (Chairperson of the Board)	Appointed Monday, 09 December 2019
Ms KA Dikgole	Appointed 1 July 2016
Ms M Chokoe	Appointed 1 July 2016
Prof Dr LTB Jackson	Appointed 1 July 2016
Ms G Moyo	Appointed Monday, 09 December 2019
Mr R Malapane (Acting CEO)	Appointed Monday, 09 December 2019
Mr MI Motala	Resigned Sunday, 2 August 2020
Mr T Phiri	Appointed Monday, 09 December 2019
Mr SF Kgodumo	Appointed Monday, 09 December 2019
Mr ME Mojaki	Appointed Monday, 09 December 2019
Ms B Lamola	Resigned Monday, 26 October 2020
Mr T Phetla (CEO)	
Ms L Sonqishe (CFO)	
Ms N Matlala (Company Secretary)	
Mr DG Duma	Resigned Sunday, 28 July 2019
Mr B Khumalo	Resigned Wednesday, 30 October 2019
Mr TC Dlamini	Resigned Sunday, 28 July 2019
Mr KK Tlhoaele	Resigned Saturday, 27 July 2019
Ms N Koloti	Resigned Saturday, 31 August 2019

Report of the Board of Director's

Ms J Nyathi	Appointed Wednesday, 18 March 2020
Ms A Tjale	Resigned Wednesday, 04 March 2020

The annual financial statements set out on pages 87 to 140, which have been prepared on the going concern basis, and were approved by the Board on 30 August 2020 and were signed on its behalf by:

Ms MK Sentle
Chairperson of the Board

Report of the auditor-general to the North West provincial legislature on the North West Development Corporation SOC Ltd

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

1. I was engaged to audit the consolidated and separate financial statements of the North West Development Corporation SOC Ltd and its subsidiaries (the group) set out on pages 87 to 140, which comprise the consolidated and separate statement of financial position as at 31 March 2020, the consolidated and separate statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for the property, plant and equipment as the group did not have adequate systems to maintain records to support financial information. I was unable to confirm the property, plant and equipment by alternative means. In addition, the group did not assess the remaining useful lives, residual values and impairment in accordance with GRAP 17, *Property, plant and equipment* as no conditional assessments were performed although impairment indicators have been identified. I was unable to quantify the misstatement on property plant and equipment, depreciation, the deferred tax, taxation and the accumulated surplus as it was impractical to do so. Consequently, I was unable to determine whether any further adjustments relating to property, plant and equipment of R394 471 000 (2019: R393 021 000) and R214 609 000 (2019: R202 715 000) as disclosed in note 4 and depreciation of R29 645 000 000 (2019: R32 423 000) and R18 702 000 (2019: R21 030 000) as disclosed in note 33 to the consolidated and separate financial statements were necessary.

Investment property

4. During 2019, I was unable to obtain sufficient appropriate audit evidence for investment property as not all properties owned by the entity have been accounted for in the investment property register. In addition, the entity did not ensure that the fair value of investment property reflected the market conditions at the reporting date as required by GRAP 16, *Investment property*. I was unable to determine whether any further adjustment relating to investment property of R847 285 000 as disclosed in note 3 to the consolidated and separate financial statements was necessary. My audit opinion on the financial statements for the period ended

31 March 2019 was modified accordingly. I was still unable to confirm the investment property by alternative means or quantify the resultant misstatement on investment property in the consolidated and separate financial statements as it was impractical to do so. Consequently, my opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures.

Receivables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for receivables from exchange transactions for the restatement to the corresponding figure as the group did not have adequate systems to maintain records to support financial information. I was unable to confirm these receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment to the receivables from exchange transactions of R136 965 000 and R129 529 000 in 2019 as disclosed in note 12 to the consolidated and separate financial statements was necessary.

Payables from exchange transactions

6. I was unable to obtain sufficient appropriate audit evidence for payables from exchange transactions of the subsidiaries and the restatement to the corresponding figure of the entity as the group did not have adequate systems to maintain records to support financial information. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment to payables from exchange transactions of R143 229 000 (2019: R190 586 000) and R115 430 000 in 2019 as disclosed in note 23 to the consolidated and separate financial statements was necessary.

Deferred tax

7. I was unable to obtain sufficient appropriate audit evidence for the deferred tax liability of the entity or whether the subsidiaries have appropriated accounted for deferred tax as the group did not have adequate systems to maintain records to support financial information relating to deferred tax. I was unable to confirm the deferred tax liability by alternative means. Consequently, I was unable to determine whether any adjustment relating to deferred tax of R331 175 000 (2019: R201 360 000) as disclosed in note 9 to the consolidated and separate financial statements was necessary.

Loans to economic entities

8. I was unable to obtain sufficient appropriate audit evidence for the loan to GL Resorts as the entity did not have adequate systems to maintain records to support financial information relating to these loans. I was unable to confirm this loan by alternative means. Consequently, I was unable to determine whether any adjustment relating to the loan to GL Resorts of R45 873 000 included in loans to economic entities as disclosed in note 8 to the separate financial statements was necessary.

Accumulated surplus

9. I was unable to obtain sufficient appropriate audit evidence for accumulated surplus as the subsidiaries did not have adequate systems to maintain records to support financial information. I was unable to confirm the accumulated surplus by alternative means. Consequently, I was unable to determine whether any adjustment relating to accumulated surplus of R752 252 000 (2019: R252 069 000) as presented in the consolidated statement of financial position and statement of changes in net assets was necessary.

Sale of goods

10. I was unable to obtain sufficient appropriate audit evidence for revenue from sale of goods as the subsidiaries did not have adequate systems to maintain records to support financial information. I was unable to confirm this revenue by alternative means. Consequently, I was

unable to determine whether any adjustment relating to revenue from sale of goods of R51 415 000 (2019: R51 868 000) as disclosed in note 26 to the consolidated financial statements was necessary.

Sundry income

11. I was unable to obtain sufficient appropriate audit evidence for the restatement of the corresponding figures for sundry income as the entity did not have adequate systems to maintain records to support financial information. I was unable to confirm the restatement by alternative means. Consequently, I was unable to determine whether any adjustment to the sundry income corresponding figures of R75 574 000 and R71 416 000 as disclosed in note 52 to the consolidated and separate financial statements was necessary.

Fair value adjustment

12. The entity did not correctly account for the fair value on investment property as required by GRAP 16, *Investment property* and GRAP 3, *Accounting policies, changes in accounting estimates and errors*. The fair value adjustment was accounted for in the current year instead of the relevant financial year to which it relates. I was unable to determine the misstatement of the fair value adjustment of R661 007 000 (2019: R0) as disclosed in note 38 to the consolidated and separate financial statements or the resultant impact on the surplus for the year and the accumulated surplus as it was impracticable to do so.

Government grants and subsidies

13. I was unable to obtain sufficient appropriate audit evidence for revenue from government grants of the subsidiaries and the restatement to the corresponding figure of the entity as the group did not have adequate systems to maintain records to support financial information. I was unable to confirm this revenue by alternative means. Consequently, I was unable to determine whether any adjustment relating to government grants and subsidies of R130 572 000 (2019: R46 189 000) and R44 801 000 in 2019 as disclosed in note 31 to the consolidated financial statements was necessary.

Expenditure

14. I was unable to obtain sufficient appropriate audit evidence for restatements to the corresponding figures for employee related costs and bad debts written off as the entity did not have adequate systems to maintain records to support financial information. I was unable to confirm these expenses by alternative means. Consequently, I was unable to determine whether any adjustments relating to employee related cost of R118 599 000 and R78 811 000 in 2019 as disclosed in note 32 and bad debts written off of R78 253 000 in 2019 in the consolidated and separate financial statements were necessary.
15. I was unable to obtain sufficient appropriate audit evidence for general expenses of the subsidiaries or that good and services paid by the entity was received as the group did not have adequate systems to maintain records to support financial information. I was unable to confirm these expenses by alternative means. Consequently, I was unable to determine whether any further adjustment relating to general expenses of R374 684 000 (2019: R319 339 000) and R156 135 000 (2019: R134 434 000) as disclosed in note 36 to the consolidated and separate financial statements was necessary.
16. The entity did not record general expenses in the correct financial period as required by GRAP1, *Preparation of financial statements* and input VAT have not been correctly accounted for. As a result, general expenses was overstated by R64 466 670 and payables from exchange transactions was overstated with R7 246 999 for the current year in consolidated and separate financial statements and general expense and payables from exchange transactions was understated with R48 973 964 in the previous year in consolidated and separate financial statements. There is also a resultant impact on surplus for the year and the accumulated surplus. In addition, the group did not correctly account for the consolidation as required by

GRAP 35, *Consolidated annual financial statements* as the consolidated amount for general expenses has been incorrectly calculated. Consequently, general expenses have been overstated by a further R190 559 023 (2019: R156 506 000) in the consolidated financial statements.

Irregular expenditure

17. Section 55(2)(b)(i) of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) requires the disclosure of irregular expenditure incurred. I was unable to obtain sufficient appropriate audit evidence for restatements to the opening balance of irregular expenditure as the subsidiaries did not have adequate systems to maintain records to support financial information for restatements made in the prior periods. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustment relating to irregular expenditure of R533 698 000 (2019: R477 951 000) as disclosed in note 50 to the consolidated financial statements was necessary.

Prior year adjustments

18. The group did not disclose previous period errors in note 45 to the financial statements, as required by GRAP 3, *Accounting policies, estimates and errors*. The nature and the amount of the correction for each financial statement item affected, and the amount of the correction at the beginning of the earliest previous period were not disclosed. In addition, I was unable to obtain sufficient appropriate audit evidence for the previous period errors disclosed, as the supporting information was not provided. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments to the previous period errors disclosed in note 45 to the consolidated and separate financial statements were necessary.

Cash flow statement

19. The group did not correctly prepare and disclose the net cash flows from operating activities, net cash flows from investing activities and cash flow from financing activities as required by GRAP 2, *Cash flow statements.* This was due to multiple errors and not all non-cash flow items being eliminated in the cash flows from operations, investing activities and financing activities. I was unable to determine the full extent of the errors in the cash flows from operating activities, financing activities and investing activities for the current and corresponding period for the consolidated and separate cash flow statement as it was impractical to do so.

Material uncertainty relating to going concern

20. I draw attention to the matter below. My opinion is not modified in respect of this matter.
21. I draw attention to note 47 and 48 to the financial statements, which states the group’s events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern and the foreseeable future of the group is dependent on receiving financial assistance from the government. As stated in note 47 and 48, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the group’s ability to continue as a going concern.

Emphasis of matters

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

Fruitless and wasteful expenditure

23. As disclosed in note 49 to the consolidated and separate financial statements, fruitless and wasteful expenditure of R5 824 000 and R3 057 000 was incurred in the current year and fruitless and wasteful expenditure of R58 850 000 and R37 429 000 from previous years was not investigated.

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

24. 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 the Standards of Generally Recognised Accounting Practice (Standards of GRAP), the requirements of the PFMA and the and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies 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.

25. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group'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 group or to cease operations, or there is no realistic alternative but to do so.

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

26. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

27. I am independent of the the group in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit of the consolidated and separate financial statements in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.

Report on the audit of the annual performance report

Introduction and scope

28. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

29. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

30. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 1: Property development and management	13 – 15

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

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

- Programme 1: Property development and management

Other matters

33. I draw attention to the matters below.

Achievement of planned targets

34. Refer to the annual performance report on pages 13 to 34 for information on the achievement of planned targets for the year and explanations provided for the under achievement of a significant number of targets.

Adjustment of material misstatements

35. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Programme 1: Property development and management. As management subsequently corrected the misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

Report on audit of compliance with legislation

Introduction and scope

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

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

Financial statements

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

39. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of expenditure, disclosure items and in the statement of comparison of budget and actual amounts identified by the auditors in the submitted financial statements were corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

40. Effective and appropriate steps were not taken to prevent irregular expenditure of R5 525 000 as disclosed in note 50 to the financial statements. The majority of the irregular expenditure disclosed in the financial statements was caused by deviating from supply chain management processes and policies.

41. Effective steps were not taken to prevent fruitless and wasteful expenditure of R3 057 000, as disclosed in note 49 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest charged on overdue accounts.

Consequence management

42. Sufficient appropriate audit evidence could not be obtained that disciplinary steps were taken against officials who had incurred irregular, fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to investigations into prior year irregular, fruitless and wasteful expenditure not being conducted.

Other information

43. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected programme presented in the annual performance report that have been specifically reported on in this auditor's report.

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

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

46. As a result of the disclaimer of opinion expressed on the financial statements, I do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work I have performed relating to the audit of performance information and compliance with legislation, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

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

    - There remains a lack of oversight responsibility regarding financial management, the monitoring of compliance and the institutionalisation of related internal controls. The accounting authority did not ensure that controls were implemented to address prior year qualifications and material non-compliance identified.

- Management did not design and implement internal controls to ensure the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable legislation. Furthermore, the audit action plan was not adequate to address prior year audit findings and little progress was made during the year. The financial reporting is still being regarded as an annual duty rather than a tool to drive continuous good governance and informed decision making. Consequently, there were numerous instances of repeat audit findings identified during the current financial year's audit.
- The instability in the accounting authority and audit committee had an impact on their ability to install good governance principles within the entity. As a result, a risk management policy and fraud prevention plan was not developed and implemented and the audit committee could not effectively monitor the implementation of the audit action plan to improve the audit outcome and enhance the quality of the submitted financial statements.

Other reports

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

Investigation

49. The Special Investigations Unit (SIU) is conducting a fraud investigation at the entity with regards to specific procurement matters which the entity entered into. This investigation was still in progress at the date of this report.

Auditor-General

Rustenburg

31 October 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Statement of Financial Position as at 31 March 2020

	Note(s)	Economic entity 2020 R '000	Economic entity 2019 Restated* R '000	Controlling entity 2020 R '000	Controlling entity 2019 Restated* R '000
Assets					
Current Assets					
Inventories	11	964	955	-	-
Loans to economic entities	8	-	-	-	28 850
Operating lease asset	10	521	521	521	521
Receivables from exchange transactions	12	42 006	136 965	38 525	129 529
Receivables from non-exchange transactions	13	832	832	-	-
VAT receivable	14	602	6 437	602	6 437
Cash and cash equivalents	15	38 232	35 820	36 123	31 146
		83 157	**181 530**	**75 771**	**196 483**
Non-Current Assets					
Biological assets that form part of an agricultural activity	2	2 187	2 454	-	-
Investment property	3	1 507 379	847 285	1 507 379	847 285
Property, plant and equipment	4	394 471	393 021	214 609	202 715
Intangible assets	5	9 274	9 274	4	4
Investments in associates	7	104 610	99 534	-	-
		2 017 921	**1 351 568**	**1 721 992**	**1 050 004**
Total Assets		**2 101 078**	**1 533 098**	**1 797 763**	**1 246 487**
Liabilities					
Current Liabilities					
Loans from economic entities	8	-	-	3 804	-
Other financial liabilities	19	18 882	18 882	-	-
Finance lease obligation	18	765	691	-	-
Payables from exchange transactions	23	143 229	190 586	75 217	115 430
Taxes and transfers payable (non-exchange)	24	147	85	-	-
VAT payable	25	7 558	32 594	-	-
Provisions	20	2 122	2 139	-	-
Bank overdraft	15	299	187	299	-
		173 002	**245 164**	**79 320**	**115 430**
Non-Current Liabilities					
Other financial liabilities	19	47 734	48 728	47 734	48 728
Finance lease obligation	18	1 463	2 227	-	-
Employee benefit obligation		10 235	10 223	10 235	10 223
Deferred tax	9	331 175	201 360	331 175	201 360
Provisions	20	30 602	29 572	30 328	29 232
Preference Shares	21	20 000	20 000	-	-
Government projects	22	13 325	35 853	13 325	35 853
		454 534	**347 963**	**432 797**	**325 396**
Total Liabilities		**627 536**	**593 127**	**512 117**	**440 826**
Net Assets		**1 473 542**	**939 971**	**1 285 646**	**805 661**
Share capital / contributed capital	16	303 854	303 854	303 854	303 854
Reserves					
Revaluation reserve	17	417 436	384 048	265 267	231 879
Accumulated surplus		752 252	252 069	716 525	269 928
Total Net Assets		**1 473 542**	**939 971**	**1 285 646**	**805 661**

Statement of Financial Performance

	Note(s)	Economic entity 2020 R '000	Economic entity 2019 Restated* R '000	Controlling entity 2020 R '000	Controlling entity 2019 Restated* R '000
Revenue					
Revenue from exchange transactions					
Sale of goods	26	51 415	51 868	-	-
Rendering of services		3 024	6 987	-	-
Rental of facilities and equipment	26	146 014	157 139	140 537	143 174
Interest received (trading)	26	18 680	11 757	18 680	11 757
Rental income		146	-	146	-
Recoveries		33	165	33	-
Sundry income	52	70 754	75 574	62 342	71 416
Interest received	30	8 933	10 795	8 799	10 367
Fair value adjustments	38	661 007	-	661 007	-
Share of surpluses or deficits from associates accounted for using the equity method	6	5 077	8 524	-	-
Dividends received	30	4 000	5 000	-	-
Total revenue from exchange transactions		**969 083**	**327 809**	**891 544**	**236 714**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	31	130 572	46 189	74 072	44 801
Other transfer revenue 1		-	542	-	-
Total revenue from non-exchange transactions		**130 572**	**46 731**	**74 072**	**44 801**
Total revenue	26	**1 099 655**	**374 540**	**965 616**	**281 515**
Expenditure					
Employee related costs	32	(119 429)	(118 599)	(80 893)	(78 811)
Depreciation and amortisation	33	(29 645)	(32 423)	(18 702)	(21 030)
Impairment of loans within economic entities		(17 114)	-	(711)	-
Finance costs	34	(8 710)	(15 420)	(6 235)	(5 720)
Lease rentals on operating lease	27	(3 359)	(3 685)	(1 381)	(1 460)
Bad debt provided	35	(11 290)	942	(3 365)	-
Bad debts written off		(95 416)	(78 253)	(95 416)	(78 253)
Loss on disposal of assets and liabilities		-	(1 195)	-	(1 195)
Actuarial losses		(12)	-	(12)	-
Sale of goods/Inventory	37	(9 655)	(10 055)	-	-
General expenses	36	(374 684)	(319 339)	(156 135)	(134 434)
Total expenditure		**(669 314)**	**(578 027)**	**(362 850)**	**(320 903)**
Surplus (deficit) before taxation		**430 341**	**(203 487)**	**602 766**	**(39 388)**
Taxation	40	130 518	393	129 815	-
Surplus (deficit) for the year		**299 823**	**(203 880)**	**472 951**	**(39 388)**

Statement of Changes in Net Assets

	Share capital contributed capital R '000	Revaluation reserve R '000	Accumulated surplus R '000	Total net assets R '000
Economic entity				
Opening balance as previously reported	303 854	384 048	291 547	979 449
Adjustments				
Prior year adjustments	-	-	7 896	7 896
Balance at 01 April 2018 as restated*	**303 854**	**384 048**	**299 443**	**987 345**
Changes in net assets				
Surplus for the year	-	-	(47 374)	(47 374)
Total changes	-	-	(47 374)	(47 374)
Opening balance as previously reported	303 854	384 048	292 914	980 816
Adjustments				
Prior year adjustments	-	-	(40 844)	(40 844)
Restated* Balance at 01 April 2019 as restated*	**303 854**	**384 048**	**252 070**	**939 972**
Changes in net assets				
Surplus for the year	-	-	490 655	490 655
Revaluation of Infrastructure	-	33 388	-	33 388
Other 2	-	-	9 527	9 527
Total changes	-	33 388	500 182	533 570
Balance at 31 March 2020	**303 854**	**417 436**	**752 252**	**1 473 542**
Note(s)	16	17		
Controlling entity				
Opening balance as previously reported	303 854	231 879	328 436	864 169
Adjustments				
Prior year adjustments	-	-	(4 630)	(4 630)
Balance at 01 April 2018 as restated*	**303 854**	**231 879**	**323 806**	**859 539**
Changes in net assets				
Surplus for the year	-	-	(39 388)	(39 388)
Total changes	-	-	(39 388)	(39 388)
Opening balance as previously reported	303 854	231 879	284 418	820 151
Adjustments				
Prior year adjustments	-	-	(40 844)	(40 844)
Restated* Balance at 01 April 2019 as restated*	**303 854**	**231 879**	**243 574**	**779 307**
Changes in net assets				
Revaluation of Infrastructure	-	33 388	-	33 388
Net income (losses) recognised directly in net assets	-	33 388	-	33 388
Surplus for the year	-	-	472 951	472 951
Total recognised income and expenses for the year	-	33 388	472 951	506 339
Total changes	-	33 388	472 951	506 339
Balance at 31 March 2020	**303 854**	**265 267**	**716 525**	**1 285 646**
Note(s)	16	17		

Cash Flow Statement

		Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
	Note(s)	R '000	R '000	R '000	R '000
Cash flows from operating activities					
Receipts					
Sale of goods and services		184 558	194 552	122 464	120 691
Grants		124 072	46 148	74 072	44 801
Interest income		8 933	10 795	8 799	10 367
Dividends received		4 000	5 000	-	-
		321 563	**256 495**	**205 335**	**175 859**
Payments					
Employee costs		(120 043)	(120 895)	(81 406)	(80 244)
Suppliers		(163 658)	(163 235)	(100 964)	(112 503)
Finance costs		(8 710)	(15 420)	(6 235)	(5 720)
Taxes on surpluses		(703)	(393)	-	-
		(293 114)	(299 943)	(188 605)	(198 467)
Net cash flows from operating activities	41	**28 449**	**(43 448)**	**16 730**	**(22 608)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	-	(176)	-	(52)
Proceeds from sale of property, plant and equipment	4	-	(1 195)	-	(1 195)
Proceeds from loans from economic entities		(2 850)	(85 483)	10 126	(28 850)
Proceeds from sale of other asset 1		-	-	-	6 578
Net cash flows from investing activities		**(2 850)**	**(86 854)**	**10 126**	**(23 519)**
Cash flows from financing activities					
Proceeds from other financial liabilities		(81)	-	(81)	(3 074)
Movement in unspent government projects		(22 528)	35 853	(22 528)	35 853
Finance lease payments		(690)	2 918	-	-
Other cash item		-	-	431	(80 140)
Net cash flows from financing activities		**(23 299)**	**38 771**	**(22 178)**	**(47 361)**
Net increase/(decrease) in cash and cash equivalents		**2 300**	**(91 531)**	**4 678**	**(93 488)**
Cash and cash equivalents at the beginning of the year		35 633	127 164	31 146	124 634
Cash and cash equivalents at the end of the year	15	**37 933**	**35 633**	**35 824**	**31 146**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget R '000	Adjustments R '000	Final Budget R '000	Actual amounts on comparable basis R '000	Difference between final budget and actual R '000	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental of facilities and equipment	200 641	-	200 641	140 537	(60 104)	1
Interest received (trading)	8 975	-	8 975	18 680	9 705	1
Rental income	-	-	-	146	146	
Recoveries	4 200	-	4 200	33	(4 167)	2
Sundry Income	11 653	-	11 653	62 342	50 689	2
Interest received - investment	2 346	-	2 346	8 799	6 453	
Total revenue from exchange transactions	**227 815**	**-**	**227 815**	**230 537**	**2 722**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	146 750	-	146 750	74 072	(72 678)	
Total revenue	**374 565**	**-**	**374 565**	**304 609**	**(69 956)**	
Expenditure						
Personnel	(112 200)	-	(112 200)	(80 893)	31 307	3
Depreciation and amortisation	(11 440)	-	(11 440)	(18 702)	(7 262)	4
Impairment loss/ Reversal of impairments	-	-	-	(711)	(711)	
Finance costs	-	-	-	(6 235)	(6 235)	5
Lease rentals on operating lease	(3 222)	-	(3 222)	(1 381)	1 841	6
Debt Impairment	-	-	-	(3 365)	(3 365)	7
Bad debts written off	-	-	-	(95 416)	(95 416)	7
General Expenses	(207 158)	-	(207 158)	(156 135)	51 023	8
Total expenditure	**(334 020)**	**-**	**(334 020)**	**(362 838)**	**(28 818)**	
Operating deficit	40 545	-	40 545	(58 229)	(98 774)	
Fair value adjustments	-	-	-	661 007	661 007	
Actuarial gains/losses	-	-	-	(12)	(12)	
	-	**-**	**-**	**660 995**	**660 995**	
Surplus before taxation	**40 545**	**-**	**40 545**	**602 766**	**562 221**	
Taxation	-	-	-	129 815	129 815	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**40 545**	**-**	**40 545**	**472 951**	**432 406**	

1. The entity was expecting to increase the occupancy rate and increase the rentals but that was not effected because of the economic outlook.
2. The entity received the grants early during the financial year and interest was earned thereon
3. More interest was charged on outstanding debtors than expected because of the lower debt collections than expected.
4. The fair value increases were not foreseen - the valuation experts were not part of the budgeting process.
5. The entity was expecting to receive more grants to boost its financial statnding.
6. Immovable items of Property, plant and equipment were revalued which resulted in a higher than expected depreciation.
7. The fluctuation is insiginficant because it is below the performance materiality.
8. There was an oversight during the compilation of the budget hence the budgeted figure is nil.
9. The entity had a material fair value adjustment on investment property which resulted in an income tax expense (deferred tax)
10. The fair value adjustment was not part of the budget because it needed the experts who were yet to be appointed at the time of the budget process.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of Standards of GRAP.

1.1 Going concern assumption

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

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 Consolidation/Entity combinations

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in simil circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

Accounting Policies

1.3 Consolidation/Entity combinations (continued)

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the annual financial statements of the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity is identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

Loss of control

When a controlling entity loses control of a controlled entity, it:

- derecognises the assets and liabilities of the controlled entity at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interests in the former controlled entity at the date when control is lost (including any components in the statement of financial performance attributable to them); recognises:
  - the fair value of the consideration received (if any), from the transaction, event or circumstances that resulted in the loss of control; and
  - if the transaction that resulted in the loss of control involves a distribution of residual interests of the controlled entity to owners in their capacity as owners, that distribution;
- recognises any investment retained in the former controlled entity at its fair value at the date when control is lost; reclassifies to surplus or deficit, or transfers directly to accumulated surplus or deficit, if required in accordance with other accounting policies, the amounts identified; and
- recognises any resulting difference as a gain or loss in surplus or deficit (in accordance with the accounting policy on Transfer of functions between entities not under common control or in accordance with the accounting policy on Transfer of functions between entities under common control) attributable to the controlling entity.

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On the loss of control of a controlled entity, any investment retained in the former controlled entity and any amounts owed by or to the former controlled entity are accounted for in accordance with other accounting policies from the date when control is lost.

The fair value of any investment retained in the former controlled entity at the date when control is lost is regarded as the fair value on initial recognition of financial assets in accordance with the Standard of GRAP on Financial instruments or when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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Investment in associates

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a controlled entity nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an activity but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the economic entity's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the economic entity’s share of net assets of the investee. The surplus or deficit of the economic entity includes the economic entity's share of the surplus or deficit of the investee.

Accounting Policies

1.3 Consolidation/Entity combinations (continued)

The economic entity's share of the surplus or deficit of the investee is recognised in surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment.

The most recent available annual financial statements of the associate are used by the economic entity in applying the equity method. When the reporting dates of the economic entity and the associate are different, the associate prepares, for the use of the economic entity, annual financial statements as of the same date as the annual financial statements of the economic entity unless it is impractical to do so.

When the annual financial statements of an associate used in applying the equity method are prepared as of a different date from that of the economic entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the economic entity's annual financial statements. In any case, the difference between the end of the reporting dates of the associate and that of the economic entity is no more than three months. The length of the reporting dates and any difference between the ends of the reporting dates is the same from period to period.

The economic entity's annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the economic entity's interest in that associate are recognised only to the extent that the economic entity has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the economic entity resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Surpluses and surplus on transactions between the economic entity and an associate are eliminated to the extent of the economic entity's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standards of GRAP on Financial instruments from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as the fair value on initial recognition as a financial asset in accordance with the Standards of GRAP on Financial instruments.

1.4 Biological assets that form part of an agricultural activity

The entity recognises biological assets that form part of an agricultural activity or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets that form part of an agricultural activity are measured at their fair value less costs to sell.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

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

Accounting Policies

1.5 Investment property (continued)

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

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. The fair value of investment property reflects market conditions at the reporting date.

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

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Infrastructure and leasehold properties which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	50 years
Leasehold property	Straight-line	50 years
Furniture and fixtures	Straight-line	5-23 years
Motor vehicles	Straight-line	6-15 years
Office equipment	Straight-line	4-7 years
Computer software	Straight-line	11 years
Leasehold improvements	Straight-line	40 years

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

Accounting Policies

1.7 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.8 Investments in controlled entities

Economic entity annual financial statements

Investments in controlled entities are consolidated in the economic entity annual financial statements. Refer to the accounting policy on Consolidations (Note 1.3).

1.9 Investments in associates

Economic entity annual financial statements

An investment in an associate is accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the economic entity's share of the surpluses or surplus of the investee after acquisition date. The use of the equity method is discontinued from the date the economic entity 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.

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

On acquisition of the investment any difference (whether positive or negative) between the cost of the investment and the investor’s share of the net fair value of the associate’s identifiable assets and liabilities is accounted for in accordance with the Standard of GRAP on Transfer of functions between entities not under common control.

Accounting Policies

1.9 Investments in associates (Continued)

The excess of the economic entity'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 revenue in the period in which the investment is acquired.

The most recent available annual financial statements of the associate are used by the investor in applying the equity method. When the end of the reporting period of the investor is different from that of the associate, the associate prepares, for the use of the investor, annual financial statements as of the same date as the annual financial statements of the investor unless it is impracticable to do so.

The recognition of the economic entity's share of losses is discontinued once the economic entity's share of losses of an associate equals or exceeds its interest in the associate.

Controlling entity annual financial statements

An investment in an associate is carried at cost.

The entity applies the same accounting for each category of investment.

The entity recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

1.10 Financial instruments

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

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

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

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

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions. Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Financial instruments (continued)

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

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

Classification

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

Class	Category
Cash and Cash Equivalents	Financial liability measured at amortised cost
Receivables from Exchange Transactions	Financial liability measured at amortised cost
Receivables from Non-exchange Transactions	Financial liability measured at amortised cost

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

Class	Category
Finance Lease Liabilities	Financial liability measured at amortised cost
Trade and Other Payables	Financial liability measured at amortised cost
Unspent Grants	Financial liability measured at amortised cost
Taxes and transfers	Financial liability measured at amortised cost
Bank overdrafts	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at fair value

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

1.11 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 liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

Accounting Policies

1.11 Tax (continued)

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit 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 net assets; or a business combination.

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

1.12 Leases

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

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

Finance leases - lessor

The economic entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the economic entity's net investment in the finance lease.

1.12 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.12 Leases (continued)

Operating leases - lessee

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

1.13 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

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

Value in use

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

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash- generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non- cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

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

Identification

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

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential. The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.16 Employee benefits

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

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

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

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

Accounting Policies

1.16 Employee benefits (continued)

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the company recognises that excess as an asset (prepaid expense), to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.17 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

Accounting Policies

1.17 Provisions and contingencies (continued)

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus .

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and

Accounting Policies

1.17 Provisions and contingencies (continued)

- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of
- GRAP on Revenue from Exchange Transactions.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.19 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non- contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Revenue from non-exchange transactions

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

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

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

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

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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

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

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

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

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Recognition

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

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

Measurement

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

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

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

1.21 Comparative figures

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

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 financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 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 -

- this Act; or
- the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

1.24 Related parties

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

Accounting Policies

1.24 Related parties (continued)

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

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

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

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

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

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

1.25 Events after reporting date

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

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

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

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

1.26 Living and non-living resources

Living resources are those resources that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Agricultural activity is the management by an economic entity of the biological transformation and harvest of biological assets for:

- sale;
- distribution at no charge or for a nominal charge; or
- conversion into agriculture produce or into additional biological assets for sale or distribution at no charge or for a nominal charge.

Accounting Policies

Living and non-living resources (continued)

A bearer plant is a living plant that:

- is used in the production or supply of agricultural produce; (b) is expected to bear produce for more than one period; and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Biological transformation (for purposes of this Standard) comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a living resource.

Carrying amount is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or development and, where applicable, the amount attributed to the asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

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

Group of resources means a grouping of living or non-living resources of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The residual value of an asset is the estimated amount that an economic entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Useful life is the period over which an asset is expected to be available for use by an economic entity, or the number of production or similar units expected to be obtained from the asset by an economic entity.

Recognition

Non-living resources, other than land, are not recognised as assets. Required information are disclosed in the notes to the annual financial statements.

A living resource is recognised as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity, and the cost or fair value of the asset can be measured reliably.

Where the economic entity is required in terms of legislation or similar means to manage a living resource, but it does not meet the definition of an asset because control of the resource cannot be demonstrated, relevant information are disclosed in the notes to the annual financial statements.

Where the economic entity holds a living resource that meets the definition of an asset, but which does not meet the recognition criteria, relevant information are disclosed in the notes to the annual financial statements. When the information about the cost or fair value of the living resource becomes available, the economic entity recognise, from that date, the living resource and apply the measurement principles.

Measurement at recognition

A living resource that qualifies for recognition as an asset is measured at its cost.

Where a living resource is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Accounting Policies

Living and non-living resources (continued)

The cost of a living resource comprises its purchase price, including import duties and non-refundable purchase taxes, and any costs directly attributable to bringing the living resource to the location and condition necessary for it to be capable of operating in the manner intended by management.

Measurement after recognition

Revaluation model

After recognition as an asset, a group of living resources, whose fair value can be measured reliably, are carried at a revalued amount, which is its fair value at the date of the revaluation less any accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a living resource is revalued, the entire group of living resources to which that resource belongs, are revalued.

If the carrying amount of a living resource is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same living resource previously recognised in surplus or deficit.

If the carrying amount of a living resource is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that living resource. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

2. Biological assets that form part of an agricultural activity

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Other consumable biological assets	2 187	-	2 187	2 454	-	2 454

Reconciliation of biological assets that form part of an agricultural activity - Economic entity - 2020

	Opening balance	Depreciation	Total
Other consumable biological assets	2 454	(267)	2 187

Reconciliation of biological assets that form part of an agricultural activity - Economic entity - 2019

	Opening balance	Depreciation	Total
Other consumable biological assets	2 720	(266)	2 454

3. Investment property

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 507 379	-	1 507 379	847 285	-	847 285

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 507 379	-	1 507 379	847 285	-	847 285

Reconciliation of investment property - Economic entity - 2020

	Opening balance	Fair value adjustments	Total
Investment property	847 285	660 094	1 507 379

Reconciliation of investment property - Economic entity - 2019

	Opening balance	Impairments	Total
Investment property	894 707	(47 422)	847 285

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2020

	Opening balance	Fair value adjustments	Total
Investment property	847 285	660 094	1 507 379

Reconciliation of investment property - Controlling entity - 2019

	Opening balance	Impairments	Total
Investment property	894 707	(47 422)	847 285

Fair value of investment properties	660 094	-	660 094	-

A detailed investment property register is available at the company head office, situated at 22 James Watt Crescent, Industrial Site, Mahikeng

Investment Property valuations was conducted by Black Dot Property Consultants (Pty) Ltd at Fair Value, based on the aggregate of the net annual rental receivable from the properties, considering and analysing rentals received on similar properties in the open market, less associated costs (insurance, maintenance, repairs, management fees, rates and taxes). A capitalisation rate which reflects the specific risk inherent in the net cash flows is applied to the net annual rentals to arrive at the property valuations. The valuations were performed before the submission of the financial statements to reflect the fair values as at the end of the financial year - 31 March 2020. The fair value adjustments in the financial statements were done as at the end of the financial year. A material fair value adjustment was made to the Investment property balance to ensure fair presentation as at the end of the financial year

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

3. Investment property (continued)

Amounts recognised in surplus or deficit

Rental revenue from Investment property	-	-	143 537	143 174
From Investment property that generated rental revenue				
Direct operating expenses (excluding repairs and maintenance)	-	-	58 170	67 841
Repairs and maintenance	-	-	6 277	6 557
	-	**-**	**64 447**	**74 398**

Notes to the Annual Financial Statements

Figures in Rand thousand

4. Property, plant and equipment

Economic entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 981	-	5 981	5 981	-	5 981
Buildings	27 337	(11 598)	15 739	27 337	(10 952)	16 385
Leasehold property	23 840	(8 451)	15 389	23 840	(7 497)	16 343
Plant and machinery	1 722	(1 356)	366	1 722	(1 071)	651
Furniture and fixtures	13 746	(9 298)	4 448	15 987	(8 526)	7 461
Motor vehicles	15 131	(8 516)	6 615	15 135	(5 577)	9 558
Office equipment	13 625	(11 124)	2 501	14 891	(9 501)	5 390
Leasehold improvements	191 189	(35 525)	155 664	191 189	(29 543)	161 646
Infrastructure	187 763	-	187 763	493 687	(324 090)	169 597
Other property, plant and equipment	27	(22)	5	27	(18)	9
Total	**480 361**	**(85 890)**	**394 471**	**789 796**	**(396 775)**	**393 021**

4. Property, plant and equipment (continued)

Controlling entity	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5 981	-	5 981	5 981	-	5 981
Buildings	27 337	(11 598)	15 739	27 337	(10 952)	16 385
Furniture and fixtures	3 073	(2 614)	459	5 134	(2 914)	2 220
Motor vehicles	8 507	(4 372)	4 135	8 507	(2 211)	6 296
Office equipment	6 630	(6 098)	532	7 550	(5 314)	2 236
Infrastructure	187 763	-	187 763	493 687	(324 090)	169 597
Total	**239 291**	**(24 682)**	**214 609**	**548 196**	**(345 481)**	**202 715**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2020

	Opening balance	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	5 981	-	-	-	-	5 981
Buildings	16 385	-	-	(646)	-	15 739
Leasehold property	16 343	-	-	(954)	-	15 389
Plant and machinery	651	-	-	(285)	-	366
Furniture and fixtures	7 461	-	(865)	(1 498)	(650)	4 448
Motor vehicles	9 558	-	(1)	(2 659)	(283)	6 615
Office equipment	5 390	-	(201)	(1 994)	(694)	2 501
Leasehold improvements	161 646	-	-	(5 982)	-	155 664
Infrastructure	169 597	32 573	-	(14 407)	-	187 763
Other property, plant and equipment	9	-	-	(4)	-	5
	393 021	**32 573**	**(1 067)**	**(28 429)**	**(1 627)**	**394 471**

Notes to the Annual Financial Statements

Figures in Rand thousand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	5 981	-	-	-	5 981
Buildings	17 031	-	-	(646)	16 385
Leasehold property	17 296	-	-	(953)	16 343
Plant and machinery	881	-	-	(230)	651
Furniture and fixtures	9 529	176	155	(2 399)	7 461
Motor vehicles	10 907	-	-	(1 349)	9 558
Office equipment	8 116	-	156	(2 882)	5 390
Leasehold improvements	167 627	-	-	(5 981)	161 646
Infrastructure	184 819	-	-	(15 222)	169 597
Other property, plant and equipment	13	-	-	(4)	9
	422 200	**176**	**311**	**(29 666)**	**393 021**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	5 981	-	-	-	-	5 981
Buildings	16 385	-	-	(646)	-	15 739
Furniture and fixtures	2 220	-	(865)	(246)	(650)	459
Motor vehicles	6 296	-	(1)	(1 877)	(283)	4 135
Office equipment	2 236	-	(281)	(729)	(694)	532
Infrastructure	169 597	32 573	-	(14 407)	-	187 763
	202 715	**32 573**	**(1 147)**	**(17 905)**	**(1 627)**	**214 609**

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	5 981	-	-	-	5 981
Buildings	17 031	-	-	(646)	16 385
Furniture and fixtures	2 793	52	155	(780)	2 220
Motor vehicles	6 846	-	-	(550)	6 296
Office equipment	3 600	-	(27)	(1 337)	2 236
Infrastructure	184 819	-	-	(15 222)	169 597
	221 070	**52**	**128**	**(18 535)**	**202 715**

Assets subject to finance lease (Net carrying amount)

Leasehold property	15 389	16 343	-	-
Leasehold improvements	155 664	161 646	-	-
	171 053	**177 989**	**-**	**-**

A register containing the information about leasehold improvements is available for inspection at the registered office of the entity.

Notes to the Annual Financial Statements

5. Intangible assets

Economic entity

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	173	(169)	4	173	(169)	4
Intangible assets	17 877	(8 607)	9 270	17 877	(8 607)	9 270
Total	**18 050**	**(8 776)**	**9 274**	**18 050**	**(8 776)**	**9 274**

Controlling entity

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	173	(169)	4	173	(169)	4

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Total
Computer software, other	4	4
Intangible assets	9 270	9 270
	9 274	**9 274**

5. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Total
Computer software, other	4	4
Intangible assets	9 270	9 270
	9 274	**9 274**

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Total
Computer software, other	4	4

Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Total
Computer software, other	4	4

Pledged as security

None of the Intangible assets are pledged as security

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

6. Investments in controlled entities

Name of company	Held by	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019
Signal Development SOC Ltd Golden		100,00 %	100,00 %	(9 857)	(6 357)
Leopard Resorts SOC Ltd Kgama		100,00 %	100,00 %	83 945	105 012
Wildlife Operations		100,00 %	100,00 %	0	0
				74 088	**98 655**

The carrying amounts of controlled entities are shown net of impairment losses.

7. Investments in associates

Name of entity	Listed / Unlisted	% holding 2020	% holding 2019	Carrying amount 2020	Carrying amount 2019	Fair value 2020	Fair value 2019
Pilanesberg Resort (Pty) Ltd		50,00 %	50,00 %	100 014	94 938	102 536	94 938
Bakubung Villas		50,00 %	50,00 %	4 596	4 596	2 074	4 596
				104 610	99 534	104 610	99 534

The carrying amounts of associates are shown net of impairment losses.

Movements in carrying value

	Economic entity 2020	Economic entity 2019	Controlling entity 2020	Controlling entity 2019
Opening balance	99 534	91 010	-	-
Share of surplus/deficit - Pilanesberg	5 076	11 002	-	-
Share of surplus/deficit - Bakubung Villas	2 479	2 522	-	-
Dividends or similar distributions	(4 000)	(5 000)	-	-
Other movements	1 521	-	-	-
	104 610	**99 534**	**-**	**-**

8. Loans to (from) economic entities

Controlled entities

	Economic entity 2020	Economic entity 2019	Controlling entity 2020	Controlling entity 2019
Loan to GL Resorts	-	-	45 873	71 358
Terms and conditions				
Loan from Signal Development	-	-	(3 804)	-
Terms and conditions				
	-	-	42 069	71 358
Impairment of loans to controlled entities	-	-	(45 873)	(42 508)
	-	**-**	**(3 804)**	**28 850**

Controlling entity

	Economic entity 2020	Economic entity 2019	Controlling entity 2020	Controlling entity 2019
Current assets	-	-	-	28 850
Current liabilities	-	-	(3 804)	-
	-	**-**	**(3 804)**	**28 850**

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

9. Deferred tax

Deferred tax liability

Property, plant and equipment	(331 175)	(201 360)	(331 175)	(201 360)

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Reconciliation of deferred tax asset \ (liability)

At beginning of year	(201 360)	(202 869)	(201 360)	(202 869)
Taxable / (deductible) temporary difference movement on Provisions	18 086	18 701	18 086	18 701
Taxable / (deductible) temporary difference on Investment Properties	(185 095)	(17 364)	(185 095)	(17 364)
Taxable / (deductible) temporary difference on health care benefits	37 194	172	37 194	172
	(331 175)	**(201 360)**	**(331 175)**	**(201 360)**

10. Operating lease asset (accrual)

Current assets	521	521	521	521

11. Inventories

Curio inventory	689	620	-	-
Diesel Stock	13	33	-	-
Consumable stores	262	302	-	-
	964	**955**	**-**	**-**

12. Receivables from exchange transactions

Trade debtors	235 477	184 357	231 186	176 047
Deposits	2 648	923	2 648	923
Provision for Bad Debts	(282 746)	(187 394)	(281 936)	(186 520)
Other receivables	120	40 725	120	40 725
Loan Debtors	86 507	98 354	86 507	98 354
	42 006	**136 965**	**38 525**	**129 529**

Trade and other receivables pledged as security

No trade and other receivables have been pledged as security.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables past due but not impaired

Rental debtors which are overdue but less than 60 days old (past due) were not impaired. These debtors amount to R9 254 145.

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

12. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of 31 March 2020, trade and other receivables of R95 352 (2019: R54 068) were impaired and provided for. The amount of the provision was R282 746 as of 31 March 2020 (2019: R187 394).

The ageing of these loans is as follows:

Over 6 months	282 746	187 394	286 604	186 520

Reconciliation of provision for impairment of trade and other receivables

Opening balance	187 394	133 326	186 520	108 267
Provision for impairment	95 352	54 068	95 416	78 253
	282 746	**187 394**	**281 936**	**186 520**

The provision for bad debts (provision for impairments) relates to the debt that management considers not recoverable. The provision exercise was conducted in accordance with the company policy on receivables which is consistent with the provisions of GRAP standards.

The debtors were considered for impairment on an individual basis. Reference was made to the age of the debtors with all the long outstanding debtors (>90 days) being impaired as well as the payment history of the debtors. Government debtors were not impaired because they more likely to be recovered than not.

13. Receivables from non-exchange transactions

Other receivables from non-exchange revenue	832	832	-	-

Receivables from non-exchange transactions pledged as security

There were no Receivables from non exchange transaction that were pledged as security.

Receivables from non-exchange transactions impaired

As of 31 March 2020, other receivables from non-exchange transactions of R0 - (2019: R100) were impaired and provided for. The amount of the provision was R100 as of 31 March 2020 (2019: R100).

The ageing of these loans is as follows:

Over 6 months	100	100	-	-

14. VAT receivable

VAT	602	6 437	602	6 437

Vat receivables is as a results of normal monthly vat returns.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	91	126	88	83
Bank balances	37 255	35 630	36 035	31 063
Other cash and cash equivalents	886	64	-	-
Bank overdraft	(299)	(187)	(299)	-
	37 933	**35 633**	**35 824**	**31 146**

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000
15. Cash and cash equivalents (continued)				
Current assets	38 232	35 820	36 123	31 146
Current liabilities	(299)	(187)	(299)	-
	37 933	**35 633**	**35 824**	**31 146**
16. Share capital / contributed capital				
Authorised				
303 854 Ordinary shares of R1 each	303 854	303 854	303 854	303 854
Issued				
Ordinary	303 854	303 854	303 854	303 854
17. Revaluation reserve				
Opening balance	384 048	384 048	231 879	231 879
Revaluation for infrastructure	33 388	-	33 388	-
	417 436	**384 048**	**265 267**	**231 879**
18. Finance lease obligation				
Minimum lease payments due				
- within one year	6 548	6 548	-	-
- in second to fifth year inclusive	23 953	23 953	-	-
- later than five years	111 830	117 421	-	-
	142 331	147 922	-	-
less: future finance charges	(320)	(590)	-	-
Present value of minimum lease payments	**142 011**	**147 332**	**-**	**-**
Non-current liabilities	1 463	2 227	-	-
Current liabilities	765	691	-	-
	2 228	**2 918**	**-**	**-**

Golden Leopard Resorts (Bakgatla), a subsidiary of the NWDC has entered into operating lease with NWPTB in 2001 and with contract period of 45years with an initial payment of R200 000 per annum and with escalation clause of 10% per annum or CIPX whichever is greater. Furthermore, Golden Leopard Resorts(Manyane) has entered into oprerating lease with NWPTB in 2001 and with contract period of 45 years with an initial payment of R150 000 per annum and with escalation clause of 10% per annum or CIPX whichever is greater.

The lease is not recognised as an expense in the statement of financial performance on a straight-line basis over the lease term as the actual expense is a more representative systematic basis of the time pattern of the user's benefit.

Even though the accounting policy suggests that operating lease should be straight lined over the duration of the lease it is impracticable to do so for the following reasons.

- The yearly increases in the monthly lease payments are subject to variating factors that can not be determined in advance.
- The variating factors includes matters such as that the lease payment will increase by a persentage that is unknown and can not be determined in advance.
- Some of the leases can be terminated at short notice and therefor the calculation can not be performed.

PART E Financial Information

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000
19. Other financial liabilities				
Designated at fair value				
Treasury loan The entire liability originated from the settlement by NWPG of entity debts resulting from guarantees issued by the former Bophuthatswana Government. The loan consist of three loans that were called up by the creditors and were paid by NWPG. The loan does not bear interest and has no fixed terms of repayment. The NWPG will not claim repayment of the loan or a part of the amount until the assets of Signal Development SOC Ltd fairly valued, exceeds its liabilities.	10 082	10 082	-	-
Public Investment Corporation Loan The loan was provided by then Public Investment Commission to Signal Development with the suretyship of North West Provincial Government. Repayment terms were originally R3 million repaybable 1 June 1994 and R5 million repayable 1 June 1995. Due to financial difficulty the re- payment terms could not be met. Interest rate would have been determined by the Minister of Finance and from time to time calculated and payable six monthly.To date, once-off interest of 10% was levied.	8 800	8 800	-	-
	18 882	**18 882**	**-**	**-**
At amortised cost				
DBSA Loan NWDC (formerly BNDC) entered into various agreements with the Development Bank of Southern Africa (DBSA) to obtain loans. The purpose of the loan was to developme various properties and infrastructure. The remaining loans are repayable at monthly instalments of R615. The DBSA and NWDC reached an agreemenmt on 16 October 2013 that DBSA will no longer charge interest on the loan.Therefore, the loan currently bears no additional interest.	47 734	48 728	47 734	48 728
Non-current liabilities				
At amortised cost	47 734	48 728	47 734	48 728
Current liabilities				
Designated at fair value	18 882	18 882	-	-

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

20. Provisions

Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	29 232	1 096	-	30 328
Provision	2 139	-	(17)	2 122
Employee benefit cost	340	19	(85)	274
	31 711	**1 115**	**(102)**	**32 724**

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	28 175	1 057	29 232
Provision	1 841	298	2 139
Employee benefit cost	319	21	340
	30 335	**1 376**	**31 711**

Reconciliation of provisions - Controlling entity - 2020

	Opening Balance	Additions	Total
Environmental rehabilitation	29 232	1 096	30 328

Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	28 175	1 057	29 232

Non-current liabilities	30 602	29 572	30 328	29 232
Current liabilities	2 122	2 139	-	-
	32 724	**31 711**	**30 328**	**29 232**

Rehabilitation Provision

The provisions relate to the rehabilitation of mining pits identified on one of the company's properties (Christiana All Seasons Resort). The land is not used for mining operations nor has it ever been used for mining operations by the company, however, due to legacy mining having taken place on the land, the company has an obligation to rehabilitate the land. The timing for the settlement is unknown, the company is working on getting the funds for the rehabilitation.

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

21. Preference Shares

During 2006 financial year, the North West Revenue fund bought preference shares from Standard Bank of South Africa Limited for R20 000 000. However, the Golden Leopard Resorts still has an option to purchase the shares but now from the NWPG. An agreement was negotiated between GLR and teh NWPG. The agreement between GLR and Standard Bank came to an end when the NWPG purchased and took over the shares from standard bank. The prefence shares are therefore redeemable to the NWPG.

Preference Shares	20 000	20 000	-	-

22. Government projects

Unspent government projects result from contractual agreement between the economic entity and the various government departments on an agent principal relationship. The amount payable are for projects not yet completed and where the funds are repayable to the government

Government Projects	13 325	35 853	13 325	35 853

23. Payables from exchange transactions

Trade payables	98 980	81 003	40 916	14 389
Payments received in advanced - contract in process	1 766	3 355	-	-
Staff related payables	2 256	3 163	-	689
Other payables	1 765	-	-	-
Accrued leave pay	7 340	5 636	5 170	4 412
Deposits received	20 179	20 555	19 255	20 005
Accruals	10 527	76 595	9 876	75 935
Tourism & Conservation Levy payable	416	279	-	-
	143 229	**190 586**	**75 217**	**115 430**

24. Taxes and transfers payable (non-exchange)

Other payables from non-exchange transactions	147	85	-	-

25. VAT payable

Tax refunds payables	7 558	32 594	-	-

The tax payable result from the VAT liabilities on vat returns from the GLR group (subsidiaries of the NWDC).

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000
26. Revenue				
Sale of goods	51 415	51 868	-	-
Rendering of services	3 024	6 987	-	-
Rental of facilities and equipment	146 014	157 139	140 537	143 174
Interest received (trading)	18 680	11 757	18 680	11 757
Rental income	146	-	146	-
Recoveries	33	165	33	-
Other income	70 754	75 574	62 342	71 416
Interest received	8 933	10 795	8 799	10 367
Dividends received	4 000	5 000	-	-
Government grants & subsidies	130 572	46 189	74 072	44 801
Other transfer revenue 1	-	542	-	-
	433 571	**366 016**	**304 609**	**281 515**
The amount included in revenue arising from exchanges of goods or services are as follows:				
Sale of goods	51 415	51 868	-	-
Rendering of services	3 024	6 987	-	-
Rental of facilities and equipment	146 014	157 139	140 537	143 174
Interest received (trading)	18 680	11 757	18 680	11 757
Rental income	146	-	146	-
Recoveries	33	165	33	-
Sundry Income	70 754	75 574	62 342	71 416
Interest received - (banks and receivables)	8 933	10 795	8 799	10 367
Dividends received	4 000	5 000	-	-
	302 999	**319 285**	**230 537**	**236 714**
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Transfer revenue				
Government grants & subsidies	130 572	46 189	74 072	44 801
Other transfer revenue 1	-	542	-	-
	130 572	**46 731**	**74 072**	**44 801**
27. Lease rentals on operating lease				
Premises				
Contractual amounts	1 549	1 365	-	-
Motor vehicles				
Contractual amounts	188	353	-	-
Lease rentals on operating lease				
Contractual amounts	1 622	1 967	1 381	1 460
	3 359	**3 685**	**1 381**	**1 460**

The economic entity leases certain motor vehicles under Finance Lease. The average lease term was 5 years and the average effective interest rate was 10% (2019:10%). Interest rates were linked to prime at the contract date. All leases have fixed repayments and no arrangement have been entered into for contigent rent. The economic entity's obligations under finance lease are secured by the lessor's charge over the leased assets.

The operating lease relate to the rental of properties for administrative purposes.

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000
28. Interest, dividends and Rent on Land				
29. Other revenue				
Rental income - third party	146	-	146	-
Debt impairment recovered	1	165	1	-
Recoveries	32	-	32	-
Sundry Income	70 754	75 574	62 342	71 416
	70 933	**75 739**	**62 521**	**71 416**
30. Investment revenue				
Dividend revenue				
Associates - Local	4 000	5 000	-	-
Interest revenue				
Bank	1 131	4 954	997	4 526
Interest charged on trade and other receivables	7 802	5 841	7 802	5 841
	8 933	**10 795**	**8 799**	**10 367**
	12 933	**15 795**	**8 799**	**10 367**

The amount included in Investment revenue arising from exchange transactions amounted to R7 802.

The amount included in Investment revenue arising from non-exchange transactions amounted to R5 131.

	Economic entity 2020	Economic entity 2019	Controlling entity 2020	Controlling entity 2019
31. Government grants and subsidies				
Operating grants				
Equitable share	74 072	44 801	74 072	44 801
Government grant (operating)	56 500	1 388	-	-
	130 572	**46 189**	**74 072**	**44 801**

Included in the grant for the economic entity is R50 million that was allocated to the GLR for the payment of SARS and other long standing liabilities.

	Economic entity 2020	Economic entity 2019	Controlling entity 2020	Controlling entity 2019
32. Employee related costs				
Basic	100 838	101 651	64 605	63 419
Bonus	268	306	-	-
Medical aid - company contributions	1 943	1 835	1 943	1 856
UIF	324	328	282	282
SDL	-	11	-	-
Leave pay provision charge	2 090	554	1 118	418
Night shift allowance	467	637	-	-
Other salary allowances	76	88	76	88
Defined contribution plans	241	260	-	-
Overtime payments	338	60	338	59
Long-service awards	422	579	382	558
Acting allowances	1 422	1 283	1 422	1 283
Transport allowance (bus coupons)	1 037	1 071	1 037	1 071
Car allowance	8	8	8	8
Company contribution third parties	9 759	9 928	9 682	9 769
	119 233	**118 599**	**80 893**	**78 811**

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

33. Depreciation and amortisation

Leasehold properties	954	953	-	-
Leasehold improvements	5 982	5 981	-	-
Infrastructure	14 407	15 222	14 407	15 222
Buildings	646	646	646	646
Plant and Machinery	285	230	-	-
Furniture and Fittings	1 498	2 399	896	780
Motor Vehicles	2 659	1 349	1 877	550
Office Equipment	1 994	2 882	876	1 337
Other property plant and equipment	1 220	2 761	-	2 495
	29 645	**32 423**	**18 702**	**21 030**

34. Finance costs

Trade and other payables	611	1 136	-	-
Bank	125	700	-	-
Current borrowings	1 739	7 864	-	-
Fair value adjustments: Notional interest	4 992	4 978	4 992	4 978
Other interest paid	1 243	742	1 243	742
	8 710	**15 420**	**6 235**	**5 720**

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the economic entity.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2019: R -).

35. Bad debt provision

Bad debt provision	11 290	(942)	3 365	-

36. General expenses

Accounting fees	-	18	-	-
Advertising	1 040	1 930	332	1 084
Auditors remuneration	20 157	12 419	16 220	7 748
Bank charges	1 397	1 653	376	416
Cleaning	1 459	1 618	-	-
Commission paid	5	44	-	-
Computer expenses	3 110	3 004	3 069	3 004
Consulting and professional fees	11 570	28 441	9 702	27 369
Consumables	29 057	2 187	28 540	1 434
Delivery expenses	5	23	-	-
Entertainment	-	11	-	-
Flowers	17	14	-	-
Gifts	497	-	-	-
Hire	172	213	-	-
Insurance	3 708	8 301	3 708	7 681
IT expenses	65	79	-	-
Marketing	521	767	-	-
Promotions and sponsorships	91	-	-	-
Magazines, books and periodicals	113	548	113	548
Medical expenses	608	142	-	-

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000
Motor vehicle expenses	423	517	-	-
Pest control	26	33	-	-
Fuel and oil	1 065	864	799	571
Postage and courier	2	1	-	-
Printing and stationery	873	1 134	458	701
Promotions	12	168	-	-
Protective clothing	-	15	-	-
Repairs and maintenance	7 799	8 755	6 464	6 557
Royalties and license fees	-	26	-	-
Security (Guarding of municipal property)	18	130	-	-
Staff welfare	2 075	1 965	258	251
Subscriptions and membership fees	144	7	-	-
Telephone and fax	2 779	3 048	1 653	1 905
Transport and freight	106	131	-	-
Training	523	553	382	553
Travel - local	3 288	6 362	3 083	4 501
Refuse	68	69	-	-
Title deed search fees	151	138	-	-
Electricity	2 129	2 147	-	-
Water	2 344	2 745	-	-
Utilities - 2	2 874	1 070	-	-
Tourism development	-	6	-	-
Property related expenses	67 472	58 228	64 972	56 881
Administration expenses	5 134	12 139	5 130	12 139
Other Expenses	9 780	1 091	9 780	1 091
Rehabilitation provisionn expense	1 096	-	1 096	-
Billing charges	67	62	-	-
Convention bureau	12	17	-	-
	183 852	**162 833**	**156 135**	**134 434**

37. Cost of sales

Sale of goods				
Cost of goods sold	9 655	10 055	-	-

38. Fair value adjustments

Investment property (Fair value model)	660 094	-	660 094	-

39. Auditors' remuneration

Fees	20 157	12 419	16 220	7 748

40. Taxation

Major components of the tax expense

Current				
Local income tax - current period	703	393	-	-
Deferred				
Deferred tax	129 815	-	129 815	-
	130 518	**393**	**129 815**	**-**

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000
41. Cash generated from (used in) operations				
Surplus (deficit) **Adjustments for:**	490 655	(47 374)	472 951	(39 388)
Depreciation and amortisation	29 645	32 423	18 702	21 030
Gain on sale of assets and liabilities	-	1 195	-	1 195
Income from equity accounted investments	(5 077)	(8 524)	-	-
Fair value adjustments	(661 007)	-	(661 007)	-
Impairment deficit	17 114	-	711	-
Debt impairment	11 290	(942)	3 365	-
Bad debts written off	95 416	78 253	95 416	78 253
Movements in retirement benefit assets and liabilities	12	(365)	12	(365)
Movements in provisions	1 013	(1 377)	1 096	(2 015)
Interest charged on late payment - Rentals	(7 802)	(22 124)	(7 802)	(22 124)
Other non-cash items	17 497	(11 784)	17 497	(11 784)
Movement in project revenue	22 529	(74 270)	22 528	(74 271)
Changes in working capital:				
Inventories	(9)	(1 831)	-	-
Receivables from exchange transactions	94 959	(28 777)	91 004	(24 318)
Consumer debtors	(11 290)	-	(3 365)	-
Payables from exchange transactions	(47 357)	48 706	(40 213)	54 587
VAT	(19 201)	(6 657)	5 835	-
Taxes and transfers payable (non-exchange)	62	-	-	-
Unspent conditional grants	-	-	-	(1 899)
Movement in deferred tax	-	-	-	(1 509)
	28 449	**(43 448)**	**16 730**	**(22 608)**

42. Commitments

Authorised operational expenditure

Already contracted for but not provided for				
Security contracts	18 050	-	18 150	-
Cleaning/Caretaking services	9 638	-	9 638	-
Other contracts	5 888	-	5 888	-
Property valuation and assessment	9 955	-	9 955	-
Lease Commitment	139 787	-	-	-
	183 318	**-**	**43 631**	**-**
Total operational commitments				
Already contracted for but not provided for	183 318	-	43 631	-
Total commitments				
Total commitments				
Authorised operational expenditure	183 318	-	43 631	-

This committed expenditure relates to security services, cleaning and other services and will be financed by available bank facilities and existing cash resources that will be internally generated from normal opearations. The group also entered into a contact to evaluate and value the investment properties.

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

43. Contingencies

The NWDC is involved in the cases listed below. The total contingent liabilities amounts to R137 652; 2019 (R29 242). The details of the case are available at the company's offices in Mahikeng. The attorneys are confident of success in all these cases. The Altimax is also included as part of the trade payables and disclosed below because of the dispute with the service provider. The other contingent liabilities are disclosed as such because the determination of whether is payable are dependent on outcome of the courts wholly outside management control. The case for the Dijalo valuator was concluded during the 2019/20 financial year

1. Altimax - Service provider was hired for accounting services, there is currently a dispute on the amount charged by the service provider. The case is before the courts and expected to continue in 2021.

2. Dijalo Valuators - The case related to the dispute over the valuation of the NWDC properties and NDWC was not satisfied with the services provided. The case was concluded in 2020 in favour of NWDC.

3. Dr Ross - The service provider sent NWDC a letter of demand in 2019. The service provider has not proceeded with the case.

4. Abiel Mohlahlo - The former employee was granted settlement by the CCMA. NWDC opposed the CCMA ruling and approached the labour court. The was a warrant to remove teh attached goods from NWDC and NWDC brought the application to stop the sale of attached goods. The case is still pending.

5. City of Tshwane - Negotiations between NWDC and City of Tshwane were initiated, however the NWDC still receives letters of demand from the city. This is in relations to unpaid rates for properties where NWDC dispute ownership.

6. Moses Kotane - The case is similar to City of Tshwane and the municipality obtained a default judgement against NWDC.

7. Atlegang Bagaetsho - The claimant did not pursue the matter after response from the NWDC legal team. The related project was also discontinued.

Heading	**2020**	**2019**	**2020**	**2019**
1. Altimax	11 599	11 599	11 599	11 599
2. Dijalo Valuators	-	2 776	-	2 776
3. Dr Ross	-	200	-	200
4. Abiel Mohlahlo	860	496	860	496
5. City of Tshwane	2 229	2 230	2 229	2 230
6. Moses Kotane	44 435	1 579	44 435	1 579
7. Atlegang Bagaetsho	10 193	10 193	10 193	10 193
8. Leopard park HOA	-	54	-	54
9. Fidelity Security	-	115	-	115
	69 316	**29 242**	**69 316**	**29 242**

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

44. Related parties

Relationships	
Controlled entities	Refer to note 6
Associates	Refer to note 7

Related party balances

	Economic entity 2020 R '000	Economic entity 2019 R '000	Controlling entity 2020 R '000	Controlling entity 2019 R '000
Related Parties with Balances				
Department of Economic Development, Environment, Conservation and Tourism			2 610	2 052
Department of Human Settlement			4 449	2 251
Department of Tourism			557	501
SAMAF			(44)	(44)
Departments			2 157	-
Department of Finance			418	378
Gambling Board			11	41
Traditional Affairs			199	199
Social Development			977	184
SASSA			102	263
SASSA			-	357
Department of Health			78	78
Department of Health			16	16
Social Development			52	120
Department of Public works (Correctional services)			915	743
Department of Public Works (Labour)			186	21
Education (east)			144	101
Moses Kotane municipality			5 217	3 036
Education west			129	386
Social Development (Northern Cape)			2 510	494
Department of Roads and Public works (Northern Cape)			538	205
SASSA (Garankuwa)			73	146
City of Tshwane			6 123	2 265
			27 417	**13 793**

The related party by department are for rental arrangement done with varios department. The transactions have been included in the rental at arms length transaction.

Class	Description	Number
Non-executive board members	Independent Directors	10
Executive board members	CEO & CFO	2
Executive management	Consist of unit heads	3

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

44. Related parties (continued) Management class: Board members

Remuneration of management

2020

Name	Board Fees	Total
Ms M Sentle	101	101
Ms K Dikgole	54	54
Ms M Chokoe	94	94
Prof L Jackson	77	77
Ms G Moyo	88	88
Mr I Motala	108	108
Mr T Phiri	68	68
Mr S Kgodumo	67	67
Mr M Mojaki	57	57
Ms B Lamola	65	65
	779	**779**

Management class: Executive management

2020

Name	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
Mr T Phetla	2 238	-	417	2 655
Ms L Sonqishe	1 775	143	357	2 275
Mr T Pitso	868	41	53	962
Mr T Shai	630	-	225	855
Ms N Phamudi	887	-	165	1 052
Ms M Matabane	1 409	-	262	1 671
	7 807	**184**	**1 479**	**9 470**

45. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Controlling entity - 2019	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment		200 168	2 547	202 715
Investment Properties		894 707	(6 578)	888 129
Irregular Expenditure		373 298	(78 121)	295 177
Receivables from exchange trasactions		143 553	(14 024)	129 529
Vat		-	6 437	6 437
Payables from exchange transaction		(122 445)	7 015	(115 430)
Other financial liabilities		(49 343)	615	(48 728)
Finance lease liabilities		2 615	(2 615)	-
Accumulated Surplus		(315 376)	4 604	(310 772)
		1 127 177	**(80 120)**	**1 047 057**

Irregular expenditure

The adjustmnent was for removing the MVEST amount of R42 941 000 which does not belong to the entity from the opening balance. In addition, an amount of R35 180 000 was also removed from the opening balance to agree the financial statements to the register for irregular expenditure.

Change of the financial reporting framework

The group incorrectly adopted the International Financial Reporting Standards (IFRS) during the previous financial year. The error was corrected during the current financial year by adopting the GRAP framework. The change in the reporting framework did not have any impact on the amounts presented and disclosed in the financial statements.

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

46. Financial instruments and risk management

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's objective when managing capital is to safeguard the group's ability to continue as a going concern in order to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the group consists of debt, which includes borrowings, cash and cash equivalents and equity. There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the prior year.

Liquidity risk

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

Economic entity

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	18 882	-	-
Vat	7 558	-	-	-
Trade and other payables	143 229	-	-	-
Other Financial liabilities	7 380	14 760	22 140	4 448
Finance Lease obligations	6 548	13 096	10 857	111 830

At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	18 882	-	-
Vat	25 036	7 558	-	-
Trade and other payables	190 586	-	-	-
Other Financial Liabilities	7 380	14 760	22 140	3 454
Finance Lease obligations	6 548	13 096	10 857	117 421

Controlling entity

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	75 217	-	-	-
Other Financial liabilities	7 380	14 760	22 140	3 454

At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	115 430	-	-	-
Other Financial liabilities	7 380	14 760	22 140	4 448

Credit risk

Credit risk consists mainly of trade and other receivables. Management evaulated credit risks relating to customers in an attempt to reduce the provision for bad debts.

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

Financial instrument	Economic entity - 2020	Economic entity - 2019	Controlling entity - 2020	Controlling entity - 2019
Receivables from exchange transactions	42 006	136 965	38 525	129 529
Cash and cash equivalents	38 232	35 820	36 123	31 146

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

46. Financial instruments and risk management (continued)

Market risk

Risk from biological assets

Interest rate risk

The group's exposure to risk from changes in market interest rates is at a minimum as the group only has trade and other receivables and trade and other payables that are charged market related interest.

Price risk

47. Material Uncertainity Relating to Going concern

As at 31 March 2020, the group's current liabilities exceed its current assets by R89 854 000 and R3 459 000 respectively. Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

NWDC and the group has also not remained unaffected during these times. The holding company (NWDC) has experienced a decline in the rental income to be collected due to lockdown imposed as a measure to control the COVID-19 pandemic. This has an impact of putting additional pressure on the already cashflows of the group.

NWDC and the group have determined that it's financing requirements will be met as the group is wholly owned by the provincial government and were as to date able to receive assistance from government in difficult times. The board and management have also developed a turn-around strategy that has been endorsed by the Department of Economic Development. The turnaround strategy includes the following matters that will be implemented:

- The Department of Economic Development, Environment, Conservation and Tourism confirmed that NWDC will receive R73 000 for financial assistance for the 2020-2021 financial year.
- The board has resolved on disposing non-profitable properties.
- Introduction of smart metering to ensure recovery of the costs of water and electricity that are currently not fully recovered from tenants due to lack of that infrastructure.

Management and the board believe that the group will continue its existence for the foreseeable future based on measures in place for the turnaround strategy.These uncertainties cast significant doubt on the Group and entity's ability to continue as a going concern.

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 the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

48. Events After the Reporting Date and the effect of COVID-19:

In accordance with GRAP14, 'Events After the Reporting Date', entities are required to distinguish between subsequent events that are adjusting (i.e. those that provide further evidence of conditions that existed at the balance sheet date) and non- adjusting (i.e. those that are indicative of conditions that arose after the balance sheet date). Entities are required to adjust the amounts recognised in their financial statements to reflect any adjusting events that occur during the subsequent events period.

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

48. Events After the Reporting Date and the effect of COVID-19: (continued)

NWDC's financial year end was 31 March 2020. In our view, the impact of COVID-19 is an adjusting subsequent event. Consequently, the entity's financial statements have been adjusted to reflect the impact thereof. Cases of the virus in Wuhan City, China were reported to the World Health Organisation (WHO) on 31 December 2019 and it was declared to be a public health emergency of international concern on 31 January 2020.

The Four seasons hotel in Christiana, Manyane and Bakgatla Resort and Madikwe River Lodge was identified as a quarantine site to respond to the Covid-19 pandemic and this has had a positive impact on revenue generation as the Department of Health has to remunerate the entities R1400 per person per night on an all-inclusive package for patients accommodated at the quarantine sites.

49. Fruitless and wasteful expenditure

Opening balance as previously reported	58 850	54 672	37 429	36 593
Opening balance as restated	**58 850**	**54 672**	**37 429**	**36 593**
Add: Expenditure identified - current	4 444	4 178	1 677	836
Add: Expenditure identified - prior period	1 380	-	1 380	-
Closing balance	**64 674**	**58 850**	**40 486**	**37 429**

Expenditure identified in the current year include those listed below:

Disciplinary steps taken/criminal proceedings				
Interest and penalties - SARS	4 986	3 342	2 219	-
Interest and penalties - Municipalities	241	520	241	520
Interest and penalties - Eskom	288	270	288	270
Interest and Penalties - Auditor-General	178	46	178	46
Interest and penalties - Other suppliers	131	-	131	-
	5 824	**4 178**	**3 057**	**836**

Fruitless and wasteful expenditure will be investigated in line with the Treasury guidelines.

50. Irregular expenditure

Opening balance as previously reported	477 951	409 469	393 254	338 118
Correction of prior period error	-	77 806	30 179	77 806
Opening balance as restated	**477 951**	**487 275**	**423 433**	**415 924**
Add: Irregular Expenditure - current	25 568	33 617	5 525	20 271
Add: Irregular Expenditure - prior period	30 179	-	-	-
Less: Amount written off - prior period	-	(42 941)	-	(42 941)
Closing balance	**533 698**	**477 951**	**428 958**	**393 254**

Notes to the Annual Financial Statements

Figures in Rand thousand

	Economic entity		Controlling entity	
	2020 R '000	2019 R '000	2020 R '000	2019 R '000

50. Irregular expenditure (continued)

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

	Disciplinary steps taken/criminal proceedings			
Competitive bidding not invited	55 747	33 617	35 703	20 271

Cases under investigation

The number of cases have been submitted to the various authorities for investigation:
Tokiso Security Services (R268 million), Purchase of Christiana Hotel (R40 million); Payment to Mvest Trust (R48 million)

Special Investigation unit (SIU)	356 000	-	356 000	-

Amounts written-off

During the prior year, NWDC was acting as an agent on behalf of the Office of the Premier with regards to the project involving the Mvest Trust. The NWDC had incorrectly included the payments and revenue relating to this project in the accounting records. A management fee of R5 500 00 was also included. This error was resolved in the prior year, hwever, the expenditure amount included in the Irregular expenditure was not corrected. The amount written off, relates to that expenditure amounting to R42 941 079.

Furthermore, due to the fact that the services were rendered on behalf of the Office of the Premier, the irregular expenditure incurred in this regard should be accounted for by the Office of the Premier.

Payment to Mvet on behalf of Office of the Premier	-	42 941	-	42 941

51. Sundry Income

Sercurity services	4 597	29 584	4 597	29 584
Non refudable government projects	55 197	20 455	50 942	20 455
Convention centre	4 591	-	4 591	-
Recoveries	2 215	6 060	2 215	6 060
Other Income	4 154	7 905	-	3 747
Retail Economy (VTSD)	-	11 570	-	11 570
	70 754	**75 574**	**62 345**	**71 416**

The controlling entity was contracted to government departments to provide security services. The contracts were terminated during the year.

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PR307/2020
ISBN: 978-0-621-48750-3

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