ANNUAL Report

2021/2022

NORTH WEST DEVELOPMENT CORPORATION

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Part C: Corporate Governance

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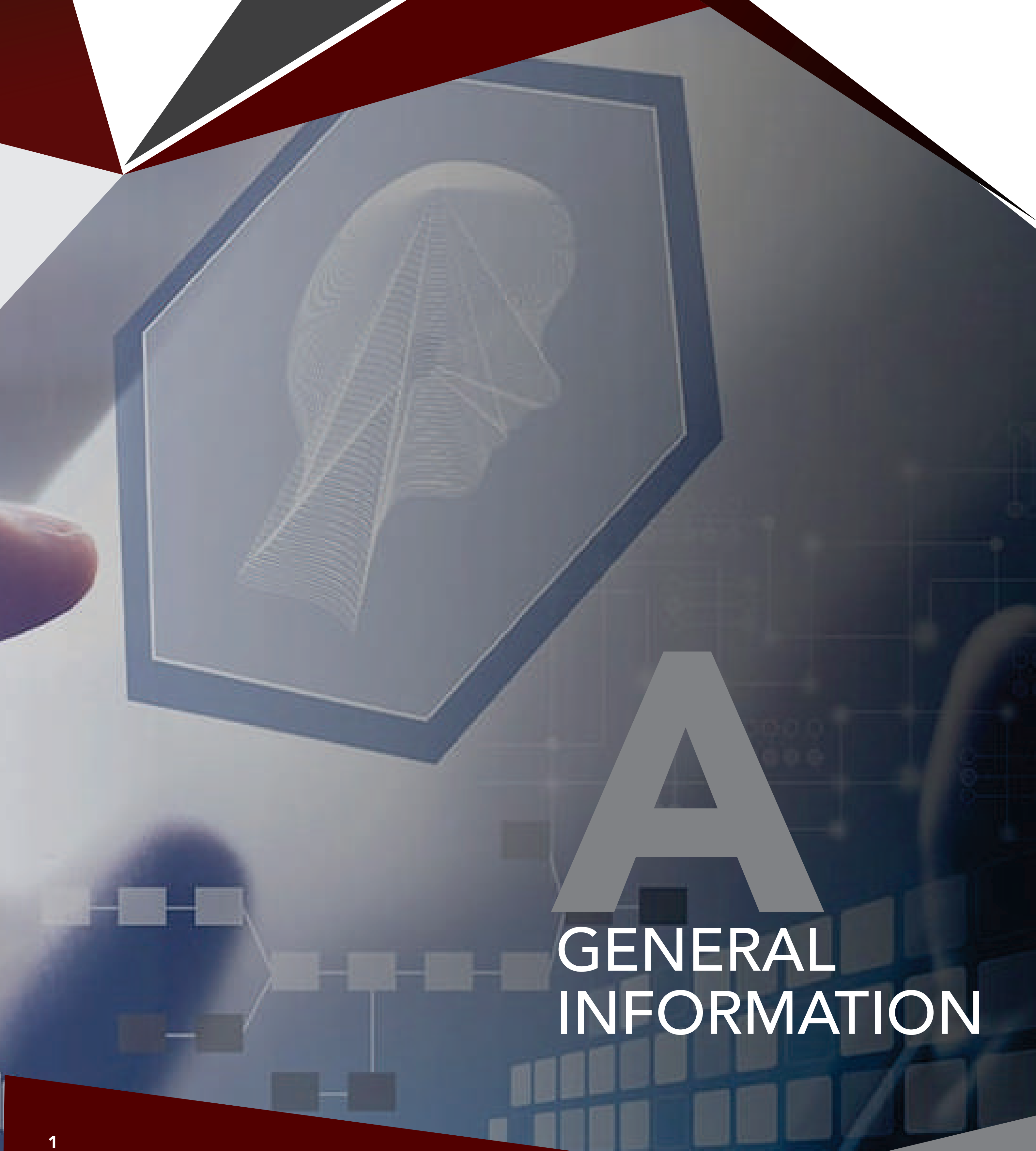


A
GENERAL INFORMATION

1) GENERAL INFORMATION

Registered Name of the Entity	North West Development Corporation SOC Ltd
Registration Number	1999/0026525/0722
Registered Office Address	James Watt Crescent
	Industrial Sites
	MAHIKENG
	2745
Postal Address	PO Box 3011
	MMABATHO
	2735
Contact Telephone Number	(018) 381-3663
Email Address	nwdc@nwdc.co.za
Website Address	www.nwdc.co.za
External Auditors	Auditor-General of South Africa
	Chartered Accountants (SA)
	Registered Auditors
Bankers	ABSA, First National Bank and Standard Bank
Company Secretary	Mr K Mafokwane

2) ABBREVIATIONS

AGSA	Auditor-General South Africa
BBBEE	Broad-Based Black Economic Empowerment
CASR	Christiana All Seasons Resort
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CIPC	Companies and Intellectual Properties Commission
CPI	Consumer Price Index
CSD	Central Supplier Database
DBSA	Development Bank of South Africa
DEDECT	Department of Economic Development, Environment, Conservation and Tourism
DFI	Development Finance Institutions
DSM	Decision Support Model
DSBD	Department of Small Business Development
DTI	Department of Trade and Industry
DTIC	Department of Trade Industry and Competition
EXCO	Executive Committee
GAAP	Generally Accepted Accounting Principles
GLR	Golden Leopard Resorts SOC Ltd
GRAP	Generally Recognised Accounting Practices
HDI	Historically Disadvantaged Individuals
IAA	Internal Audit Activity
IAS	International Accounting Standards
ICT	Information, Communication & Technology
IFRS	International Financial Reporting Standards

2) ABBREVIATIONS

M&E	Monitoring & Evaluation
MEC	Member of the Executive Council
MTSF	Medium Term Strategic Framework
NCR	National Credit Regulator
NDP	National Development Plan
NWDC	North West Development Corporation SOC Ltd
NWPG	North West Provincial Government
NWU	North West University
PAYE	Pay As You Earn
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
PPPA	Protection of Personal and Property Act
READ	Department of Rural, Environment and Agricultural Development
SADC	Southern African Development Community
SAPS	South African Police Service
SARS	South African Revenue Service
SCM	Supply Chain Management
SCOPA	The Standing Committee on Public Accounts
SDL	Skills Development Levy
SEZ	Special Economic Zone
SLA	Service Level Agreement
SMME	Small Medium Micro Enterprises
SOC	State Owned Company
SOPA	State of the Province Address
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

3) FOREWORD BY THE CHAIRPERSON

On 24 March 2022, President Cyril Ramaphosa opened the fourth South Africa Investment Conference at the Sandton Convention Centre in Johannesburg. The North West Development Corporation (NWDC) was there. We participated alongside distinguished local and international investors, government departments, investment agencies and representatives of established Special Economic Zones. We were there, because we believe in South Africa and in the North West Province's investment and economic growth potential.

The over-arching strategy of the NWDC is encapsulated in its Corporate Plan and outlines the entity's principles and goals. The NWDC's strategic thrust is to be the driver of an inclusive economic growth and transformation in the North West Province, in line with the National development plan and provincial priorities.

From the strategy, emerges the entity's purpose, to contribute to the equitable growth and transformation of the North West Province, so as to be a competitor in the SADC region, Africa, and the globe, especially when it comes to investment attraction.

During the year under review, the NWDC as a state-owned entity, continued to experience the aftermath of the global economic crises which were worsened by the outbreak of the COVID-19 pandemic which raged havoc throughout the globe.

The year produced notable achievements with regard to investment commitments. Teel Investment (Pty) Ltd made a commitment to invest in the Bojanala SEZ through the operation of a comprehensive truck stop service including fuel depot, retail, and accommodation facilities. The total value of this investment is R1.1bn with 150 new job opportunities being projected. In addition, through the entity's Trade and Investment unit, four investment approvals were facilitated totalling R33.7m. Furthermore, BEAKE Engineering, Allusoy, LEEMA Industries and Landmark Attractions received secured funding.

The NWDC acknowledges with gratitude the strategic relationships which strengthens and supports our efforts to realise our mandate. National government and specific national departments such as the Department of Trade Industry and Competition (DTIC) and the Department of Small Business Development (DSBD) for their policy direction, the North West Provincial Government and specifically our Shareholder, the Department of Economic Development, Conservation, Environment and Tourism (DEDECT) for its leadership and fostering an enabling environment.

Pertaining to the matters of corporate governance, it is the duty of the NWDC Board to ensure that it fulfils the mandate of the NWDC in accordance with the strategic objectives of the Government, whilst achieving set targets.

The NWDC will unfailingly and unwaveringly remain committed to pursuing its mandate of economic development and transformation in the province. The entity's strategic focus for the medium to long term includes the NWDC working towards a competent, capacitated, leaner structure with more operational positions than support staff. In support of this strategy, the NWDC has further appointed asset managers and internal auditors to increase its financial management capacity. Additional medium term strategic measures to improve the organisation entail the SMME programme shifting its focus to only providing bridging finance, which carries less risk; improving our property maintenance to ensure that the NWDC remains competitive; and evaluating NWDC's improved debt collection methods to determine collection priorities.

With regards to longer term strategic actions, the NWDC shall focus on profit and revenue growth, invest in our business and brand, become more efficient, simplify, and streamline our business, and refocus the NWDC's core business model.

As a government entity, the NWDC is greatly indebted to our Shareholder, the Department of Economic Development, Conservation, Environment and Tourism under the leadership of MEC Kenetswe Mosenogi. I salute MEC Mosenogi and her departmental team for providing the entity with leadership and direction. It is the NWDC's privilege to serve under the guiding light of the Sixth Administration and to play our part in executing developmental priorities.

I thank the NWDC Board of Directors for their commitment to the entity and their collective and selfless giving of their expertise, time and energy to steer and direct the strategy of the NWDC.

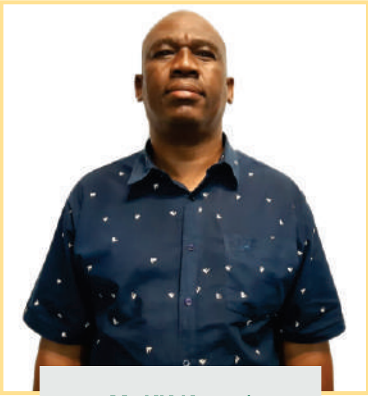
I am equally indebted to the management and staff of the NWDC. Thank you for your support and unrelenting pursuit of targets. Thank you for being proud of this entity and for embracing the role you play in making economic transformation a reality.

To conclude, I wish to leave you with the closing remarks of President Ramaphosa, delivered at the fourth South Africa Investment Conference:

"We invite you to be part of a young, dynamic, resilient nation positioning itself at the forefront of progress and change. We are forging ahead to transform our economy, to unlock our country's potential and to create meaningful livelihoods for all our people. And we are determined to leave no one behind."

Mr KK Konopi
Chairperson of the Board

4) BOARD OF DIRECTORS



Mr KK Konopi
Chairperson

Ms MK Sentle
Director

Ms MJ Msiza
Director

Dr S Nokaneng
Director

Mr ME Mojaki
Director

Mr B Ncongolo
Director

4) BOARD OF DIRECTORS

Ms N Phadu-More
Director

Ms MET Malaka
Director

Ms SM Maleka
Director

Ms M Matuba
Director

Mr K Mafokwane
Company Secretary

Ms K Knock
Board Committee Secretary

5) REPORT OF THE CHIEF EXECUTIVE OFFICER

"When you come out of the storm, you won't be the same person who walked in. That's what this storm is all about."

How aptly do these words by Japanese writer Haruki Murakami encapsulate the forced transformation that businesses and individuals alike experienced during the tumultuous calendar years of 2020 and 2021. The operational and financial performance of the NWDC in the 2021/2022 fiscal provide evidence of a challenging, unpredictable and at times stormy environment.

With regards to its overall financial position, the NWDC is in solvency and liquidity. The current ratio is unfavourable with a very high creditors' book. The spending trends of the entity were mainly defined by employee related costs and property related costs (security and rates and taxes).

The year that was, was certainly not without capacity constraints, and hence we faced a fair number of challenges. The most notable were that the NWDC operated in a very challenging economic environment during the reporting year. It was characterised by slow economic growth, high unemployment and struggling SMMEs. These conditions affected the NWDC directly through SMMEs tenants' inability to pay their rentals on time. Exacerbated by the former, severe financial constraints hampered the ability of the Group to meet creditor obligations and effect necessary renovations and upgrades on all its properties, with minor fixes being carried out on a daily basis.

In the year under review, the NWDC focused on core programmes such as the Small Business Development services, Properties and of course the Special Economic Zone. On the other side of the coin, to streamline our operational and financial position, we discontinued oversight on the GLR Group which has been in the process of transfer to the North West Tourism Board.

The year that was, was certainly not without capacity constraints, and hence we faced a fair number of challenges. The most notable challenges were low rental collections and the growing creditors' book.

With regards to its overall financial position, the NWDC is in acritical solvency and liquidity. The current ratio is unfavourable with a very high creditors' book. The spending trends of the NWDC were mainly defined by employee and property (security, and rates and taxes) related costs.

In the year under review, the NWDC introduced a number of new activities. The entity has appointed a debt collection service provider to stimulate liquidity going forward. The analysis of properties is underway to consider disposing properties that are not adding value to the portfolio.

At the NWDC, we pride ourselves in a solid, streamlined, and compliant supply chain management (SCM) function. The SCM unit only processed small procurement for goods and services for business continuity. No tenders were concluded due to financial challenges experienced during the period under review.

Together with our SMMEs, investor clients and tenants, the NWDC sorely experienced the effects of the economic slowdown brought about by the COVID-19 pandemic, and our own ageing and vandalised property infrastructure. The general strategic challenges that the NWDC is faced with, will be remedied through: a 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; attraction of new skills; and through developing standard operating procedures.

Moving to the audit report, the poor administration of the lease agreements has resulted in audit issues for revenue and receivables. The entity has opted for alternative audit evidence in whilst resolving the issue for the lease agreements.

I am confident that we have survived and surpassed the eye of the storm. We look toward the future with confidence and optimism that we will be able to address and overcome the entity's financial challenges. With regards to action plans to address financial challenges, it is the Group's intention to continuously lobby for funding to enable the facilities to compete successfully against private sector competitors. The Group, through prudent financial management, will continue to engage in systematic maintenance of its facilities.

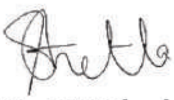
When looking at the economic viability of the NWDC, our stakeholders can rest assured that as an entity of government, NWDC is to some extent reliant on government for assistance. There has been no indication from government of its intention to discontinue the operations of NWDC or to materially change its operations. The provincial government has also committed to the continuous support of the NWDC.

One does not conquer a storm without a resilient and supportive team. We acknowledge our Shareholder, DEDECT and in particular MEC Kenetswe Mosenogi for her vision and guidance. MEC Mosenogi leads the NWDC with both passion and action, evident from her hands-on approach as demonstrated by oversight visits and community engagements.

I thank our Chairperson and Board of Directors for their leadership and support; and the NWDC management team for demonstrating relentless resilience and vigour.

My sincere expression of gratitude is directed to the NWDC staff: you are the masts and sails that power the NWDC ship, which enables it to continue sailing forward, despite the storms.

Our sights are firmly set on the bright horizon that awaits after successfully having achieved the goals set before us for the next financial year.



Mr STM Phetla
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 in the annual report are consistent with the annual financial statements audited by the Auditor-General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.
- The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.
- The Accounting Authority is responsible for establishing and implementing a system of internal control 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 our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2022.

Mr STM Phetla
Chief Executive Officer

Mr KK Konopi
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 inclusive economic growth and transformation of the North West Province through:

a) industrial development;
b) commercial investment;
c) property development and management;
d) development of sustainable enterprises;
e) trade and investment attraction; and
f) programme management.

7.3 Values

Strategic

Respect: To behave with utmost respect will guide us in all our decisions
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

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

Applicable legislation governing the North West Development Corporation SOC Ltd derives its governing powers from the following legislation:

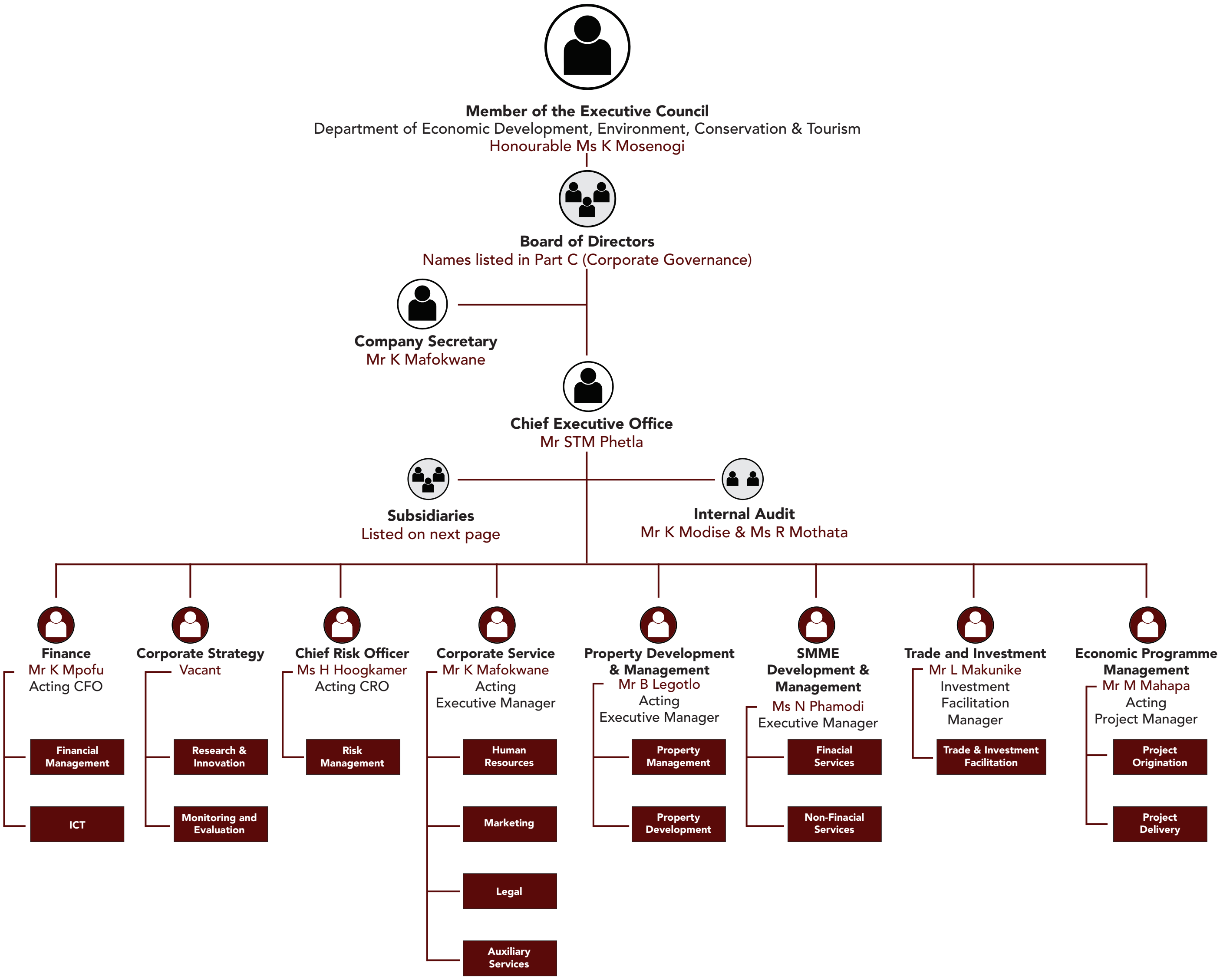
a) The NWDC Act No 6 of 1995;
b) Companies Act as amended;
c) Public Finance Management Act as amended (and its treasury regulations); and
d) Memorandum of Incorporation (if applicable)

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.

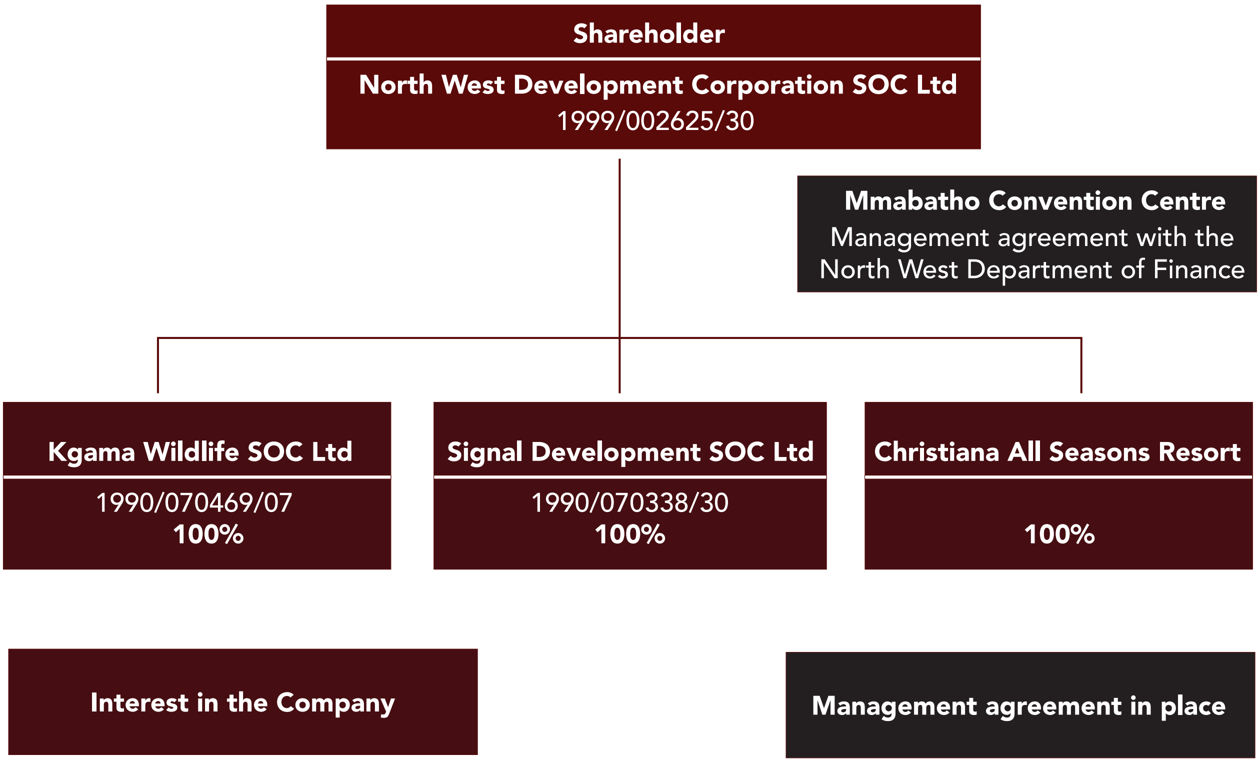
There is no provision of the Memorandum of Incorporation which constitutes a restrictive condition as contemplated in section 15(2) (b) of the Companies Act.

9) ORGANISATIONAL STRUCTURE

9.1 The Administrative Structure of the NWDC Group



9.2 The Structure of the NWDC Subsidiaries



9.3 Executive Management of the NWDC Group

Mr STM Phetla
Chief Executive Officer

Mr K Mpofu
Acting Chief
Financial Officer

Mr K Mafokwane
Company Secretary and
Acting Executive:
Corporate Services

Ms N Phamodi
Executive Manager:
SMME Development and
Management

Ms H Hoogkamer
Acting Chief Risk Officer

Mr A Tau
Executive Manager:
Bojanala SEZ

Mr B Legotlo
Acting Executive Manager:
Property Development and
Management

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.

2) SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

The NWDC operated in a very challenging economic environment during the reporting year, characterised by slow economic growth, high unemployment and struggling SMMEs. These conditions affected the NWDC directly through SMMEs tenants inability to pay their rentals on time. The NWDC developed a strategy and a business model to respond to these challenges. The strategy was developed at the back of the principle that the NWDC should achieve sustainability. This strategy emanates from the national government that all State-Owned Entities should be self-sustaining and cease to be a fiscus burden.

COVID-19 and the economic downturn has had a severe impact on sectors of the economy, with many businesses battling to recover or are now non-operational.

COVID-19 has resulted in:

- Decreased GDP growth for South Africa of -6.4% in 2020 followed by an increase to 4.6% in 2021 and forecasts of growth of 1.9% in 2022.
- Increasing inflation in 2021 from 3.3% in January to 5.9% in December 2021 with an average of 4.6% for the year.
- Increasing repo rate after the initial decrease.
- Increased unemployment rate to reach an unemployment rate of 33.8% (439 000) and a youth unemployment rate of 63.3% in Q4 of 2021 in the North West Province.
- Higher fuel prices and higher food prices increasing pressure on the consumer.
- A budget deficit of 5.7 % of GDP in 2021 and 6% in 2022 expected to shrink to 4.5% in 2023.

In response, the National Economic Reconstruction and Recovery Plan was tabled in Parliament on 15 October 2020 with the overarching goal of creating a sustainable, resilient, and inclusive economy. The plan focuses on priority areas of energy security, an industrial base to create jobs, a mass public employment programme, infrastructure development, macro-economic interventions, the green economy, food security and reviving the tourism sector.

The objectives of the plan and as illustrated in the NWDC Corporate Plan:

- to create jobs, primarily through aggressive infrastructure investment and mass employment programmes;
- to reindustrialise the economy, focusing on growing small businesses;
- to accelerate economic reforms to unlock investment and growth;
- to fight crime and corruption through transparent and ethical business practices; and
- to improve the capability of the State.

2.2 Organisational Environment

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

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.

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

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

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

- financial constraints and cash flow challenges;
- reserve funds depleted;
- high executive / management vacancy rate;
- funding for refurbishments of dilapidated infrastructure to maximise rental collection;
- unfavourable audit opinions;
- hierarchy inclined with many silos; and
- unskilled and incorrectly placed employees.

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; and
- develop standard operating procedures.

2.3 Key Policy Developments and Legislative changes

There have been relevant policy developments and legislative changes that may have affected the NWDCs operations during the period under review. These include:

- the Medium-Terms Strategic Framework (MTSF) 2019-2024;
- protection of Personal Information Act No 4 of 2013;
- property Practitioners Act 22 of 2019; and
- national Energy Act: Regulations: Mandatory display and submission of energy performance certificates for buildings.

3) PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

The NWDC has embarked on a process of aligning a focused strategy with functional structure that is lean without compromising on efficiencies.

It is the intention of the NWDC to ensure that our structure and strategy fully supports provincial priorities and delivers on the mandate.

Severe financial constraints have hampered the ability of the Group to meet creditor obligations and effect necessary renovations and upgrades on all its properties, with minor fixes being carried out on a daily basis. It is the Group's intention to continuously lobby for funding to enable the facilities to compete successfully against private sector competitors. The Group, through prudent financial management, will continue to engage in systematic maintenance of its facilities.

The NWDC streamlined our efforts and aligned our performance management practices with that of the Shareholder expectation to ensure best practices are adhered to.

In the reporting year, we can proudly list the following successes:

- Teel Investment (Pty) Ltd trading as Moabo Consulting and Projects made a commitment to invest in the Bojanala SEZ through the operation of a full Truck Stop Services including, fuel depot and shopping and accommodation facilities. Total value of investment is R1.1bn and 150 new jobs are projected.
- Lwendo Industries, manufacturers of mechanical engineering components and projects, committed to invest R79m into the Bojanala SEZ with 50 new jobs projected.
- Cano Flowrate, suppliers, fabrication and maintenance of steep pipes and fittings confirmed their commitment into the SEZ with value of investment of R200m and 200 new jobs projected.
- The Trade and Investment unit facilitated four (4) investment approvals totalling R33,754,365.00 during the period under review. BEAKE Engineering, Allusoy, LEEMA Industries and Landmark Attractions received secured funding.
- Three (3) external projects were implemented namely Stella Library, Basha Itsoseng Bakery and Tshepang Bakery. The bakeries have been constructed using alternative building material and are operational.
- The Elandskraal and Buffelshoek Citrus Projects which has submitted applications to the Jobs Fund for an amount of R16,041,330.00 to recapitalise the farms.
- Blue Label Brands (Pty) Ltd in submitting and following up with Black Industrialist team for their application which is being considered.
- High value high impact projects were submitted to the Presidential Sustainable Infrastructure Development Symposium (SIDS) Projects for consideration and funding.

- Submitted list of exporters of agricultural produce to Kuwait for linkage consideration.
- Participated in the MEC for the Department of Economic Development, Environment, Conservation and Tourism's Direct Foreign Investment (DFI) meeting with youth enterprises to explore modalities and approaches to support them.
- The Bojanala SEZ project management unit managed to facilitate financial support to a Black Industrialist Company to the tune of R900k towards operationalisation of the company and thirty (30) operational jobs were created.
- The Section 54 Memo was submitted for the SEZ Company establishment approval.
- The DBSA appointed a service provider for the Bojanala SEZ Infrastructure Master Plan.
- The SMME call centre has been quite successful with higher than anticipated call volumes.
- The majority of the SMMEs who were linked to procurement opportunities were awarded tenders and/or contracts and/or minor jobs.
- Commenced with the mining localisation approach and has started with exploring the feasibility of an R150m Property, Plant and Equipment (PPE) manufacturing pilot with the Royal Bafokeng.
- The NWDC reduced the Audit findings in the Post Audit Action Plan (PAAP) with 83% in comparison with the prior year 2020/2021.

3.2 Progress of Institutional Response to the COVID-19 Pandemic

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.
- 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.
- Statistics on vaccinations, cases reported and COVID-19 deaths in the company are shared with the Provincial Command Council frequently.
- The NWDC has also assisted the Shareholder with the roll out of the COVID-19 Relief Fund in the North West Province.

4) PERFORMANCE INFORMATION BY PROGRAMME

4.1 Programme 1: Property Development and Management

4.1.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To optimise the development and management of the property portfolio	Maintain the going concern of the NWDC Group by achieving sustainability ratios annually and contribute annually to the economic growth and transformation of the NWP through multiplying initiatives

4.1.2 Performance Indicators

Performance Indicator	Audited Actual Achievement 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Variance 2021/2022	Reasons for Deviations
Value of current rental collected	R119,306,370.27	R125m	R123,174,333.72	R1,825,666.28	Vandalism and break-ins due to the challenges with payment of security service providers resulted in the loss of rental income. Some of the tenants withheld rental payments due to maintenance and/or renovation matters.
Number of SMMEs provided with working space/(property)	New KPI	20	20	0	Target achieved
Number of black industrialists in the NWDC premises	New KPI	10	18	(8)	Target exceeded

Performance Indicator	Audited Actual Achievement 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Variance 2021/2022	Reasons for Deviations
Number of majority black owned businesses in the NWDC premises	New KPI	30	95	(65)	Target exceeded
Number of youth owned businesses in the NWDC premises	New KPI	15	18	(3)	Target exceeded
Number of women owned businesses in the NWDC premises	New KPI	20	20	0	Target exceeded
Number of PDP owned businesses in the NWDC premises	New KPI	5	3	2	The request for occupancy into the NWDC properties from people with disabilities owned businesses was minor in relation to youth and women owned businesses.
Number of jobs sustained at the NWDC properties	New KPI	5 500	5 629	(129)	Target exceeded

4.1.3 Narrative

Cash flow remains a serious challenge and as a result the NWDC could not renovate property sites to ensure occupancy thereof. The occupancy rate declined as a result of the following:

- tenants who absconded as a result of high debts accumulated over the lockdown period;
- the delay in the renovation of vacant sites for potential tenants had a negative outcome on the occupancy; and
- some of the residential tenants cancelled their lease agreements due to their expectations of receiving rental incentives such as the SMME Relief Fund.

4.1.4 Strategy to overcome areas of underperformance

- To introduce armed patrol security with patrol vehicles in big industries.
- Installation of CCTV cameras.
- To transfer the responsibility of security services to the NWDC tenants.
- To install prepaid water and electricity meters.
- Increase client visitations by the NWDC Tenant Coordinators to address all the problems that the clients have with regards to maintenance and incorrect billing of charges.
- Collection of arrear rentals from defaulting clients to ensure improvement of the cash flow challenges.

4.1.5 Linking performance with budgets

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

Programme Name	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Property Development and Management	121 422 000	69 144 000	52 278 000	154 270 000	109 870 000	44 400 000
TOTAL	**121 422 000**	**69 144 000**	**52 278 000**	**154 270 000**	**109 870 000**	**44 400 000**

4.2 Programme 2: Bojanala 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	To contribute annually to the economic growth and transformation of the NWP through multiplying initiatives

4.2.2 Performance Indicators

Performance Indicator	Audited Actual Achievement 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Variance 2021/2022	Reasons for Deviations
Value of investment attracted into the SEZ	New KPI	R250m	R1.379bn	R1.129bn	Target exceeded
Value of equity stake acquired in new investments into the SEZ	New KPI	R50m	R0	R50m	The NWDC could not acquire equity stakes in new investments due to the current cash flow challenges.
Number of SMMEs supported to locate into the SEZ	New KPI	5	1	4	The Bojanala SEZ is currently in the process of securing land for the establishment of the SEZ Company. A policy and process will be developed as part of the process to secure investors for both land and factory space.
Number of jobs to be created in infrastructure development within the SEZ	New KPI	80	0	80	The infrastructure development within the SEZ has not commenced during the 2021/2022 financial year.

4.2.3 Narrative

The year under review has been challenging, but the Bojanala SEZ has succeeded to attract R1.379bn investment commitments, with 400 new jobs projected. The investment market is still subdued due to the gradual relaxation and easing of the COVID-19 regulations. The unit also managed to attract more than the original target regarding job creation and will continue robust efforts to create more jobs than anticipated.

4.2.4 Strategy to overcome areas of underperformance

- Implementation of the project as soon as the Bojanala SEZ land is secured and confirmed.
- Continue efforts to ensure aggressive investment attraction locally and internationally.

4.2.5 Linking performance with budgets

Programme Name	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Bojanala SEZ	31 060 000	3 184 000	27 876 000	5 900 000	2 576 000	3 324 000
TOTAL	**31 060 000**	**3 184 000**	**27 876 000**	**5 900 000**	**2 576 000**	**3 324 000**

4.3 Programme 3: SMME Development and Management

4.3.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To develop sustainable enterprise	Maintain the going concern of the NWDC Group by achieving sustainability ratios annually and contribute annually to the economic growth and transformation of the NWP through multiplying initiatives

4.3.2 Performance Indicators

Performance Indicator	Audited Actual Achievement 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Variance 2021/2022	Reasons for Deviations
Value of collections on SMME debt book	R336,097.57	R1.5m	R972,459.53	R527,540.47	The COVID-19 lockdown continued to impact SMMEs negatively and business activities recovered at a very slow pace, and this resulted in SMMEs who struggled to honour their commitments.
Number of SMMEs supported	New KPI	1 500	1 168	332	The COVID-19 lockdown continued to impact SMMEs negatively and business activities recovered at a very slow pace. Procurement opportunities also declined during the period under review. The request for office and/or factory space has declined and SMMEs could not afford to enter into new lease agreements.
Number of jobs created through procurement opportunities	New KPI	1 200	547	653	
Number of jobs created through lease agreements	New KPI	2 500	469	2 031	
Number of jobs created through market linkages	New KPI	50	55	5	Target exceeded
Number of people with disabilities owned businesses supported	New KPI	20	6	14	The majority of the SMMEs businesses are owned by youth and women.
Number of youth owned businesses supported	New KPI	300	214	86	The COVID-19 lockdown continued to impact SMMEs negatively and business activities recovered at a very slow pace.
Number of women owned businesses supported	New KPI	300	442	142	Target exceeded

4.3.3 Narrative

The COVID-19 lockdown continued to impact SMMEs negatively, causing a slow recovery, which in turn lead to SMMEs being unable to honor their commitments (debt payment). The lifting of the state of disaster will lead to most economic sectors being revived during the 2022/2023 financial year. The SMME Unit has significantly built a solid foundation of ground work on other targets not achieved.

4.3.4 Strategy to overcome areas of underperformance

- Appointment of the Debt Collector is to be implemented during 2022/2023, and this will boost debt collection.
- Inter-departmental collaboration between the SMME and other NWDC Units such as the Property Department and Trade and Investment will be strengthened, to increase the demand for occupancy of the NWDC premises, as well as opportunities to link SMMEs with markets.
- Collaboration with stakeholders such as government departments and municipalities to unlock procurement opportunities for SMMEs.

4.3.5 Linking performance with budgets

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

Programme Name	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
SMME Development and Management	4 733 000	6 419 000	(1 686 000)	13 333 000	7 187 000	6 146 000
TOTAL	**4 733 000**	**6 419 000**	**(1 686 000)**	**13 333 000**	**7 187 000**	**6 146 000**

4.4 Programme 4: Trade and Investment

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 NWP, promote exports and facilitate market access for local businesses	Contribute annually to the economic growth and transformation of the NWP through multiplying initiatives

4.4.2 Performance Indicators

Performance Indicator	Audited Actual Achievement 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Variance 2021/2022	Reasons for Deviations
Value of successful investment projects facilitated into the NWP	R0	R60m	R33,463,062.00	R26,536,938.00	Market studies were completed by Royal Bafokeng Platinum to look at the feasibility of establishing a R150m fully - fledged operation to manufacture PPE in the North West Province. The project was not completed as anticipated and will be rolled over to the 2022/2023 financial year.
Number of jobs to be created with facilitated investments	New KPI	100	123	23	Target exceeded
Number of significant strategic shareholdings secured	New KPI	2	0	2	No funding was secured by the NWDC to participate in strategic shareholding.
Number of black industrialists assisted to secure funding	New KPI	2	0	2	Lack of own provincial funding to unlock funding opportunities under this sector.

4.4.3 Narrative

- The unit facilitated four (4) investment approvals totaling R33,754,365.00 during the financial period under review. BEAKE Engineering, Allusoy, LEEMA Industries and Landmark Attractions received secured funding.
- Sufficient ground work with key players in the mining sector, such as Impala, Tharisa Mining, Royal Bafokeng Platinum and Glencore has been done in the 2021/2022 financial year which is expected to result in substantial investments in the 2022/2023 financial year.
- Engagement with the mining sector to facilitate localisation of investment has taken longer than originally anticipated resulting in delayed implementation of opportunities in the pipeline.

4.4.4 Strategy to overcome areas of underperformance

- Accelerate facilitative efforts particularly for the identified bankable opportunities in the pipeline.
- Working with the mining industry operational in the North West Province to support funding initiatives to boost investments.

4.4.5 Linking performance with budgets

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

Programme Name	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Trade and Investment	2 653 000	2 208 000	445 000	10 103 000	2 197 000	7 906 000
TOTAL	**2 653 000**	**2 208 000**	**445 000**	**10 103 000**	**2 197 000**	**7 906 000**

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 economic growth and transformation of the NWP through multiplying initiatives

4.5.2 Performance Indicators

Performance Indicator	Audited Actual Achievement 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Variance 2021/2022	Reasons for Deviations
Number of own special projects established	New KPI	3	0	3	The NWDC could not raise the required funding to implement and roll out the projects. Funds were required for the projects conseptualisation stages such as prefeasibility and feasibility studies, and the environmental impact assessment costs.
Number of jobs created through own projects established	New KPI	800	0	800	
Number of external projects managed	New KPI	2	3	1	Target exceeded

4.5.3 Narrative

- The unit implemented three (3) external projects during the period under review. However, the unit could not implement own special projects which would have created jobs, due to financial constraints.
- The NWDC could not raise the required funding to implement and roll out the own special projects.
- Funds were required, but not obtained, for the projects conseptualisation stages such as prefeasibility and feasibility studies, and the environmental impact assessment costs.

4.5.4 Strategy to overcome areas of underperformance

- Submission and request for prefeasibility and feasibility funding from the Department of Economic Development, Environment, Conservation and Tourism, and Provincial Treasury.
- Submission of special projects for funding requests to the Department of Economic Development, Environment, Conservation and Tourism, and follow an expression and approval in the budget speech.
- Pre-funding of projects through equity partnerships.
- Public Private Partnership initiatives.

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	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Economic Programme Management	7 601 000	2 399 000	5 202 000	10 103 000	2 197 000	7 906 000
TOTAL	**7 601 000**	**2 399 000**	**5 202 000**	**10 103 000**	**2 197 000**	**7 906 000**

4.6 Programme 6: Administration and Governance

4.6.1 Purpose of the Programme and Strategic Objective

Purpose of the Programme	Strategic Objective
To improve business operations of the Group for the benefit of revenue generation and profitability	Maintain the going concern of the NWDC Group by achieving sustainability ratios annually and ensure consistent improvement in the quality of services rendered by the NWDC Group measure annually

4.6.2 Performance Indicators

Performance Indicator	Audited Actual Achievement 2020/2021	Planned Annual Target 2021/2022	Actual Achievement 2021/2022	Variance 2021/2022	Reasons for Deviations
Percentage implementation of board resolutions	New KPI	100%	100%	0%	Target achieved
Percentage reduction of audit findings in the Post Audit Action Plan (PAAP)	New KPI	50%	83%	33%	Target exceeded
Compliance with legislative prescripts	New KPI	100%	72%	28%	Reasons are tabled in the narrative below
Percentage reduction of irregular expenditure	New KPI	50%	-85%	Increased with 135%	The continued payments made to security services companies that were appointed without following procurement processes.
Percentage of top 50 arrear rental matters concluded	New KPI	50%	0%	50%	The NWDC is in the process of appointing a service provider, in the 2022/2023 financial year, to assist with tracing of debtors and collection or recovery of debt.
Perform skills audit	New KPI	1	0	1	The process of the skills audit took longer than anticipated and will be completed during the 2022/2023 financial year.

4.6.3 Narrative

- Late tabling of the Annual Report 2020/2021 at the North West Legislature due to the annual audit that was only concluded on 31 August 2021.
- The Memorandum of Incorporation of the NWDC was not reviewed during the year under review.
- Some of the NWDC Policies, Plans and Strategies, as well as the Board and Committee Charters, were reviewed but not approved by the Board timeously.
- The delay with the approval of the procurement plan delayed the process to appoint services providers for the security services and therefore resulted in irregular expenditure.
- The Shareholders Compact for 2022/2023 was submitted to DEDECT but was not yet signed by the Shareholder and the NWDC.
- Payments were not made to creditors within the prescribed 30 days due to the cash flow challenges experienced by the NWDC.
- The skills audit process commenced with consultations between the NWDC and the National School of Government (NSG).

4.6.4 Strategies to overcome underperformance

- The NWDC needs to urgently appoint lawyers and/or debt collectors to assist with tracing of debtors and collection or recovery of debt using all applicable legal methods including through court processes.
- The National School of Government work plan indicated that the skills audit process will be finalised in August 2022.
- The NWDC to ensure 100% compliance with the Compliance of Legislative Prescripts Framework.

4.6.5 Linking performance with budgets

The financial information as presented in the table below outlines the Administration and Governance expenditure:

Programme Name	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Financial Management	21 406 000	28 986 000	(7 580 000)	44 106 000	31 845 000	12 261 000
Corporate Services	36 624 000	28 549 000	8 075 000	66 852 000	37 477 000	29 375 000
TOTAL	**58 030 000**	**57 535 000**	**495 000**	**110 958 000**	**69 322 000**	**41 636 000**

5) SUMMARY OF FINANCIAL INFORMATION

5.1 Revenue Collection

Sources of Revenue	2021/2022			2020/2021		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
Revenue	157 851 000	119 995 000	37 856 000	237 277 000	123 494 000	113 783 000
Grants	36 588 000	36 588 000	-	73 588 000	40 588 000	33 000 000
Investment and Other Income (SEZ)	31 060 000	31 060 000	-	-	-	-
Other Gains and Losses				-	-	-
TOTAL	**225 499 000**	**187 643 000**	**37 856 000**	**310 865 000**	**164 082 000**	**146 783 000**

5.2 Programme Expenditure

Programme Name	2021/2022			2020/2021		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
Office of the CEO *	-	-	-	-	-	-
Property Development and Management	121 422 000	69 144 000	52 278 000	154 270 000	109 872 000	44 398 000
Bojanala Special Economic Zone (SEZ)	31 060 000	3 184 000	27 876 000	5 900 000	2 576 000	3 324 000
SMME Development and Management	4 733 000	6 419 000	(1 686 000)	13 333 000	7 187 000	6 146 000
Trade and Investment	2 653 000	2 208 000	445 000	10 103 000	2 197 000	7 906 000
Economic Programme Management	7 601 000	2 399 000	5 202 000	9 301 000	-	9 301 000
Financial Management	21 406 000	28 986 000	(7 580 000)	44 106 000	31 845 000	12 261 000
Corporate Services	36 624 000	28 549 000	8 075 000	66 852 000	37 477 000	29 375 000
TOTAL	**225 499 000**	**140 889 000**	**84 610 000**	**303 865 000**	**191 154 000**	**112 711 000**

* CEO included in Corporate Services

5.3 Capital Investment, Maintenance and Asset Management Plan

The following table presents the maintenance and repairs:

Infrastructure Projects	2020/2021			2020/2021		
	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	-	-	-	-	-	-
Infrastructure transfer	-	-	-	-	-	-
Current	-	-	-	-	-	-
Capital	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

Mr KK Konopi
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 prescripts 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 and Tourism and the Board of Directors, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

2) 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 2020/2021;
- Corporate Plan 2021/2022;
- Q1 of 2021/2022;
- Q2 of 2021/2022;
- Annual Report 2020/2021; and
- Q3 of 2021/2022.

3) EXECUTIVE AUTHORITY

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

- Approved Corporate Plan and Budget for 2021/2022;
- Signed Shareholders Compact 2021/2022 with the Shareholder;
- Approved Quarterly Reports for 2021/2022 ;
- Approved and Printed Annual Report 2020/2021; and
- Approved Corporate Plan and Budget for 2022/2023.

4) THE ACCOUNTING AUTHORITY: THE BOARD

4.1 Introduction

The Board of Directors is the accounting authority of the NWDC. The Board of the NWDC constitutes a fundamental base for the application of corporate governance principles in the entity. The NWDC is headed by and controlled by an effective and efficient Board, comprising of the appropriate mist of executive and non-executive directors representing the necessary skills to strategically guide the entity. The majority of the members is non-executive to ensure independent and objectivity in decision-making. The Board has an absolute responsibility for the performance of the NWDC and is fully accountable to the NWDC for such performance. The Board also give strategic direction to the NWDC.

4.2 The role of the Board

The role of the Board is as follows:

- It holds absolute responsibility for the performance of the NWDC.
- It retains full and effective control over the NWDC.
- It has to ensure that the NWDC complies with applicable laws, regulations, and government policy.
- It has unrestricted access to information of the NWDC.
- It formulates, monitors, reviews corporate strategy, major plans of action, risk policy, annual budgets, and business plans.
- It ensures that the Shareholders' performance objectives are achieved.
- It manages potential conflicts of interest.
- It develops a clear definition of levels of materiality.
- The Board must attend annual meetings.
- It ensures financial statements are prepared.
- The Board must appraise the performance of the Chairperson.
- It must ensure effective Board induction.
- Must maintain integrity, responsibility, and accountability.

4.3 The Board Charter

The Board of the NWDC is established in terms of the Public Finance Management Act and the Companies Act.

The NWDC is committed to the highest standards of corporate governance, including those advocated in the King Report on Governance for South Africa.

The Board Charter is subject to the provisions of the Companies Act, Public Finance Management Act, NWDC Act and the NWDC Memorandum of Incorporation. The purpose of the Charter is to set out the Board's roles and responsibilities as well as the requirements for its composition and meeting procedures.

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

- Approved Strategic Risk Register and Risk Management Strategy 2021/2022;
- Approved the Corporate Plan and Budget for 2021/2022;
- Signed the Shareholders Compact 2021/2022 with the Shareholder;
- Approved the quarterly reports of the NWDC;
- 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 Financial Officer;
- Approved the Annual Report 2020/2021; and
- Approved the Business Code of Ethics Policy.

4.4 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
Mr KK Konopi	Chairperson	Appointed 1 April 2021 and appointed as Chairperson of the Board on 8 September 2021
Ms MK Sentle	Non- Executive Director	Appointed 9 December 2019 as Chairperson until 7 September 2021
Mr ME Mojaki	Non-Executive Director	9 December 2019
Mr R Malapane	Non-Executive Director	9 December 2019 and resigned 31 March 2022
Ms MET Malaka	Non-Executive Director	1 April 2021
Ms SM Maleka	Non-Executive Director	1 April 2021
Ms N Phadu-More	Non-Executive Director	1 April 2021
Ms MJ Msiza	Non-Executive Director	1 April 2021
Dr SH Nokaneng	Non-Executive Director	1 April 2021
Mr SW Ncongolo	Non-Executive Director	1 April 2021
Ms M Matuba	Non-Executive Director	6 September 2021
Mr S Motlambi	Non-Executive Director	6 September 2021 and resigned 31 March 2022

Qualifications and Expertise

Name	Qualifications	Areas of Expertise
Mr KK Konopi (Chairperson)	Certificate in Education, Matric	• Training and Development • Labour Relations • Corporate Governance • Conflict Resolution • Negotiation Skills • Drafting of Proposals • Human Resource Management • Budgeting and Budget Control • Compilation and Presentation of Reports • Political Economy
Ms MK Sentle	MBA, Magister Educationist : Master's degree Management, B.Ed 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), Matric	• Leadership and Management • Corporate Governance • Project Management • Leadership and Training Development • SMME Development Projects • Projects Management • 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
Mr R Malapane	CA (SA), B. Com Honours Degree, B. Com Degree: Financial Accounting, Matric	• 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 ME Mojaki	MBA, Preferential Procurement Programme, Bachelor of Science Degree, Diploma in Animal Health, Matric	• Project Management • Operations Management • Economist
Ms SM Maleka	Bachelor of Arts, National Diploma: Marketing and Management, International Executive Development Programme, Executive Risk Management Programme, Executive Legal Liability Training, Strategy Development Course, Matric	• Strategy Formulation • Financial Planning and Management • Project Management • International Trade Facilitation • Investor and Stakeholder Management • Risk Management • SMME Support Management • Corporate Governance and Communications • Corporate Social Responsibility • Human Resource Management
Ms MET Malaka	Master Business Administration, BA Degree: Social Science, Certificate on Public, Private Partnerships in Infrastructure, Matric	• Public Sector Experience • Financial Management • Project Management • Strategic Leadership • Human Resource Management and Development • Stakeholder Management • Corporate Governance
Ms N Phadu-More	Bachelor of Arts, Certificate in Advertising, Matric	• Facilitation • Financial Management • Leadership and Management • International Relations • Project Management • Stakeholder Management • Community Development and SMME Development • Public Relations
Ms MJ Msiza	Master of Law, Bachelor of Law, Bachelor of Commerce, Matric	• Corporate and Commercial Law • Leveraged and Acquisition Finance • Development Finance and Project Finance • Energy and Mining • Enterprise Development • Legal Research

Name	Qualifications	Areas of Expertise
Dr SH Nokaneng	PhD in Economics, Master of Commerce in Economics, B Commerce Honours in Economics, BA Commerce (Ed), Management Development Programme, Matric	• Board Leadership • Corporate Governance • Public Sector SOC and Private Sector Executive Management • Audit and Risk • Financial Sector • Academia and Economic Research • Knowledge Management • Feasibility Market and Economic Studies • Economic Research Analysis and Training • Central and Commercial Banking • Economic Intelligence • Trade and Investment • Credit and Investment Management • Housing and Property Funding • Property Development • Private Equity and Corporate Finance • Financial Markets • Capital Funding • Credit and Risk Management
Ms SW Ncongolo	B. Com Economics, National Diploma: Cost Management, Diploma: Public Finance, Matric	• Public Finance • Local Government Finance • Economics • Community Development • Communication • Project Management
Ms M Matuba	BA Honours in Public Management and Governance, BA Commerce, Office Administration Course, Personal Development Course, Matric	• Development Planning • Strategic Management • Human Resources Management • Business Management • Local Government Administration • IT and Operations • Research • Financial and Performance Management • Administration • Stock Controlling
Mr S Motlambi	Matric	• PLO Deputy Director (Community Safety and Transport Management) • Parliamentary Work • Legislature and Budget Analysis • Community Outreach

Meeting Attendance

Name	Number of Meetings (Normal and Special)		
	Period	Held	Attended
Mr KK Konopi	1 April 2021 to 31 March 2022	18	18
Ms MK Sentle	1 April 2021 to 31 March 2022	18	18
Mr ME Mojaki	1 April 2021 to 31 March 2022	18	18
Mr R Malapane	1 April 2021 to 31 March 2022	18	16
Ms MET Malaka	1 April 2021 to 31 March 2022	18	16
Ms SM Maleka	1 April 2021 to 31 March 2022	18	18
Ms N Phadu-More	1 April 2021 to 31 March 2022	18	17
Ms MJ Msiza	1 April 2021 to 31 March 2022	18	18
Dr SH Nokaneng	1 April 2021 to 31 March 2022	18	18
Mr SW Ncongolo	1 April 2021 to 31 March 2022	18	17
Ms M Matuba	6 September 2021 to 31 March 2022	18	4
Mr S Motlambi	4 September 2021 to 31 March 2022	18	2

4.5 Committees

4.5.1 Audit and Risk Committee (ARC)

a) The ARC 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 ARC as set out below are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the ARC 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 ARC has the following authorities, as set out in the Audit and Risk Committee Charter:

- To perform the functions as described in the charter.
- Authorised to have full, free, and unrestricted access to all relevant organisation activities, records, property, and staff to properly perform its duties and execute its powers.
- Safeguard all the information supplied to it in full compliance with the law.
- Act in accordance with its statutory duties and is authorised/delegated to perform the functions as described in the charter.
- Acquisition of outside services should be made subject to the approval of the organisation and approved procurement policies.
- The ARC has a decision-making authority in regard to its statutory duties and is accountable in this respect to the Board.
- The ARC makes recommendations for approval by the Board.
- The ARC in the fulfilment of its duties has the right to call upon the chairpersons of the other Board or Board Audit and Risk Committees, the executive managers, company officers, and company secretary or assurance providers to provide it with information subject to approved processes.

Members of the Committee

Name	Role	Internal or External Member	Date Appointed
Mr S Ngobeni	Chairperson	External Member	Appointed as External Member of the ARC on 1 September 2016 and appointed as ARC Chairperson on 27 August 2019. Reappointed ARC Chairperson on 1 November 2022
Dr SN Nokaneng	Member	Non-Executive Director	17 May 2021
Ms N Phadu-More	Member	Non-Executive Director	17 May 2021
Ms MET Malaka	Member	Non-Executive Director	17 May 2021

Meeting Attendance

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Mr S Ngobeni (Chairperson)	10	10
Dr SN Nokaneng	10	10
Ms N Phadu-More	10	10
Ms MET Malaka	10	9

4.5.2 Human Resource and Remuneration Committee (HR & REMCO)

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 in the Charter.

Human Resources

a) The Committee is responsible for overseeing the overall human resources strategy for the organisation and its subsidiaries.

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.

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.

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.

q) Ensure that the organisation promote diversity in all its manifestation terms of gender, disability, in the board membership.

Members of the Committee

Name	Role	Internal or External Member	Date Appointed
Mr SW Ncongolo	Chairperson	Non-Executive Director	17 May 2021
Mr KK Konopi	Member	Non-Executive Director	12 October 2021
Ms MJ Msiza	Member	Non-Executive Director	17 May 2021
Ms MET Malaka	Member	Non-Executive Director	12 October 2021

Meeting Attendance

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Mr SW Ncongolo (Chairperson)	9	8
Mr KK Konopi	3	3
Ms MJ Msiza	9	8
Ms MET Malaka	3	3

4.5.3 Social and 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.

c) Good corporate citizenship.

d) Labour and employment.

e) Governance of Ethics.

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

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 N Phadu-More	Chairperson	Non-Executive Director	17 May 2021
Ms MJ Msiza	Member	Non-Executive Director	17 May 2021
Mr S Motlhabi	Member	Non-Executive Director	12 October 2021
Ms MK Sentle	Member	Non-Executive Director	12 October 2021

Meeting Attendance

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Ms N Phadu-More (Chairperson)	5	5
Ms MJ Msiza	5	5
Mr S Motlhabi	2	2
Ms MK Sentle	2	2

4.5.4 Special Economic Zone 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 Committee shall:

a) Consider and recommend to the Board the strategic framework for the planning and development of the Bojanala SEZ to ensure successful designation application.

b) Monitor the performance of the NWDC in relation to the planning and development of the SEZ.

c) Review policies, strategies and projects related to the planning, development, and operationalisation of the SEZ.

d) Review and approve policies for desired investments within the SEZ.

e) Review and approve investment projects locating within the SEZ.

f) Review and approve all strategic and operational programmes and activities related to the SEZ.

g) Monitor compliance with the requirements relating to the planning, development, and management of special economic zones in the country.

h) Review and approve Annual Performance Plan of the SEZ Unit.

i) Monitor quarterly reporting by management on the planning and development of the SEZ.

j) Monitor the performance of the SEZ unit which is responsible for all strategic and operational activities related to the Bojanala SEZ.

Members of the Committee

Name	Role	Internal or External Member	Date Appointed
Dr SH Nokaneng	Chairperson	Non-Executive Director	17 May 2021
Mr SW Ncongolo	Member	Non-Executive Director	17 May 2021
Ms SM Maleka	Member	Non-Executive Director	12 October 2021
Ms M Matuba	Member	Non-Executive Director	12 October 2021
Mr M Moato	Representative from the Department of Trade and Industry	Ex-Officio Member	

Meeting Attendance

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Dr SH Nokaneng	4	4
Mr SW Ncongolo	4	4
Ms SM Maleka	2	2
Ms M Matuba	2	1
Mr M Moato	0	0

4.6 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 determines 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 table below reflects the remuneration paid to the Board of Directors and External Members of the Audit and Risk Committee during the 2021/2022 financial year:

2022	Board members' fees	Total
Mr KK Konopi (Chairperson)	352	352
Ms K Dikgole	23	23
Ms M Chokoe	31	31
Prof L Jackson	22	22
Ms G Moyo	16	16
Mr R Malapane	6	6
Mr T Phiri	24	24
Mr S Kgodumo	24	24
Mr ME Mojaki	254	254
Mr SA Ngobeni	294	294
Ms M Sentle	352	352
Ms MM Matuba	42	42
Mr SW Ncongolo	231	231
Dr SHM Nokaneng	247	247
Ms NM Phadu-More	263	263
Ms MET Malaka	214	214
Ms SM Maleka	263	263
Ms MJ Msiza	208	208
Mr SM Motlhabi	26	26
Ms NJ Nyathi	20	20
	2,912	**2,912**

5) 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 ARC 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 ARC 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 are 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:

5.1 Risk Assessment: Strategic

The strategic risk assessment was conducted on 10 December 2020 and 11 risks were identified and incorporated in the Corporate Plan 2021/2022.

5.2 Risk Assessment: Operational

The operational risk assessment was conducted per individual unit with effect from 20 July 2020. Risk Assessments at locations were limited due to COVID-19, however COVID-19 risk assessments were conducted and training provided on the assessments. 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.

5.3 Mitigation Plans

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

6) 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 ARC 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.

7) INTERNAL AUDIT

7.1 Key Activities and Objectives of the Internal Audit

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 ARC, 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 and Risk Committee detailing its performance against the plan to allow effective monitoring and intervention when necessary.

It is also the Corporation's policy that the Internal Auditor attends the strategic planning sessions and is available to report on the conduct thereof to the Audit and 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 timeouly accounted for;
- Assets and resources are acquired economically, used efficiently and adequately protected;
- Programmes, plans and objectives are achieved; and
- Applicable laws and regulations are complied with.

8) COMPLIANCE WITH LAWS AND REGULATIONS

Regulatory compliance is the act of adhering to laws, regulations, guidelines, and specifications relevant to the entity's business processes. Violations of regulatory compliance often result in legal punishment, including monetary fines and penalties. Regulatory compliance processes and strategies provide guidance as they strive to attain their business goals.

During the financial year under review, the NWDC strived to adhere to all laws and regulations, but failed, as stated in the AGSA audit report.

9) FRAUD AND CORRUPTION

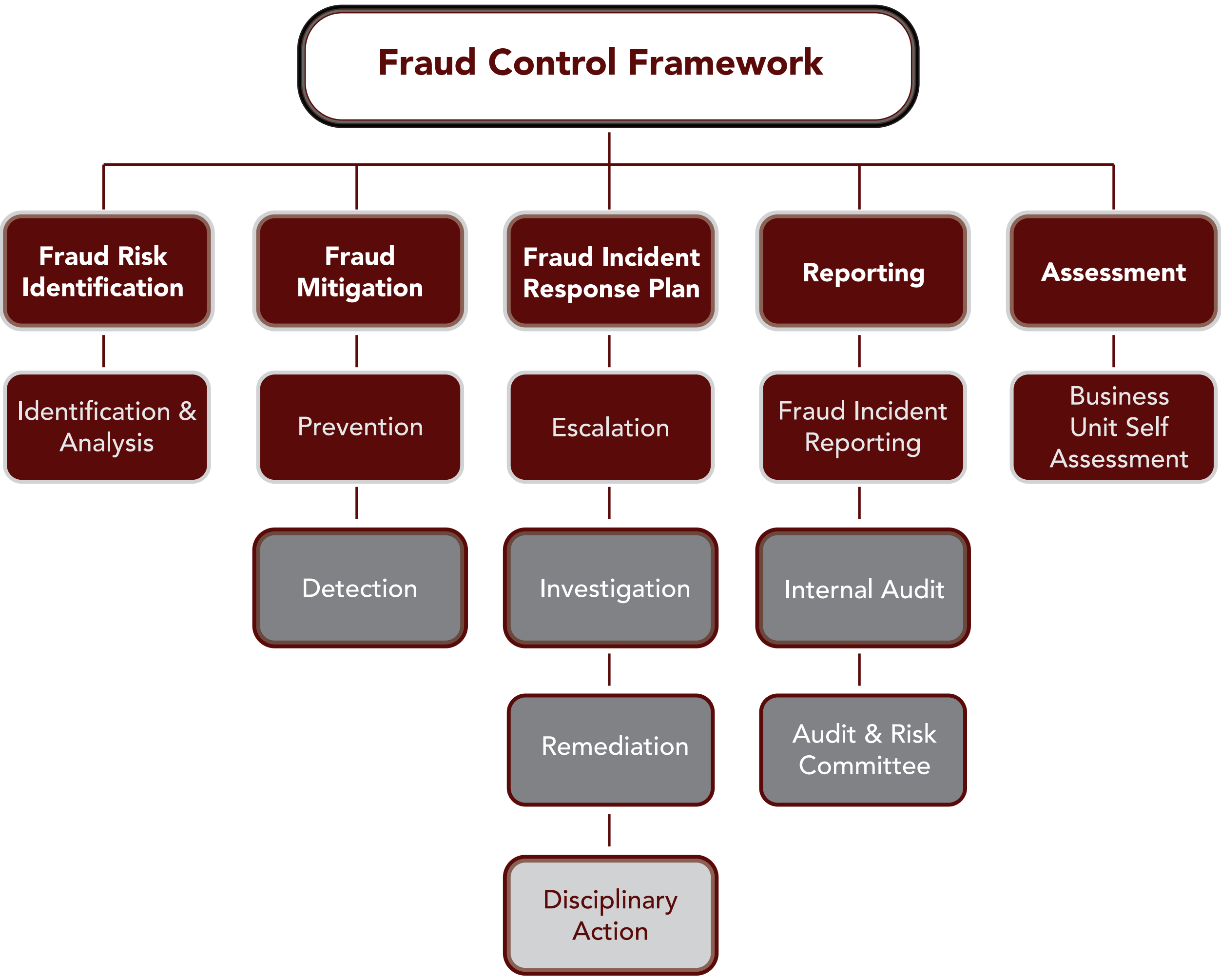
The NWDC does not tolerate corrupt or fraudulent activities, whether internal or external to the NWDC, and will vigorously pursue any party, by all legal means available, which engage in such practices or attempt to do so.

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.

Please also 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.

10) MINIMISING CONFLICT OF INTEREST

To prevent and minimise conflict of interest in the NWDC, all the employees are required to declare their business interest in order to comply with:

- the NWDC Business Code of Conduct and Ethics Policy 2022/2023, paragraph 5.3 (conflict of interest); and
- the Treasury Regulations for department, trading entities, constitutional institutions and public entities issued in terms of the PFMA, 1999 by National Treasury, March 2005, under section 16A: Supply Chain Management, points 8.3 and 8.4.

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.

11) 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.

12) HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

a) The NWDC expects all employees to follow all applicable environmental laws and regulations of the country.

b) 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.

c) 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.

d) 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.

13) 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.

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) 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) 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.

k) Ensure the board and board committee charters and terms of reference are kept up to date.

l) Ensure proper compilation and timely circulation of board papers and for assisting the chairperson of the board and committees with drafting of yearly work plans.

m)Assist the board with the yearly evaluation of the board, its individual directors and senior management.

14) SOCIAL RESPONSIBILITY

The NWDC experienced serious cash flow challenges and could therefore not offer any donations to the community. However, the NWDC, during the 2021/2022 financial year assisted with financial assistance to 15 employees to the amount of R247,280.96 to further their studies.

15) B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The Broad-Based Black Economic Empowerment Act 53 of 2003 (B-BBEE Act) is one of the national legislations envisaged in Section 217 of the Constitution. The B-BBEE Act is a framework for how Government may prefer historically disadvantaged companies when contracting for goods and services. Section 9 of the B-BBEE Act empowers the Minister of Trade and Industry (Minister) to issue Codes of Good Practice on black economic empowerment (B-BBEE codes) that may include a qualification criterion for preferential purposes for procurement and other economic activities.

Section 9(6) of the B-BBEE Act provides organs of state with recourse to deviate from the qualification criteria for procurement and other economic activities set out in the B-BBEE codes. Section 9(6) of the B-BBEE Act reads as follows:

"If requested to do so, the Minister may by notice in the Gazette permit organs of state or public entities to specify qualification criteria for procurement and other economic activities…"

Furthermore, Section 10(2)(a) permits the Minister to consult with organs of state or public entities and pursuant to such consultations allow the organ of state to deviate from the requirements of the B-BBEE code.

The NWDCs Supply Chain Management Policy and Procedures has been developed and are implemented in accordance with the following legislation and strategies:

a) The Constitution of the Republic of South Africa, Act 108 of 1996;

b) NWDC Act of 1994;

c) Public Finance Management Act (Act No.1 of 1999) (PFMA);

d) Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);

e) Regulations to the Preferential Procurement Policy Framework Act 2017;

f) Regulations in terms of the Public Finance Management Act, 1999: Framework for Supply Chain Management (Government Gazette Number 25767 dated 5 December 2003);

g) National and Provincial Norms and standards on Supply Chain Management, Including Circulars, Practice Notes, Instruction Notes, Regulations and other policies;

h) Construction Industry Development Board (CIDB) publications;

i) Promotion of Access to Information Act, 2000 (Act 2 of 2000);

j) Promotion of Administrative Justice Act, 2000 (Act 3 of 2000); and

k) Broad-Based Black Economic Empowerment Act, 2003 and it's Codes of Good Practices.

Point 8 of the NWDC Supply Chain Management Policy and Procedure state that:

l) The criteria as set out in the PPPFA, on which preference is based, will form the criteria for preference to be used by the NWDC in determining the preferred supplier list and for the purposes of the bid evaluation procedures to be adopted by the NWDC (paragraph 8.9).

m) The principle of break-out procurement (set aside) may be applied to promote purchases from SMMEs through sub-contracting up to a minimum of 30% of the project amount in line with PPPR 2017. The NWDC must make available the list of all service providers registered in the Central Supplier Database (CSD) (paragraph 8.10).

n) The requirements as outlined in 8.10 may not be broken down into smaller portions in order to facilitate the utilisation of a specific procurement mechanism (paragraph 8.11).

o) Information must be kept centrally in order to determine when repetitive requirements exist so that period contracts may be entered into in order to negotiate on larger quantities if this is deemed appropriate for the NWDC (paragraph 8.12).

D

HUMAN RESOURCE MANAGEMENT

1) INTRODUCTION

The Human Resource 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 Human Resource function to have a proper HR plan, the purpose of which is to enable the entity to adapt to changes in the competitive world, markets, technology, and legislative requirements.

2) HUMAN RESOURCE OVERSIGHT STATISTICS

Key information on human resources is outlined in the tables below (refers to paragraphs 3 to 8). The financial amounts agree 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 amounts spent on personnel:

Table 3.1: Personnel cost by salary Band: 1 April 2021 to 31 March 2022

Programme	Personnel Expenditure (R'000)	% of Total Personnel Cost	Number of Employees	Average Personnel Cost per Employee (R'000)
Top Management	9,568,223.59	12%	4	2,392,055.90
Senior Management	17,816,223.94	22%	17	1,048,013.17
Professional Qualified	17,885,035.05	22%	31	576,936.61
Skilled	20,694,118.12	26%	39	530,618.41
Semi-Skilled	12,479,374.40	16%	44	283,622.15
Unskilled	1,649,992.17	2%	12	137,499.35
TOTALS	80,092,967.27	100%	147	544,850.12

Table 3.2: Salaries, Overtime and Medical Aid by Programme: 1 April 2021 to 31 March 2022

Programme	Salaries		Overtime		Medical Aid	
	Amount (R'000)	Salaries as a % of personnel costs	Amount (R'000)	Overtime as a % of personnel costs	Amount (R'000)	Medical Aid as a % of personnel costs
Top Management	9,568,223.59	11.95%	-	0%	-	0%
Senior Management	17,816,223.94	22.24%	-	0%	168,224.00	0.94%
Professional Qualified	17,885,035.05	22.33%	-	0%	322,289.00	1.80%
Skilled	20,694,118.12	25.84%	112,906.01	0.55%	487,832.50	2.36%
Semi-Skilled	12,479,374.40	15.58%	501,700.10	4.02%	95,149.00	0.76%
Unskilled	1,649,992.17	2.06%	40, 342.13	2.44%	-	0%
TOTALS	80,092,967.27	100%	654,948.24	0.82%	1,073,494.50	1.34%

4) PERFORMANCE REWARDS

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

5) TRAINING COSTS

Table 5.1: Training costs: 1 April 2021 to 31 March 2022

Programme	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost	Number of Employees Trained	Average Training Cost per Employee
Top Management	9,568,223.59	8,105.67	0.08%	1	8,105.67
Senior Management	17,816,223.94	-	0%	0	-
Professional Qualified	17,885,035.05	216,370.00	1.21%	7	30,910.00
Skilled	20,694,118.12	50,930.00	0.25%	2	25,465.00
Semi-Skilled	12,479,374.40	-	0%	0	-
Unskilled	1,649,992.17	-	0%	0	-
TOTALS	80,092,967.27	275,405.67	0.34%	10	27,540.57

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.

6) 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 establishment, the number of employees, the vacancy rate, and whether there are any staff that are additional to the establishment.

Table 6.1: Employment and Vacancies by Programme as on 31 March 2022

Programme	Number of Employees 2020/2021	Approved Positions 2021/2022	Number of Employees 2021/2022	Vacancies 2021/2022	Percentage of Vacancies
Top Management	5	9	4	5	2.72%
Senior Management	15	25	17	8	4.35%
Professional Qualified	33	35	31	4	2.17%
Skilled	40	57	39	18	9.78%
Semi-Skilled	45	45	44	1	0.54%
Unskilled	12	12	11	1	5.98%
People with Disabilities	1	1	1	0	0%
TOTALS	151	184	147	37	20.11%

Table 6.2: Employment Changes: 1 April 2021 to 31 March 2022

Programme	Employment on 1 April 2021	Appointments	Terminations	Employment on 31 March 2022
Top Management	5	1	2	4
Senior Management	15	3	1	17
Professional Qualified	33	0	2	31
Skilled	40	0	1	39
Semi-Skilled	45	0	1	44
Unskilled	13	0	1	12
TOTALS	151	4	8	147

The table below provides information on changes in employment over the financial year. The turnover rates provide and indication of trends in the employment profile of the NWDC.

Table 6.3: Reasons for Staff leaving: 1 April 2021 to 31 March 2022

Reason	Number	% of Total of Staff Leaving
Death	3	2.04%
Resignation	2	1.36%
Retirement	2	1.36%
Expiry of Contract	1	0.68%
TOTALS	8	5.44%

7) LABOUR RELATIONS

There was no misconduct and/or disciplinary taken against any employee during the period under review.

8) EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Table 8.1: Equity Targets (Male): 1 April 2021 to 31 March 2022

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	0	1
Senior Management	11	0	0	1	0	0	1	0
Professional Qualified	10	0	1	0	1	0	0	0
Skilled	11	0	1	0	0	0	0	1
Semi-Skilled	35	0	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0
TOTALS	69	0	1	0	1	0	1	0

Table 8.2: Equity Targets (Female): 1 April 2021 to 31 March 2022

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	1	1	0	0	0	0	0
Senior Management	1	1	2	1	1	0	1	0
Professional Qualified	9	0	1	0	0	0	2	0
Skilled	34	0	1	0	0	0	1	1
Semi-Skilled	9	0	0	0	0	0	0	0
Unskilled	13	0	0	0	0	0	0	0
TOTALS	67	2	4	0	1	0	4	1

Table 8.3: Equity Targets (People with Disabilities): 1 April 2021 to 31 March 2022

Level	PEOPLE WITH DISABILITIES			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	0	0	0
Senior Management	0	0	0	0
Professional Qualified	0	0	0	0
Skilled	0	0	0	0
Semi-Skilled	0	0	0	0
Unskilled	0	0	1	0
TOTALS	0	0	1	0

E

FINANCIAL INFORMATION

1) GENERAL INFORMATION

Registered Name of the Entity	North West Development Corporation SOC Ltd
Registration Number	1999/0026525/07
Board of Directors	Ms KK Konopi (Chairperson)
	Ms MK Sentle
	Ms MJ Msiza
	Dr S Nokaneng
	Mr R Malapane (resigned on 31 March 2022)
	Mr B Ncongolo
	Ms N Phadu-More
	Mr M Mojaki
	Ms MET Malaka
	Ms SM Maleka
	Ms M Matuba
	Mr S Motlambi (resigned on 31 March 2022)
Registered Office Address	22 James Watt Crescent, Industrial Sites, MAHIKENG, 2745
Postal Address	PO Box 3011, MMABATHO, 2735
Contact Telephone Number	(018) 381 3663
Email Address	nwdc@nwdc.co.za
Website Address	www.nwdc.co.za
External Auditors	Auditor-General of South Africa
	Chartered Accountants (SA)
	Registered Auditors
Bankers	ABSA, First National Bank and Standard Bank
Company Secretary	Mr K Mafokwane

2) BOARD'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 consolidated 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 were given unrestricted access to all financial records and related data.

The consolidated 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 that they are 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing, and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

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

The annual financial statements set out from page 96 to 165, which have been prepared on the going concern basis, were approved by the board on 31 May 2022 and were signed on its behalf by:

Mr KK Konopi
Chairperson of the Board

3) REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2022.

3.1 ARC Responsibility

The ARC reports that it has complied with its responsibilities arising from Section 38 (1) (a) (ii) of the Public Finance Management Act and Treasury Regulation 3.1.13. The ARC also reports that it has adopted appropriate formal terms of reference as its ARC Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, except that it has not reviewed changes in accounting policies and practices.

3.2 ARC members and attendance

The ARC, consisting of independent outside members, meets at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

Name	Number of Meetings (Normal and Special)	
	Held	Attended
Mr S Ngobeni (Chairperson)	10	10
Dr SN Nokaneng	10	10
Ms N Phadu-More	10	10
Ms MET Malaka	10	9*

* Ms Malaka tendered her apology and the apology was accepted

3.3 Effectiveness of internal control

Based on the results of the formal documented review of the design, implementation and effectiveness of the entity's system of internal controls conducted by the internal audit and AGSA during the financial year ended 31 March 2022, and in addition, considering information and explanations given by management plus discussions held with the external auditor, the ARC concluded that the entity's system of internal financial controls is ineffective and material internal control breaches came to the Committee's attention.

3.4 In-year management and monthly/quarterly report

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

3.5 Performance management

The ARC reviewed the functionality of the performance management system, and it appears to be somewhat functional, however, there is room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously as well as performance evaluation of senior management personnel and external service providers.

3.6 Risk management (including IT Governance)

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

3.7 Compliance with laws and regulations

A number of non-compliance with the enabling laws and regulations were revealed by the ARC, AGSA, and Internal Audit during the year. Thus, there is 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 non-compliance.

3.8 Internal Audit

The ARC's preliminary assessment of the function revealed serious room for improvement and for the board to achieve its strategic goals, the internal audit function needs to be overhauled.

3.9 Progress in implementation of AGSA findings from prior year

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

3.10 Implementation of ARC recommendations by management

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

3.11 Evaluation of Annual Financial Statements

Following the review by the ARC of the annual financial statements for the year ended 31 March 2022 before the audit, the committee is of the view that, the AFS is recommended to the AGSA for the audit process to commence.

3.12 Evaluation of Annual Performance Report

Following the review by the ARC of the annual performance report for the year ended 31 March 2022 before the audit, the committee is of the view that, in all material respects, the entity complied with the relevant provisions of the PFMA and Framework for Managing Programme Performance Information (FMPPI) and the annual performance report is recommended to the AGSA for the audit process to commence.

3.13 Conclusion

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

ASB

Mr S Ngobeni
Chairperson Audit and Risk Committee

4) REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their report on the financial statements of the North West Development Corporation SOC Ltd for the year ended 31 March 2022.

4.1 Review of activities

Main business and operations

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

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

4.2 Going concern

We draw attention to the fact that on 31 March 2022, the group had an accumulated a surplus of R726 965 000 and that the group's total assets exceed its liabilities by R1 389 946 000.

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 group 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 group. Furthermore, as an entity of government, the NWDC is to some extent reliant on government for assistance. There has been no indication from government of its intention to discontinue the operations of the NWDC or to materially change its operations. The provincial government has also committed to the continuous support of the NWDC.

One of the subsidiaries, Signal Developments SOC Ltd, has material uncertainty. On 27 January 2022, the High Court in Mahikeng heard the four applicants against Signal Development and others including the Premier of the North West as the third respondent, the application was for Signal to be liquidated. Subsequently on 10 February 2022, Signal Developments was place on Provisional Liquidation and the matter for the final liquidation is planned for June 2022. The Court appointed Provisional Liquidators on 24 February 2022.

4.3 Subsequent events

The board is not aware of any matter or circumstance arising since the end of the financial year.

4.4 Share capital/contributed capital

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

4.5 Board

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

Mr KK Konopi (Chairperson of the Board)
Ms MK Sentle
Ms MJ Msiza
Dr SN Nokaneng
Mr S Malapane (resigned on 31 March 2022)
Mr B Ncongolo
Ms N Phadu-More
Mr M Mojaki
Ms MET Malaka
Ms SM Maleka
Ms M Matuba
Mr K Mafokwane (appointed 1 June 2021)
Mr STM Phetla

4.6 Company Secretary

The Secretary for the Group is Mr K Mafokwane.

4.7 Auditors

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

The annual financial statements set out from pages 96 to 165, which have been prepared on the going concern basis, were approved by the board of directors on 31 May 2022, and were signed on its behalf by:

Mr KK Konopi
Chairperson of the Board

5) COMPANY SECRETARY'S CERTIFICATION

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Mr K Mafokwane
Company Secretary

Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

6) REPORT OF THE AUDITOR-GENERAL TO THE NORTH WEST PROVINCIAL LEGISLATURE ON THE NORTH WEST DEVELOPMENT CORPORATION SOC LIMITED

Report on the audit of the consolidated and separate financial statements

Adverse opinion on the consolidated financial statements and qualified opinion on the separate financial statements

1. I have audited the consolidated and separate financial statements of the North West Development Corporation SOC Limited and its subsidiaries (the group) set out on pages 96 to 165, which comprise the consolidated and separate statement of financial position as at 31 March 2022, the consolidated and separate statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, because of the significance of the matters described in the basis for adverse opinion section of this auditor's report, the consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the group as at 31 March 2022, their financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP), the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008) (Companies Act).

3. In my opinion, except for the possible effects of the matters described in the basis for qualified opinion section of this auditor's report, the separate financial statements present fairly, in all material respects, the financial position of the North West Development Corporation SOC Limited as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of GRAP, the requirements of the PFMA and the Companies Act.

Basis for adverse opinion on the consolidated financial statements and qualified opinion on the separate financial statements

Consolidated annual financial statements

4. As explained in note 46, the North West Development Corporation SOC Limited group has not consolidated the subsidiaries in the Golden Leopards Resort group because a resolution was passed to transfer the Golden Leopards Resort group to the North West Tourism Board. However, the conditions of the transfer to give North West Tourism Board enforceable rights was not met at year end and the share certificates is still in the name of North West Development Corporation SOC Limited. Had the subsidiaries in the Golden Leopards Resort group been consolidated, many elements in the accompanying consolidated financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

Receivables from exchange transactions

5. I was unable to obtain sufficient appropriate audit evidence for trade debtors included in receivables from exchange transactions as the group did not have adequate systems to maintain records to support financial information. I was unable to confirm these trade debtors by alternative means. Consequently, I was unable to determine whether any adjustment relating to trade debtors of R34 979 000 (2021: R18 066 000) included in receivables from exchange transactions as disclosed in note 10 and debt impairment of R47 993 000 (2021: R47 853 000) included in note 28 to the consolidated and separate financial statements was necessary.

Investment property

6. I was unable to obtain sufficient appropriate audit evidence for investment property of the group due to the non submission of title deeds. I was unable to confirm the investment property by alternative means. In addition, the group did not correctly account for investment property in accordance with GRAP 16, *Investment property* as differences were identified between the accounting records and valuation certificates which resulted in the investment property and fair value adjustment being understated by R33 634 237. Consequently, I was unable to determine whether any further adjustment relating to investment property of R1 620 030 000 as disclosed in note 3 and fair value adjustment included in revenue as disclosed in note 20 to the consolidated and seperate financial statements was necessary.

Infrastructure

7. I was unable to obtain sufficient appropriate audit evidence for infrastructure included in property, plant and equipment of the group due to non-submission of information in support of ownership of these infrastructure assets. I was unable to confirm these infrastructure assets by alternative means. Consequently, I was unable to determine whether any adjustment relating to infrastructure assets of R253 283 231 included in property, plant and equipment as disclosed in note 4 to the consolidated and separate financial statements was necessary.

Payables from exchange transactions

8. The group did not correctly recognise trade payables on the accural basis as required by GRAP 1, *Presentation of financial statements* as the group did not have adequate systems to maintain records of payables. Consequently, trade payables included in payables from exchange transactions as disclosed in note 18 and general expenses as disclosed in note 29 to the consolidated and separate financial statements was understated by R26 540 235.

Cash flow statement

9. The group did not correctly prepare and disclose the net cash flows from operating activities, net cash flow 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 the non-cash flow items have been eliminated to determine the cash flows from operations, investing and financing activities. I was unable to determine the full extent of the errors in the cash flows from operating, investing and financing activities for the current and corresponding period for the consolidated and separate cash flow statement as it was impractical to do so.

Context for the opinions

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

11. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International

Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

12. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion on the separate financial statements and adverse opinion on the consolidated financial statements.

Material uncertainty relating to going concern

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

14. As per note 42 of the consolidated and separate financial statements, the group and the entity made a deficit of R46 177 000 and R28 378 000 respectively and the group and the entity had a net current liability position of R158 425 000 and R132 557 000 respectively. Furthermore, as disclosed in note 42 in the financial statements, one of the subsidiaries, Signal Developments, was placed on provisional liquidation and the matter for the final liquidation is planned for June 2022. As stated in note 42, these events and conditions, along with other matters as set forth in note 42, indicate that a material uncertainty exist that may cast signifiant doubt on the group's ability to continue as a going concern.

Emphasis of matters

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

Irregular expenditure

16. As disclosed in note 45 to the consolidated and separate financial statements, irregular expenditure of R35 564 000 and R26 228 000 respectively was incurred in the current year and irregular expenditure of R448 934 000 and R443 114 000 respectively from the prior years was not investigated.

Fruitless and wasteful expenditure

17. As disclosed in note 44 to the consolidated and separate financial statements, fruitless and wasteful expenditure of R1 630 000 and R1 579 000 respectively was incurred in the current year and fruitless and wasteful expenditure of R43 386 000 and R43 326 000 respectively from the prior years was not investigated.

Restatement of corresponding figures

18. As disclosed in note 40 to the seperate financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2022.

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

19. 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 GRAP, the requirements of the PFMA and the 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.

20. 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

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

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

Report on the audit of the consolidated and separate financial statements

Introduction and scope

23. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I was engaged to perform procedures to identify findings but not to gather evidence to express assurance.

24. I was engaged to evaluate 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 North West Development Corporation SOC Limited for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 1: Property development and management	24 to 26

25. The material findings in respect of the usefulness and reliability of the selected programme are as follows:

Programme 1: Property development and management

Various indicators

26. I was unable to obtain sufficient appropriate audit evidence for the reported achievements of the following indicators. This was due to the lack of accurate and complete records. I was unable to confirm the reported achievements by alternative means. Consequently, I was unable to determine whether any adjustments to the reported achievements in the annual performance report for the indicators listed below were required:

Performance Indicator	Actual Achievement 2021/2022
Number of SMMEs provided with working space/(property)	20
Number of black industrialists in the NWDC premises	18
Number of majority black owned businesses in the NWDC premises	95
Number of youth owned businesses in the NWDC premises	18
Number of women owned businesses in the NWDC premises	20
Number of PDP owned businesses in the NWDC premises	3
Number of jobs sustained at the NWDC properties	5629

Other matter

27. I draw attention to the matter below.

Achievement of planned targets

28. Refer to the annual performance report on pages 24 to 26 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraph 26 of this report.

Report on audit of compliance with legislation

Introduction and scope

29. 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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Financial statements

31. 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 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 separate financial statements receiving a qualified opinion.

Revenue management

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

Expenditure management

33. Effective and appropriate steps were not taken to prevent irregular expenditure of R26 228 000 as disclosed in note 45 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure disclosed in the financial statements was caused by contravention of SCM processes.

34. Effective steps were not taken to prevent fruitless and wasteful expenditure of R1 579 000 as disclosed in note 44 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 long outstanding amounts.

Asset management

35. Loans were provided to Signal Developments SOC Limited and Golden Leopards Resort group, which were not approved by way of a special resolution adopted by the shareholders within the previous two years as required by section 45(3)(a)(ii) of the Companies Act.

Liability management

36. The bank overdraft was not approved in writing by the Minister of Finance or an official authorised by the Minister of Finance, in contravention of section 66(5) of the PFMA.

37. The bank overdraft was not repaid within 30 days in contravention of treasury regulation 32.1.1(a).

38. The board did not deliver a written notice to each affected person, setting out the financial distress criteria that is applicable to the company, as referred to in 128(1)(f) of the Companies Act, and its reasons for not adopting a resolution that the company voluntarily begin business rescue proceedings and place the company under supervision as required by section 129(7) of the Companies Act.

Consequence management

39. I was unable to obtain sufficient appropriate audit evidence 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 because investigations into irregular, fruitless and wasteful expenditure were not performed.

Other information

40. 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.

41. 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.

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

43. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue

Internal control deficiencies

44. I considered internal control 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 adverse opinion on the consolidated financial statements and the qualifed opinion on the separate financial statements, the findings on the annual performance report and the findings on compliance with legislation included in this report.

- The instability in key leadership positions over the past years continues to prevail and impacts on the entity's ability to establish a culture of good governance and sound internal controls.
- Management did not implement proper record keeping to ensure that complete and accurate information is available in support of the financial and performance reporting. Daily and monthly reconciliations are not performed to support year end reporting leading to material differences between reported figures and documents, listings and registers. This also led to repeated non-compliance findings.
- Regular financial reporting has not been instilled as a good practice, but rather an annual compliance exercise. The group remains dependent on consultants to assist with the preparation of the financial statements and the financial information in support thereof. The internal audit is not fully capacitated to follow up on the implementation of audit recommendations to address audit findings.

Other reports

45. 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

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

Auditor General

Potchefstroom

31 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected programme and on the entity's compliance with respect to the selected subject matters.

Financial statements

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

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

Communication with those charged with governance

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

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

Figures in Rands '000	Note(s)	Economic Entity 2022	Economic Entity 2021 Restated*	Controlling Entity 2022	Controlling Entity 2021 Restated*
Assets					
Current Assets					
Loans to economic entities	6	-	-	9,060	-
Operating lease asset	8	-	521	-	521
Receivables from exchange transactions	10	38,460	33,963	38,430	33,933
VAT receivable	11	1,340	1,010	1,340	1,010
Cash and cash equivalents	12	19,721	19,960	19,718	19,955
		59,521	**55,454**	**68,548**	**55,419**
Non-Current Assets					
Investment property	3	1,620,030	1,537,318	1,620,030	1,537,318
Property, plant and equipment	4	275,718	227,281	275,718	227,281
Intangible assets	5	9,274	9,274	4	4
		1,905,022	**1,773,873**	**1,895,752**	**1,764,603**
Total Assets		**1,964,543**	**1,829,327**	**1,964,300**	**1,820,022**
Liabilities					
Current Liabilities					
Other financial liabilities	15	41,099	32,213	22,217	13,331
Payables from exchange transactions	18	172,222	156,839	170,364	155,182
Taxes and transfers payable (non-exchange)		88	42	-	-
VAT payable	19	2,762	42	2,762	42
Bank overdraft	12	2,748	837	2,748	837
		218,919	**190,016**	**198,091**	**169,392**
Non-Current Liabilities					
Other financial liabilities	15	32,746	36,863	32,746	36,863
Finance lease obligation		1	1	-	-
Employee benefit obligation	9	10,676	11,055	10,676	11,055
Deferred tax	7	231,565	189,369	231,565	189,369
Provisions	16	38,024	31,521	38,024	31,521
Government Grants	17	32,099	35,673	32,099	35,673
		345,111	**304,482**	**345,110**	**304,481**
Total Liabilities		**564,030**	**494,498**	**543,201**	**473,873**
Net Assets		**1,389,946**	**1,353,247**	**1,421,099**	**1,375,136**
Share capital / contributed capital	13	303,854	303,854	303,854	303,854
Reserves					
Revaluation reserve	14	359,127	287,798	359,127	287,798
Accumulated surplus		726,965	761,595	758,118	783,484
Total Net Assets		**1,389,946**	**1,353,247**	**1,421,099**	**1,375,136**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rands '000	Note(s)	Economic Entity 2022	Economic Entity 2021 Restated*	Controlling Entity 2022	Controlling Entity 2021 Restated*
Revenue					
Revenue from exchange transactions					
Rental of facilities and equipment		132,586	134,392	132,586	134,392
Interest received (trading)		22,172	22,342	22,172	22,342
Rental income		339	172	339	172
Recoveries		21	64	21	64
Sundry income		4,360	1,070	4,360	1,070
Interest received (investment)	23	6,960	8,840	6,960	8,840
Fair value adjustments		82,711	29,939	82,711	29,939
Actuarial gains		676	-	676	-
Total revenue from exchange transactions		**249,825**	**196,819**	**249,825**	**196,819**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	24	67,190	66,715	67,117	66,588
Total revenue	20	**317,015**	**263,534**	**316,942**	**263,407**
Expenditure					
Employee related costs	25	(87,068)	(90,214)	(86,946)	(89,307)
Depreciation and amortisation	26	(23,210)	(19,171)	(23,210)	(19,171)
Finance costs	27	(14,605)	(6,811)	(14,554)	(6,772)
Lease rentals on operating lease	21	(1,293)	(1,943)	(1,293)	(1,643)
Debt impairment	28	(47,993)	(50,420)	(47,993)	(47,853)
Bad debts written off		(4,977)	(5,654)	(4,977)	(5,654)
General expenses	29	(130,301)	(197,359)	(121,137)	(185,746)
Total expenditure		**(309,447)**	**(371,572)**	**(300,110)**	**(356,146)**
Surplus (deficit) before taxation		**7,568**	**(108,038)**	**16,832**	**(92,739)**
Taxation	32	(42,197)	(7,420)	(42,197)	(7,420)
Surplus (deficit) for the year		**(34,629)**	**(115,458)**	**(25,365)**	**(100,159)**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rands '000	Share capital / contributed capital	Revaluation reserve	Accumulated surplus	Total net assets
Economic entity				
Balance as at 1 April 2020	**303,854**	**275,044**	**876,313**	**1,455,211**
Changes in net assets surplus for the year	-	-	(104,150)	(104,150)
Revaluation	-	12,754	-	12,754
Total changes	-	12,754	(104,150)	(91,396)
Restated* Balance at 1 April 2021	**303,854**	**287,798**	**761,595**	**1,353,247**
Changes in net assets surplus for the year	-	-	(34,630)	(34,630)
Revaluation	-	71,329	-	71,329
Total changes	-	71,329	(34,630)	36,699
Balance at 31 March 2022	**303,854**	**359,127**	**726,965**	**1,389,946**
Note(s)	13	14		
Controlling entity				
Balance as at 1 April 2020	**303,854**	**275,044**	**883,643**	**1,462,541**
Changes in net assets surplus for the year	-	-	(100,159)	(100,159)
Revaluation surplus	-	12,754	-	12,754
Total changes	-	12,754	(100,159)	(87,405)
Restated* Balance at 1 April 2021	**303,854**	**287,798**	**783,483**	**1,375,135**
Changes in net assets surplus for the year	-	-	(25,365)	(25,365)
Revaluation	-	71,329	-	71,329
Total changes	-	71,329	(25,365)	45,964
Balance at 31 March 2022	**303,854**	**359,127**	**758,118**	**1,421,099**
Note(s)	13	14		

STATEMENT OF CASH FLOWS

Figures in Rands '000	Note(s)	Economic Entity 2022	Economic Entity 2021 Restated*	Controlling Entity 2022	Controlling Entity 2021 Restated*
Cash flow from operating activites					
Receipts					
Sale of goods and services		149,480	162,266	149,372	115,476
Grants		55,359	66,708	67,117	66,588
Interest income		6,960	8,840	6,960	8,840
		230,141	229,003	209,772	227,644
Payments					
Employee costs		(84,574)	(84,920)	(84,483)	(84,013)
Suppliers		(134,112)	(134,093)	(113,883)	(133,677)
Finance costs		(14,605)	(6,811)	(14,554)	(6,772)
		(233,291)	(225,824)	(212,920)	(224,462)
Net cash flows from operating activities	34	**(3,150)**	**3,179**	**(3,148)**	**3,182**
Cash flow from investing activites					
Purchase of property, plant and equipment	4	(195)	-	(195)	-
Repayment of loans from economic entities		-	-	14,037	-
Net cash flows from investing activities		**(195)**	**-**	**(195)**	**-**
Cash flow from financing activites					
Repayment of other financial liabilities		-	2,460	-	2,460
Movement in government projects		(3,574)	(22,348)	(3,574)	(22,348)
Finance lease payments		-	1	-	-
Net cash flows from financing activities		**1,195**	**(19,887)**	**1,195**	**(19,888)**
Net increase/(decrease) in cash and cash equivalents		**(2,150)**	**(16,708)**	**(2,148)**	**(16,706)**
Cash and cash equivalents at the beginning of the year		19,123	35,831	19,118	35,824
Cash and cash equivalents at the end of the year	12	**16,973**	**19,123**	**16,970**	**19,118**

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

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

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

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

1.1 Presentation currency

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

1.2 Going concern assumption

These 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.

1.3 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 the financial statements states that users are assumed to have reasonable knowledge of government, its activities, accounting, and a willingness to study the information with reasonable diligence. Therefore, the assessment considers how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 Interests in other entities

Consolidated financial statements

Consolidated annual financial statements are the annual financial statements of an economic entity in which the assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all the controlled entities, including special purpose entities, which are controlled by the controlling entity. An entity controls another entity when the entity is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature or amount of those benefits through its power over the other entity.

A controlled entity is an entity that is controlled by another entity. A controlling entity is an entity that controls one or more entities.

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

A non-controlling interest is the net assets in a controlled entity not attributable, directly, or indirectly, to a controlling entity. 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, which does not result in a loss of control, x are accounted for as transactions that affect net assets.

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.

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.

Presentation of consolidated financial statements

The entity as controlling entity presents consolidated annual financial statements.

The entity as controlling entity does not present consolidated annual financial statements, due to it meeting all of the following conditions:

- it is itself a controlled entity and the information needs of users are met by its controlling entity's consolidated annual financial statements and in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated annual financial statements;

- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- it did not file, nor is it in the process of filing, its annual financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- its ultimate or any intermediate controlling entity produces annual financial statements that are available for public use and comply with the Standards of GRAP, in which controlled entities are consolidated or are measured at fair value in accordance with this Standard.

The entity as controlling entity that is an investment entity, does not present consolidated annual financial statements, due to it being required to measure all of its controlled entities at fair value.

Control

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

The entity controls another entity if the entity has all three of the following elements of control:

- power over the other entity;
- exposure, or rights, to variable benefits from its involvement with the other entity; and
- the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity.

The entity considers all facts and circumstances when assessing whether it controls another entity. The entity will reassess whether it controls another entity if facts and circumstances indicate that there are changes to one or more of the three elements of control.

As an entity with decision making rights, the entity determines whether it is a principal or an agent in undertaking transactions with third parties. The entity also determines whether another entity with decision making rights is acting as an agent for the entity. An agent is a party primarily engaged to undertake transactions with third parties on behalf of and for the benefit of another party or parties (the principal(s)) and therefore does not control the other entity when it exercises its decision-making authority. Thus, sometimes a principal's power may be held and exercisable by an agent, but on behalf of the principal.

ACCOUNTING POLICIES

Accounting requirements

The entity as a controlling entity prepares consolidated annual financial statements using uniform accounting policies for like transactions and other events in similar circumstances.
Consolidation of a controlled entity begins from the date the entity obtains control of the other entity and ceases when the entity loses control of the other entity.

Reporting dates

The financial statements of the entity as controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as at the same reporting date. When the end of the reporting period of the controlling entity is different from that of a controlled entity, the controlling entity either:

- obtains, for consolidation purposes, additional financial information as of the same date as the annual financial statements of the controlling entity; or
- uses the most recent annual financial statements of the controlled entity at the time of preparing the consolidation, adjusted for the effects of significant transactions or events that occur between the date of those annual financial statements and the date of the consolidated annual financial statements.

Loss of control

If the entity as controlling entity loses control of a controlled entity, the entity:

- derecognises the assets and liabilities of the former controlled entity from the consolidated statement of financial position;
- recognises any investment retained in the former controlled entity and subsequently accounts for it and for any amounts owed by or to the former controlled entity in accordance with the relevant Standards of GRAP. That fair value is regarded as the fair value on initial recognition of a financial asset in accordance with Standard of GRAP on Financial Instruments or the cost on initial recognition of an investment in an associate or joint venture; and
- recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

ACCOUNTING POLICIES

If the entity as controlling entity loses control of a controlled entity, it:

- derecognise the assets and liabilities of the controlled entity at their carrying amounts at the date when control is lost, and the carrying amount of any non-controlling interests in the former controlled entity at the date when control is lost (including any gain or loss recognised directly in net assets attributable to them).
- recognise the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control, if the transaction, event, or circumstances that resulted in the loss of control involves a distribution of shares of the controlled entity to owners in their capacity as owners, that distribution and any investment retained in the former controlled entity at its fair value at the date when control is lost.
- transfer directly to accumulated surplus/deficit, if required by other Standards of GRAP, the amounts recognised directly in net assets in relation to the controlled entity on the basis described in paragraph .56.
- recognise any resulting difference as a gain or loss in surplus or deficit (see GRAP 106), or in accumulated surplus or deficit (see GRAP 105) attributable to the controlling entity.

If the entity as the controlling entity loses control of a controlled entity, the entity as the controlling entity accounts for all amounts previously recognised directly in net assets in relation to that controlled entity on the same basis as would be required if the controlling entity had directly disposed of the related assets or liabilities. If a revaluation surplus previously recognised directly in net assets would be transferred directly to accumulated surplus or deficit on the disposal of the asset, the entity as the controlling entity transfers the revaluation surplus directly to accumulated surplus or deficit when it loses control of the controlled entity.

Investments in associates and/or joint ventures

An associate is an entity over which the investor has significant influence.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

ACCOUNTING POLICIES

The 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 investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit, and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

Significant influence is the power to participate in the financial and operating policy decisions of another entity, but it does not represent control or joint control of those policies.

Equity method

On initial recognition, the investment in an associate or a joint venture is recognised at cost and the carrying amount is increased or decreased to recognise the entity as investor's share of the surplus or deficit of the investee after the date of acquisition. The entity as investor's share of the investee's surplus or deficit is recognised in the entity as investor's surplus or deficit. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the entity as investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognised in the investee's surplus or deficit. Such changes include those arising from the revaluation of property, plant, and equipment and from foreign exchange translation differences. The entity as investor's share of those changes is recognised in net assets of the entity as investor.

An investment in an associate or a joint venture accounted for using the equity method is classified as a non-current asset.

The entity with joint control of, or significant influence over, an investee, accounts for its investment in an associate or a joint venture using the equity method except when that investment qualifies for exemption.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

ACCOUNTING POLICIES

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Taxation

Revenue, expenses, and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.6 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.

1.7 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.

ACCOUNTING POLICIES

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

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.

ACCOUNTING POLICIES

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

1.8 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

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 revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant, and equipment – Infrastructure 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.

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.

ACCOUNTING POLICIES

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 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.

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.

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.

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

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).

1.9 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.

ACCOUNTING POLICIES

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.

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.

ACCOUNTING POLICIES

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

1.10 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 un-collectability.

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.

ACCOUNTING POLICIES

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

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

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

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

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

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:

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

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies;
- combined instruments that are designated at fair value; and
- 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.

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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).

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.

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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 et 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.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.13 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.

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

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

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

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

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

1.14 Discontinued Operations

Discontinued operation is a component of an economic entity that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled economic entity acquired exclusively with a view to resale.

A component of an economic entity is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the economic entity.

1.15 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.

ACCOUNTING POLICIES

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.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.16 Share capital / contributed capital

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

1.17 Employee benefits

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

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

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

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

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

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment 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.

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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 cellular phones) for current employees.

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

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

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

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

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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.

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.

1.18 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.

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and

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- has raised a valid expectation in those affected that it would 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 47.

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

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- 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.

1.19 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.

1.20 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.

1.21 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.

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.

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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, de-recognition, 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.

1.22 Cost of sales

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

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

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.24 Comparative figures

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

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1.25 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.26 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.27 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development 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.

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1.28 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.29 Related parties

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

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

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

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

ACCOUNTING POLICIES

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.

1.30 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.

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has not adopted any standards and interpretations that are effective for the durrent finan cial year.

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 1 April 2022 or later periods:

Standard/Interpretation	Effective Date: Years beginning on or after	Expected Impact
GRAP 25 (as revised) Employee Benefits	01 April 2022	Not expected to impact results but may result in additional disclosure
GRAP 104 (as revised) Financial Instruments	01 April 2022	Not expected to impact results but may result in additional disclosure
iGRAP 7 The Limit on a Devined Benefit Asset, Minimum Funding Requirements ad their interaction	01 April 2022	Unlikely there will be a material impact
iGRAP 21 Effects of Past Decision on Materiality	01 April 2022	Not expected to impact results but may result in additional disclosure
GRAP 1 (as aended) Presentation of Financial Statements	01 April 2022	Not expected to impact results but may result in additional disclosure
GRAP 104 (amended): Financial Instruments	01 April 2022	Not expected to impact results but may result in additional disclosure
Guideline: Guideline on Accounting for Landfill Sites	01 April 2022	Unlikely there will be a material impact

NOTES TO THE FINANCIAL STATEMENTS

3. Investment property	2022 Cost/ Valuation	2022 Accumulated depreciation and accumulation impairment	2022 Carrying value	2021 Cost/ Valuation	2021 Accumulated depreciation and accumulation impairment	2021 Carrying value
Economic Entity						
Investment property	1,620,030	-	1,620,030	1,537,318	-	1,537,318
Controlling Entity						
Investment property	1,620,030	-	1,620,030	1,537,318	-	1,537,318

	Opening balance	Fair value adjustments	Total
Reconciliation of investment property - Economic entity - 2022			
Investment property	1,537,318	82,712	1,620,030
Reconciliation of investment property - Economic entity - 2021			
Investment property	1,507,379	29,939	1,537,318
Reconciliation of investment property - Controlling entity - 2022			
Investment property	1,537,318	82,712	1,620,030
Reconciliation of investment property - Controlling entity - 2021			
Investment property	1,507,379	29,939	1,537,318

Fair value of investment properties	1,620,030	1,537,318	1,620,030	1,537,318

Pledged as security

There were no Investment Properties pledged as security

Details of valuation

Investment Property valuations was conducted by Black Dot Property Consultants (Pty) Ltd at Fair Value, based on the aggregrate 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 2022. 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.

The fair value of undeveloped land held as investment property is based on comparative market prices after intensive market surveys and research. Gains and losses arising from a change or re-measurement to fair value are recognised in profit or loss statement.

Black Dot Property Consultant (Pty) Ltd's independent professional valuers who hold a professional registration with the South African Council for the Property Valuers Profession (SACPVP) signed off each property valuation report.

Maintenance of Investment Property	Economic entity 2022	Economic entity 2021	Controlling entity 2022	Controlling entity 2021
The following costs were incurred:				
Preventative Maintenance incurred on revenue generating investment property	5,299,311	-	5,299,311	-

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment

Economic entity

	2022			2021		
	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	(12,849)	14,488	27,337	(12,245)	15,092
Furniture and fixtures	3,029	(2,889)	140	3,073	(2,845)	228
Motor vehicles	8,507	(6,981)	1,526	8,507	(6,249)	2,258
Office equipment	6,825	(6,525)	300	6,925	(6,829)	96
Infrastructure	725,069	(471,786)	253,283	536,970	(333,344)	203,626
Total	**776,748**	**(501,030)**	**275,718**	**588,793**	**(361,512)**	**227,281**

Controlling entity

	Cost/ Valuation (2022)	Accumulated depreciation and accumulated impairment (2022)	Carrying value (2022)	Cost/ Valuation (2021)	Accumulated depreciation and accumulated impairment (2021)	Carrying value (2021)
Land	5,981	-	5,981	5,981	-	5,981
Buildings	27,337	(12,849)	14,488	27,337	(12,245)	15,092
Furniture and fixtures	3,029	(2,889)	140	3,073	(2,845)	228
Motor vehicles	8,507	(6,981)	1,526	8,507	(6,249)	2,258
Office equipment	6,825	(6,525)	300	6,925	(6,829)	96
Infrastructure	725,069	(471,786)	253,283	536,970	(333,344)	203,626
Total	**776,748**	**(501,030)**	**275,718**	**588,793**	**(361,512)**	**227,281**

Reconcilitation of property, plant and equipment - Economic entity - 2022

	Opening balance	Additions	Revaluations	Other movements	Depreciation	Total
Land	5,981	-	-	-	-	5,981
Buildings	15,092	-	-	-	(604)	14,488
Furniture and fixtures	228	-	-	-	(88)	140
Motor vehicles	2,258	-	-	-	(732)	1,526
Office equipment	96	195	-	123	(114)	300
Infrastructure	203,626	-	71,329	-	(21,672)	253,283
Total	**227,281**	**195**	**71,329**	**123**	**(23,210)**	**275,718**

NOTES TO THE FINANCIAL STATEMENTS

Reconcilitation of property, plant and equipment - Economic entity - 2021

	Opening balance	Revaluations	Other movements	Depreciation	Impairment loss	Total
Land	5,981	-	-	-	-	5,981
Buildings	15,739	-	-	(647)	-	15,092
Furniture and fixtures	459	-	1	(232)	-	228
Motor vehicles	4,135	-	-	(1,877)	-	2,258
Office equipment	532	-	-	(366)	(70)	96
Infrastructure	211,267	8,409	-	(16,050)	-	203,626
Total	**238,113**	**8,409**	**1**	**(19,172)**	**(70)**	**227,281**

Reconcilitation of property, plant and equipment - Controlling entity - 2022

	Opening balance	Additions	Revaluations	Other changes, movements	Depreciation	Total
Land	5,981	-	-	-	-	5,981
Buildings	15,092	-	-	-	(604)	14,488
Furniture and fixtures	228	-	-	-	(88)	140
Motor vehicles	2,258	-	-	-	(732)	1,526
Office equipment	96	195	-	123	(114)	300
Infrastructure	203,626	-	71,329	-	(21,672)	253,283
Total	**227,281**	**195**	**71,329**	**123**	**(23,210)**	**275,718**

Reconcilitation of property, plant and equipment - Controlling entity - 2021

	Opening balance	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	5,981	-	-	-	-	5,981
Buildings	15,739	-	-	(647)	-	15,092
Furniture and fixtures	459	-	1	(232)	-	228
Motor vehicles	4,135	-	-	(1,877)	-	2,258
Office equipment	532	-	-	(366)	(70)	96
Infrastructure	211,267	8,409	-	(16,050)	-	203,626
Total	**238,113**	**8,409**	**1**	**(19,172)**	**(70)**	**227,281**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021

Pledged as security

No items of property, plant and equipment were pledged as collateral security

Expenditure incurred to repair and maintain property, plant and equipment

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

General expenses	14,808	-	14,808	-

5. Intangible assets

	2022			2021		
Economic entity	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
Contractual Rights	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						
Computer software, other	173	(169)	4	173	(169)	4

	Opening balance	Total
Reconciliation of intangible assets - Economic entity - 2022		
Computer software, other	4	4
Contractual Rights	9,270	9,270
	9,274	**9,274**
Reconciliation of intangible assets - Economic entity - 2021		
Computer software, other	4	4
Contractual Rights	9,270	9,270
	9,274	**9,274**
Reconciliation of intangible assets - Controlling entity - 2022		
Computer software, other	4	4
Reconciliation of intangible assets - Controlling entity - 2021		
Computer software, other	4	4

Reconciliation of living resources - Economic Entity - 2022

Reconciliation of living resources - Economic Entity - 2021

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
6. Loans to (from) group companies				
Controlled entities				
Golden Leopard Resorts SOC Ltd and Signal Developments SOC Ltd	57,899	52,922	66,959	52,922
Loans to Golden Leopard Resorts and Signal Developments were for purposes of assisting the entity when the performance is low. The loan bears interest and is payable when the performance of the entity improves				
	57,899	52,922	66,959	52,922
Impairment of loans to controlled entities	(57,899)	(52,922)	(57,899)	(52,922)
	-	-	9,060	-
7. Deferred tax				
Deferred tax liability				
Property, plant and equipment	(231,565)	(189,369)	(231,565)	(189,369)
Reconciliation of deferred tax asset/(liability)				
At beginning of year	(189,369)	(201,360)	(189,369)	(201,360)
Current year deferred tax movement	(42,196)	(7,421)	(42,196)	(7,421)
Other	-	19,412	-	19,412
	(231,565)	**(189,369)**	**(231,565)**	**(189,369)**

The tax rate was changed from 28% to 27% per the announced change in corporate rate. The balance for deferred tax is a result of temporary differences mainly from non-current assets. A deferred tax asset amounting to R 119 827 203 was recognised on the assessed loss balance.

8. Operating lease asset (accrual)

Current assets	-	521	-	521

The operating lease asset is as a result of rental smoothing of straighlining of the rental due to escalation

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity 2022	Economic entity 2021	Controlling entity 2022	Controlling entity 2021

9. Employee benefit obligation

Defined benefit plan

Post retirement medical aid plan

The entity provides certain post-employment medical aid benefits (PEMAL) by funding the medical aid contributions of qualifying retired members of the entity. According to the rules of the Medical Aid Funds, with which the entity is associated, member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the entity is liable for a certain portion of the medical aid membership fee. The entity operates an unfunded defined benefit plan for existing employees who were eligible for this benefit before the benefit was discontinued.

No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 March 2022 by Julian van der Spuy, Fellow of the Institute of Actuaries of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Funding Method.

Long service award (LSA)

The company operates an unfunded defined benefit plan for all its permanent employees. Under the plan, a long-service benefits are awarded in the form of leave days and a percentage of salary payable to employees after 5 years of continuous service, and every 5 years of continuous service from 5 years of service to 30 years of service. The provision is an estimate of the long service based on historical staff turnover. Additional cash/gifts are awarded to employees for levels of past service per the LSA policy.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried at 31 March 2022 by Mr Julian van der Spuy, Fellow of the Institute of Actuaries of South Africa. The Projected Unit Credit Funding Method has been used to determine the past-service liabilities at the valuation date and the projected annual expenses in the year following the valuation date.

The amounts recognised in the statement of financial position are as follows:

Carrying value

	Economic entity 2022	Economic entity 2021	Controlling entity 2022	Controlling entity 2021
Present value of the defined benefit obligation - wholly unfunded	(5,341)	(5,644)	(5,341)	(5,644)
Long service award	(5,335)	(5,411)	(5,335)	(5,411)
	(10,676)	**(11,055)**	**(10,676)**	**(11,055)**

Calculation of actuarial gains and losses

	Economic entity 2022	Economic entity 2021	Controlling entity 2022	Controlling entity 2021
Actuarial (gains) losses - Obligation	(676)	-	(676)	-

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
Key assumptions used				
Assumptions used at the reporting date:				
Discount rate - PEMAL	10,16%	11,93%	0%	0%
Discount rate - LSA	9,22%	7,64%	0%	0%
Consumer Price Inflation (CPI) - PEMAL	6,54%	7,99%	0%	0%
Consumer Price Inflation (CPI) - LSA	6,39%	5,77%	0%	0%
Normal salary increase rate - PEMAL	7,54%	8,99%	0%	0%
Normal salary increase rate - LSA	7,39%	6,77%	0%	0%
Net effective discount rate - PEMAL	2,44%	2,70%	0%	0%
Net effective discount rate - LSA	1,70%	0,81%	0%	0%

Other assumptions

Amounts for the current and previous three years are as follows:

	2022	2021	2020
Defined benefit obligation	5,341	5,437	5,474
Long service award	5,335	5,411	4,761

	Economic entity		Controlling entity	
	2022	2021	2022	2021
Members of the post-employment medical benefit				
Current (In Service) Members	-	-	-	-
Continuation Members (Pensioners)	19	-	19	-
	19	**-**	**19**	**-**
Members entitled to long service awards				
Male	73	69	73	69
Female	74	77	74	77
	147	**146**	**147**	**146**
10. Receivables from exchange transactions				
Trade debtors	34,979	18,066	34,979	18,066
Employee costs in advance	30	30	-	-
Deposits	3,004	2,966	3,004	2,966
Sundry Debtors	286	394	286	394
Loan debtors	161	12,507	161	12,507
	38,460	**33,963**	**38,430**	**33,933**

NOTES TO THE FINANCIAL STATEMENTS

No trade and other receivables have been pledged as security.

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

There are not debtors that are past due but not yet impaired.

Each debtor was assessed on an individual basis to determine the likely future cash- flows which will flow into the entity. The balance of each debtor and impairment will be assessed on an annual basis.

The following debtors were not considered for impairment:

- Accounts fully paid;
- Debtors making consistent payments for the period 1 April 2021 to 31 March 2022; and
- Relatively new debtors (60 days bracket, 30 days bracket and current).

The following debtors were included for impairment

- Debtors that did not make monthly payments throughout the year;
- Those debtors that vacated the rental properties during this financial year, but still owed an outstanding balance as at year end; and
- Debtors paying haphazardly or inconsistently throughout the year.

Receivables included for impairment

	Controlling entity	
Controlling entity	2022	2021
Trade debtors	316,601	272,085
Allowance account for losses	(297,272)	(254,019)
Deposits	3,004	2,966
Other receivables	461	394
Loan debtors	104,074	96,144
Allowance account for losses	(88,438)	(83,637)
	38,430	**33,933**

Trade and other receivables impaired

As of 31 March 2022, trade and other receivables of R44 533 - (2021: R95 352) were impaired and provided for.

The amount of the provision was (R281 622) as if 31 March 2022 (2021: (R277 919)).

NOTES TO THE FINANCIAL STATEMENTS

The ageing of these loans is as follows:

Commercial loan debtors

We assessed the individual loan debtors and we identified the following:

- The loan book still has the same debtors since prior year;
- The balances for those debtors have also remained the same since prior year end; and
- The only movement that happened was for interest charged on these debtors which is why there is a slight increase in the gross balance.

Based on these factors we have concluded that objective evidence exists for the impairment of these debtors. We are of the opinion that since the debtors are old and there have not been any payments received, it is highly likely that the entity will not obtain any economic benefits from these debtors.

An impairment provision of 100% will therefore be appropriate under the circumstances.

SMME Debtors

We have assessed the individual SMME debtors and concluded that they have the same characteristics. They are the same in nature and they are highly doubtful. There is a strong trend of non-payment by the SMME debtors. A 100% provision was provided for the 2021 financial year. The same debtors remained on the SMME debtors' age analysis with no movement except for interest charged. There is clear evidence that it is highly unlikely that any payments will be received from these debtors.

Rental Debtors

Payments not received in the current financial year:

We have provided for 100% of the balances that are older than 90 days because there is objective evidence that the balances will not be recovered as repayments have not been made in the current financial year. The entity is highly unlikely to derive any economic benefits from these debtors.

No impairment has been provided for balances that are 60 days and 30 days old as we do not have objective evidence that those debtors might be impaired.

Payments received in the current financial year:

We have provided for 100% of the balance of the loan from 120+ days as we are of the opinion that these amounts will most likely not be recovered in the future due to historic trends. We have provided for 50% of the balance of the loan in the 90 days bracket as there is a 50/50 chance that this amount may be received at this point in time as payments have been received in the current financial year.

No impairment has been provided for balances that are 60 days and 30 days old as we do not have objective evidence that those debtors might be impaired.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
11. VAT receivable				
VAT	1,340	1,010	1,340	1,010
12. Cash and cash equivalents				
Cash and cahs equivalents consists of:				
Cash on hand	88	88	88	88
Bank balances	19,633	19,872	19,630	19,867
Bank overdraft	(2,748)	(837)	(2,748)	(837)
	16,973	**19,123**	**16,970**	**19,118**
Current assets	19,721	19,960	19,718	19,955
Current liabilities	(2,748)	(837)	(2,748)	(837)
	16,973	**19,123**	**16,970**	**19,118**

No cash and cash equivalents were pledged as security for liabilities for the entity.

13. Share capital/contributed capital				
Authorised				
303 854 057 Ordinary shares of R1 each	303,854	303,854	303,854	303,854

There were no changes to the authorised share capita l

Issued				
Ordinary	303,854	303,854	303,854	303,854

14. Revaluation reserve

The revaluation reserve is not a distributable reserve.

Opening balance	287,798	279,388	287,798	279,388
Change during the year	71,329	8,410	71,329	8,410
	359,127	**287,798**	**359,127**	**287,798**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
15. Other financial liabilities				
Designated at fair value				
Treasury Loan	10,082	10,082	-	-
The entire liability originated from the settlement by the NWPG of the 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 the 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 Developments SOC Ltd fairly valued, exceeds its liabilities.				
Public Investment Corporation Loan	8,800	8,800	-	-
The loan was provided by the then Public Investment Commission to Signal Development with the suretyship of North West Provincial Government. Repayment terms were originally R3 million repayable 1June 1994 and R5 million repayable 1 June 1995. Due to financial difficulty the repayment 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.				
	18,882	**18,882**	**-**	**-**
At amortised cost				
DBSA Loans	54,963	50,194	54,963	50,194
NWDC has concessionary loan payable to the DBSA. The loan is interest free. As at the end of the financial year, the loan had a nominal value of R74 181 081.31. The NWDC has been experiencing financial difficulties and it was unable to pay any of the instalments for the DBSA loan for the 2022 financial year. The default was not remedied, and the terms of the loan payable were not renegotiated.				
Non-current liabilities				
At amortised cost	32,746	36,863	32,746	36,863
Current liabilities				
Designated at fair value	18,882	18,882	-	-
At amortised cost	22,217	13,331	22,217	13,331
	41,099	**32,213**	**22,217**	**13,331**

NOTES TO THE FINANCIAL STATEMENTS

	Opening balance	Additions	Total
16. Provisions			
Reconciliation of provisions - Economic entity - 2022			
Environmental rehabilitation	31,521	6,503	38,024
Reconciliation of provisions - Economic entity - 2021			
Environmental rehabilitation	30,328	1,193	31,521
Reconciliation of provisions - Controlling entity - 2022			
Environmental rehabilitation	31,521	6,503	38,024
Reconciliation of provisions - Controlling entity - 2021			
Environmental rehabilitation	30,328	1,193	31,521

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.

The value of the provision was based on the estimated costs that would be incurred by the entity to rehabilitate. The estimation of the costs considered the costs for equipment, materials, labour and fuel that will be needed to rehabilitate the quarry. The total cost being the product of the unit prices and the equipment, quantities of the materials, labour and fuel.

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
17. Government projects				
Unspent government projects result from contractual agreement between the economic entity and the various government departments on an agent principal relationship.The NWDC enters into various contracts with government departments. The department will act as a principal and NWDC takes the role of the agent. The amount payable are for projects not yet completed and where the funds are repayable to the government				
Government Projects - READ	3,312	13,325	3,312	13,325
Government Projects - COVID-19 Relief Fund	19,727	22,348	19,727	22,348
	23,039	**35,673**	**23,039**	**35,673**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity 2022	Economic entity 2021	Controlling entity 2022	Controlling entity 2021
18. Payables from exchange transactions				
Trade payables	64,278	58,300	64,278	58,300
Other payables	5,958	631	4,100	(1,026)
Accrued leave pay	12,530	8,850	12,530	8,850
Accrued expense	28,884	28,354	28,884	28,354
Deposits received	19,523	19,717	19,523	19,717
Other creditors	41,049	40,987	41,049	40,987
	172,222	**156,839**	**170,364**	**155,182**
19. VAT payable				
VAT payable	2,762	42	2,762	42
20. Revenue				
Rental of facilities and equipment	132,586	134,392	132,586	134,392
Interest received (trading)	22,172	22,342	22,172	22,342
Rental income	339	172	339	172
Recoveries	21	64	21	64
Other income	4,360	1,070	4,360	1,070
Interest received (investment)	6,960	8,840	6,960	8,840
Government grants and subsidies	67,190	66,715	67,117	66,588
Share of surpluses	-	2,598	-	-
Fair value adjustment	82,711	29,939	82,711	29,939
	316,339	**266,132**	**316,266**	**263,407**
The amount included in revenue arising from exchange of goods of services are as follows:				
Rental of facilities and equipment	132,586	134,392	132,586	134,392
Interest received (trading)	22,172	22,342	22,172	22,342
Rental income	339	172	339	172
Recoveries	21	64	21	64
Other income	4,360	1,070	4,360	1,070
Interest received (investment)	6,960	8,840	6,960	8,840
	166,438	**166,880**	**166,438**	**166,880**
The amount included in revenue arising from non-exchange transactions is as follows:				
Taxation revenue				
Transfer revenue				
Government grants and subsidies	67,190	66,715	67,117	66,588

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
21. Lease rentals on operating lease				
Premises				
Contractual amounts	-	300	-	-
Lease rentals on operating lease				
Contractual amounts	1,293	1,643	1,293	1,643
	1,293	**1,943**	**1,293**	**1,643**

The economic entity leases certain motor vehicles under Finance Lease. The average lease term is 5 years (from 2019) and the average effective interest rate is 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.

22. Other revenue				
Rental income - third party	339	172	339	172
Recovery	21	64	21	64
Other income	4,360	1,070	4,360	1,070
	4,720	**1,306**	**4,720**	**1,306**
23. Investment revenue				
Interest revenue				
Bank	13	432	13	432
Interest charged on trade and other receivables	6,947	8,408	6,947	8,408
	6,960	**8,840**	**6,960**	**8,840**
24. Government grants and subsidies				
Operating grants				
Equitable share	67,117	66,588	67,117	66,588
Government grant (Kgama Wildlife Operations)	73	127	-	-
	67,190	**66,715**	**67,117**	**66,588**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
25. Employee related costs				
Basic	68,415	68,595	68,293	67,688
Medical aid (company contributions)	2,028	1,853	2,028	1,853
UIF	296	265	296	265
WCA	82	47	82	47
Leave paid out	1,618	4,784	1,618	4,784
Short term benefit	257	708	257	708
Overtime payments	655	172	655	172
Long-service awards	845	510	845	510
Acting allowances	1,167	1,786	1,167	1,786
Transport allowance	818	987	818	987
Car allowance	-	8	-	8
Other	10,887	10,499	10,887	10,499
	87,068	**90,214**	**86,946**	**89,307**
Remuneration of the Chief Executive Officer - Mr STM Phetla				
Annual remuneration	3,005	2,237	3,005	2,237
Car allowance	-	17	-	17
Performance bonuses	-	418	-	418
Other	906	-	906	-
	3,911	**2,672**	**3,911**	**2,672**
Remuneration of the Chief Financial Officer - Ms L Sonqishe				
Annual remuneration	-	1,035	-	1,035
Car allowance	-	521	-	521
Performance bonuses	-	209	-	209
	-	**1,765**	**-**	**1,765**
Remuneration of the Acting Chief Financial Officer - Mr TR Pitso				
Annual remuneration	894	894	894	894
Car allowance	-	696	-	696
Performance bonuses	-	54	-	54
Other	278	-	278	-
	1,172	**1,644**	**1,172**	**1,644**
Remuneration of the Executive Manager SEZ - Mr A Tau				
Annual remuneration	1,138	-	1,138	-
	1,138	**-**	**1,138**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
Remuneration of the Acting Chief Financial Officer - Mr RS Malapane				
Annual remuneration	2,370	2,726	2,370	2,726
Car allowance	71	71	71	71
Other	281	-	281	-
	2,722	**2,797**	**2,722**	**2,797**
Remuneration of the Acting Property Executive - Ms N Phamodi				
Annual remuneration	927	927	927	927
Car allowance	-	45	-	45
Performance bonuses	-	173	-	173
Acting allowance	55	-	55	-
Long-service award	23	-	23	-
	1,005	**1,145**	**1,005**	**1,145**
Remuneration of the Property Executive - Ms MR Matabane				
Annual remuneration	-	716	-	716
Car allowance	-	107	-	107
Performance bonuses	-	134	-	134
	-	**957**	**-**	**957**
26. Depreciation and amortisation				
Property, plant and equipment	23,210	19,171	23,210	19,171
27. Finance costs				
Trade and other payables	51	39	-	-
Fair value adjustments - Notional interest	5,261	4,230	5,261	4,230
Other interest paid	9,293	2,542	9,293	2,542
	14,605	**6,811**	**14,554**	**6,772**
28. Debt impairment				
Debt impairment	47,993	47,853	47,993	47,853
Bad debts written off	-	2,567	-	-
	47,993	**50,420**	**47,993**	**47,853**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
29. General expenses				
Advertising	181	236	181	236
Auditors remuneration	7,345	1,968	7,119	1,665
Bank charges	360	423	359	421
Computer expenses	2,036	3,302	2,036	3,302
Consulting and professional fees	15,298	15,093	15,298	15,093
IT expenses	230	-	230	-
Magazines, books and periodicals	89	81	89	81
Fuel and oil	491	720	491	720
Printing and stationery	219	585	219	585
Repairs and maintenance	5,632	19,425	5,632	19,425
Staff welfare	-	18	-	18
Telephone and fax	1,520	1,576	1,520	1,576
Training	212	94	212	94
Travel (local)	72	297	72	297
Property related expenses	91,191	131,578	82,253	131,578
Licence fees	10	15	10	15
Christiana expenses	2,712	1,588	2,712	1,588
Other expenses	2,703	9,052	2,703	9,052
	130,301	**197,359**	**121,136**	**185,746**
30. Fair value adjustments				
Investment property (Fair value model)	82,711	29,939	82,711	29,939
31. Auditors' remuneration				
Fees	7,345	1,107	7,119	804
Consulting	-	861	-	861
	7,345	**1,968**	**7,119**	**1,665**
32. Taxation				
Major components of the tax expense				
Deferred				
Deferred tax	42,197	7,420	42,197	7,420

Income tax expense is comprised of the deferred tax movement. The current tax is nil, the entity has an assessed loss.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
33. Operating deficit				
Operating deficit for the year is stated after accounting for th following				
Operating lease charges				
Premises				
• Contractual amounts	-	300	-	-
Lease rentals on operating lease				
• Contractual amounts	1,293	1,643	1,293	1,643
	1,293	**1,943**	**1,293**	**1,643**
Depreciation on property, plant and equipment	23,210	19,171	23,210	19,171
Employee costs	87,068	90,214	86,946	89,307
34. Cash (used in) generated from operations				
Deficit	(34,630)	(104,157)	(25,365)	(100,159)
Adjustments for:				
Depreciation and amortisation	23,210	19,171	23,210	19,171
Fair value adjustments	(82,711)	(29,939)	(82,711)	(29,939)
Debt impairment	47,993	50,420	47,993	47,853
Bad debts written off	4,977	5,654	4,977	5,654
Movements in operating lease assets and accruals	521	-	521	-
Movements in retirement benefit assets and liabilities	(379)	808	(379)	808
Movements in provisions	6,503	1,193	6,503	1,193
Interest	(29,132)	(31,164)	(29,132)	(31,164)
Changes in working capital:				
Receivables from exchange transactions	(4,497)	(5,861)	(4,497)	(40,307)
Payables from exchange transactions	15,383	85,884	15,182	79,966
VAT	2,390	(366)	2,390	(366)
	(3,150)	**3,179**	**(3,148)**	**3,182**

NOTES TO THE FINANCIAL STATEMENTS

35. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2022	At amortised cost	Total
Financial assets		
Trade and other receivables from exchange transactions	38,460	38,460
Cash and cash equivalents	19,721	19,721
VAT receivable	1,340	1,340
	59,521	**59,521**
Financial liabilities		
Other financial liabilities (current portion)	41,099	41,099
Trade and other payables from exchange transactions	172,222	172,222
Other financial liabilities (non-current portion)	32,746	32,746
Bank overdraft	2,748	2,748
VAT payable	2,762	2,762
Taxes and transfers payable (non-exchange)	88	88
	251,665	**251,665**

Economic entity - 2021

Financial assets		
Other financial assets	521	521
Trade and other receivab les from exchange transactions	33,963	33,963
Cash and cash equivalents	19,960	19,960
VAT receivable	1,010	1,010
	55,454	**55,454**
Financial liabilities		
Other financial liabilities (non-current portion)	36,863	36,863
Trade and other payables from exchange transactions	156,839	156,839
Other financial liabilities (current portion)	32,213	32,213
Bank overdraft	837	837
VAT payable	42	42
Lease obligation	1	1
	226,795	**226,795**

NOTES TO THE FINANCIAL STATEMENTS

Controlling entity - 2022

Financial assets	At amortised cost	Total
Loans to economic entities	9,060	9,060
Trade and other receivables from exchange transactions	38,430	38,430
Cash and cash equivalents	19,718	19,718
VAT receivable	1,340	1,340
	68,548	**68,548**

Financial liabilities		
Other financial liabilities (current portion)	22,217	22,217
Trade and other payables from exchange transactions	170,364	170,364
VAT payable	2,762	2,762
Bank overdraft	2,748	2,748
Other financial liabilities (non-current portion)	32,746	32,746
	230,837	**230,837**

Controlling entity - 2021

Financial assets		
Trade and other receivables from exchange transactions	33,933	33,933
Cash and cash equivalents	19,955	19,955
VAT receivable	1,010	1,010
Operating lease asset	521	521
	55,419	**55,419**

Financial liabilities		
Other financial liabilities (current portion)	13,331	13,331
Trade and other payables from exchange transactions	155,182	155,182
Bank overdraft	837	837
Other financial liabilities (non-current portion)	36,863	36,863
VAT payable	42	42
	206,255	**206,255**

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
36. Commitments				
Authorised operational expenditure				
Already contracted for but not provided for:				
• Facilities management and cleaning services	-	11,976	-	11,976
• Security services	4,407	28,263	4,407	28,263
• Valuation of properties	-	1,681	-	1,681
	4,407	**41,920**	**4,407**	**41,920**
Total operational commitments				
Already contracted for but not provided for	4,407	41,920	4,407	41,920

37. Contingencies

The NWDC is involved in the cases listed below. The details of the case are available at the company's offices in Mahikeng. The contingent liabilities are disclosed as such because the determination of whether is payable are dependent on outcome of the courts wholly outside management control.

Abiel Mohlahlo	1,100	1,100	1,100	1,100
City of Tshwane	140,874	140,874	140,874	140,874
Flexifor (Pty) Ltd	10,000	10,000	10,000	10,000
	151,974	**151,974**	**151,974**	**151,974**

1. 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 the attached goods from NWDC and NWDC brought the application to stop the sale of attached goods. The case is still pending.
2. 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.
3. Flexifor (Pty) Ltd - Flexiflor (Pty) Ltd is taking NWDC to court for a breach of contract regarding funding of R10 million that should have been provided but has not yet been provided to date as at 31 March 2021, the matter is still ongoing and has not yet been concluded on and thus the outcome is uncertain.

38. Related parties

Board members	Refer to board members' report note 39
Controlling Department	North West Department of Economic Development, Environment, Conservation and Tourism
Contolled entities	Kgama Wildlife Operations SOC Ltd
	Signal Developments SOC Ltd

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity 2022	Economic entity 2021	Controlling entity 2022	Controlling entity 2021
Related party balances				
Balances owing (to) by related parties				
Department of Economic Development, Environment, Conservation and Tourism			5,639	4,021
Department of Human Settlements			4,646	4,931
Department of Tourism			(13)	701
SAMAF			(44)	(44)
SASSA (Mogwase)			261	-
Department of Finance (Mmabatho)			10,637	404
North West Gambling Board			11	11
Department of Traditional Affairs (Lehurutshe)			199	199
SASSA (Taung)			768	-
SASSA (Mmabatho)			793	805
SASSA (Manthestad)			145	539
Department of Health (Mmabatho)			95	95
Department of Social Development (Ganyesa)			2,160	1,536
Department of Public Works (Correctional Services - Mogwase)			1,196	954
Department of Public Works (Labour - Mogwase)			445	240
Department of Education (East - Mogwase)			218	160
Moses Kotane Local Municipality			6,792	6,028
Department of Education (West - Mabeskraal)			25	129
Department of Social Development (Northern Cape)			1,954	1,768
Department of Roads and Public Works (Northern Cape)			1,411	1,185
SASSA (Garankuwa)			321	125
City of Tshwane			9,273	8,541

The balances above relates to amounts owing by fellow public sector organisations as per paragraph 5 of the GRAP 20: Related Party Disclosures

Figures in Rands '000	Economic entity 2022	Economic entity 2021	Controlling entity 2022	Controlling entity 2021
Related party transactions				
Rentals from related parties				
Department of Economic Development, Environment, Conservation and Tourism			14,068	13,401
Department of Human Settlements			8,233	7,485
Department of Tourism			902	1,547
Department of Finance (Mmabatho)			423	377
Department of Social Development (Ganyesa)			408	371
SASSA (Mmabatho)			7,286	6,624
SASSA (Manthestad)			107	99
Department of Public Works (Correctional Services - Mogwase)			576	523
Department of Public Works (Labour/UIF - Mogwase)			187	177
Department of Education (East - Mogwase)			633	576
Moses Kotane Local Municipality			182	334
SASSA (Mogwase)			1,004	383
City of Tshwane Municipality			1,488	1,624
Department of Social Development (Mothibistad)			-	938
Department of Public Works (Mothibistad)			-	948
SASSA (Garankuwa)			1,087	988
Services rendered to related parties				
Department of Finance (Mmabatho)			45	-
Department of Social Development (Ganyesa)			33	1
SASSA (Mogwase)			39	36
SASSA (Garankuwa)			34	63
Department of Social Development (Mothibistad)			-	8

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
Rental payments received from related parties				
Department of Economic Development, Environment, Conservation and Tourism			12,973	11,168
Department of Human Settlements			8,919	6,861
Department of Tourism			1,672	1,520
SASSA (Mmabatho)			7,408	6,624
Department of Finance (Mmabatho)			317	392
North West Gambling Board			24	24
SASSA (Manthestad)			88	99
Department of Public Works (Correctional Services - Mogwase)			489	616
Department of Education (East - Mogwase)			590	576
SASSA (Garankuwa)			1,142	1,214
SASSA (Mogwase)			948	-
Department of Public Works (Labour/UIF - Mogwase)			-	160
Department of Social Development (Mothibistad)			-	5
Department of Roads and Public Works (Mothibistad)			-	474
Interest charged on related party debtors				
Department of Economic Development, Environment, Conservation and Tourism			450	295
Department of Human Settlements			401	425
Department of Tourism			57	117
SASSA (Mmabatho)			111	165
Department of Social Development (Ganyesa)			177	132
SASSA (Manthestad)			13	13
SASSA (Mogwase)			6	6
Department of Public Works (Correctional Services - Mogwase)			111	131
Department of Public Works (Labour/UIF - Mogwase)			33	23
Department of Education (East - Mogwase)			14	16
Moses Kotane Local Municipality			583	565
SASSA (Mogwase)			62	1
Department of Social Development (Mothibistad)			186	306
Department of Roads and Public Works (Mothibistad)			226	173
SASSA (Garankuwa)			38	26
City of Tshwane Municipality			956	793

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021

39. Board members' emoluments

Non-executive

2022	Board members' fees	Total
Mr KK Konopi (Chairperson)	352	352
Ms K Dikgole	23	23
Ms M Chokoe	31	31
Prof L Jackson	22	22
Ms G Moyo	16	16
Mr R Malapane	6	6
Mr T Phiri	24	24
Mr S Kgodumo	24	24
Mr ME Mojaki	254	254
Mr SA Ngobeni	294	294
Ms M Sentle	352	352
Ms MM Matuba	42	42
Mr SW Ncongolo	231	231
Dr SHM Nokaneng	247	247
Ms NM Phadu-More	263	263
Ms MET Malaka	214	214
Ms SM Maleka	263	263
Ms MJ Msiza	208	208
Mr SM Motlhabi	26	26
Ms NJ Nyathi	20	20
	2,912	2,912

2021	Board members' fees	Total
Ms M Sentle (Chairperson)	469	469
Ms K Dikgole	296	296
Ms M Chokoe	390	390
Prof L Jackson	252	252
Ms G Moyo	173	173
Mr T Phiri	161	161
Mr S Kgodumo	281	281
Mr ME Mojaki	368	368
Ms B Lamola	227	227
Mr SW Ncongolo	231	231
Ms MET Malaka	195	195
Ms SM Maleka	347	347
	3,390	3,390

The Directors' emoluments above relate to the total emoluments for the economic entity (NWDC Group)

NOTES TO THE FINANCIAL STATEMENTS

40. Prior-year adjustments

Statement of financial position

	Note	As previously reported	Correction of error	Restated
Controlling entity - 2021				
Property, plant and equipment		185,965	41,316	227,281
Revaluation reserve		(281,800)	(5,998)	(287,798)
Deferred tax		(182,740)	(6,629)	(189,369)
		(278,575)	**28,689**	**(249,886)**

Statement of financial performance

Controlling entity - 2021				
Depreciation and amortisation		17,305	1,866	19,171
Taxation		791	6,629	7,420
Employee costs		89,307	47	89,354
Finance costs		6,772	35	6,807
Surplus for the year		**114,175**	**8,577**	**318,712**

Errors

The following prior period errors adjustments occurred:

Commitments

An adjustment of R1 558 540 was made for the correction of the prior year expenditure for Tshireletso professional services

Deferred tax

The deferred tax was adjusted by changing the prior year calculations to address the prior year audit findings. In addition, there were consequential adjustments on deferred tax linked to prior year adjustments on other line items.

Income tax expense

The deferred tax was adjusted by changing the prior year calculations to address the prior year audit findings. In addition, there were consequential adjustments on deferred tax linked to prior year adjustments on other line items.

Cash flow statement

Adjustments were made to the cash flow statement to address the prior year audit findings. Other adjustments also followed because of the effects of adjustments made to other line items informing the cash flow statement calculations.

Depreciation and amortisation

Prior year depreciation was adjusted as a result of revised useful lives. Some of the items of property, plant and equipment were reaching zero carrying amounts and management accounted for the as a prior year adjustment since those assets are still in use. The revision of the revaluation surplus also impacted depreciation.

Cut off

There was an error in cut off of expenses which led to adjustments to trade payables of R10 566 569, finance costs of R34 254 and employee costs of R45 725.

NOTES TO THE FINANCIAL STATEMENTS

41. 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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, economic entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 March 2022				
Other financial liabilities	41,099	4,320	11,837	16,589
Trade and other payables	172,222	-	-	-
Bank overdraft	2,748	-	-	-
At 31 March 2021				
Bank overdraft	837	-	-	-
Trade and other payables	165,759	-	-	-
Other financial liabilities	32,213	4,320	11,837	18,547
Controlling entity				
At 31 March 2022				
Other financial liabilities	22,217	4,320	11,837	16,589
Trade and other payables	170,364	-	-	-
Bank overdraft	2,748	-	-	-
At 31 March 2021				
Other financial liabilities	13,331	4,320	11,837	18,547
Trade and other payables	165,749	-	-	-
Bank overdraft	837	-	-	

Credit risk

Credit risk consists mainly of trade and other receivables. Management evaluated 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:

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
Financial instrument				
Cash and cash equivalents	19,721	19,960	19,718	19,955
Receivables from exchange transactions	38,460	33,963	38,430	33,933

Market risk

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.

42. Going concern

We draw attention to the fact that the entity made a deficit of R46 177 000 (separate - surplus of R28 378 000) for the 2022 financial year. The entity had net current liability position for R158 425 000 (separate - R132 557 000). This is also a reflection of the entity's inability to settle the current liabilities as they fall due. 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. We can reasonably conclude that material uncertainty exists pertaining to the entity's ability to continue operating as a going concern.

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, Environment, Conservation and Tourism. The turnaround strategy includes the following matters that will be implemented.

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. However, based on the measures in place, 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.

The NWDC as a state-owned entity has the support of the provincial government. The entity is vital for the much-needed development of the province. The following measures were identified as being key for the turnaround strategy:

- Implementing stringent debt collection. The entity will use an external service provider to perform the debt collection. The total debtors' book is currently above R400 million and the provision for bad debts is above 90%, implying that there is room for significantly boosting the going concern through debt collection.
- Disposals of poor performing properties. This will boost liquidity and strengthen the property portfolio.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021
43. Events after the reporting date				
No material events after the reporting date were noted.				
44. Fruitless and wasteful expenditure				
Opening balance as previously reported	43,386	40,507	43,326	40,486
Opening balance as restated	**43,386**	**40,507**	**43,326**	**40,486**
Add: Expenditure identified (current)	1,630	2,879	1,579	2,840
Less: Amount written off (current)	(10)	-	-	-
Closing balance	**45,006**	**43,386**	**44,905**	**43,326**

The fruitless and wasteful expenditure results from interest charged on late payment by various service providers

Expenditure identified in the current year include those listed below:

Interest and penalties - SARS	-	1,453	-	1,453
Interest and penalties - Municipalities	926	562	926	562
Interest and penalties - Eskom	649	809	649	809
Interest and penalties - Auditor-General SA	51	-	-	3
Interest and penalties - Other supplies	4	-	4	13
	1,630	**2,824**	**1,579**	**2,840**

45. Irregular expenditure

Opening balance as previously reported	448,934	433,188	443,114	428,958
Opening balance as restated	**448,934**	**433,188**	**443,114**	**428,958**
Add: Irregular expenditure (current)	35,564	15,746	26,228	14,156
Closing balance	**484,498**	**448,934**	**469,342**	**443,114**

Incidents/cases identified in the currentyear include those listed below:

Expenditure without budget	73	69	-	-
Contracts extended on a month - to - month	26,228	14,156	26,228	14,156
	26,301	**14,225**	**26,228**	**14,156**

Cases under investigation

No investigations for irregular expenditure were perf ormed.

The current year irregular expenditure consists of security services and no losses were incurred by the entity because of the irregular expenditure.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rands '000	Economic entity		Controlling entity	
	2022	2021	2022	2021

46. Consolidated annual financial statements

The consolidated figures do not include the Golden Leopard Resorts SOC Ltd Group (GLR). The board of directors of the NWDC passed a resolution to transfer the GLR group to the North West Tourism Board (NWTB) on 29 March 2021. The effective date for the transfer was 1 April 2021. There were also respective and reflective resolutions from the NWTB and GLR. Since then, the NWTB has kaen over the operations for the GLR group including providing financial assistance.

The transfer resulted in a loss of control for the NWDC for the GLR group. The GRAP guidelines on the preparation of consolidated financial statements require that there must be control of the subsidiary for the financial statements to be consolidated. As a result, the NWDC did not consolidate the GLR group for the 2022 financial year. Per the comparability fundamental principles for general purpose financial reports, the comparative figures were also not consolidated.

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