ANNUAL REPORT
2020-2021

ANNUAL REPORT 2020-2021

FDC

Free State Development Corporation

Growing the Free State

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Third Industrial
Revolution
Electronics and IT
systems, automation
Fourth Industrial
Revolution
Cyber physical
systems

PART 1
GENERAL INFORMATION

1.1 CORPORATION AT A GLANCE

FDC is an economic development agency created to provide the business community of the Free State and potential investors with a wide selection of services.

These services include:

- Providing financial and non-financial support to Small Medium and Micro Enterprises;
- Providing development and management of own property portfolio;
- Providing investors with a comprehensive service in setting up businesses in the Free State Province; and
- Providing export ready Free State companies with assistance in identifying new markets and export opportunities for their products.
- To undertake, at the request of responsible Member or other stakeholders or agencies, activities for which the necessary resources can be raised and which, in the opinion of the board of directors, will contribute to strengthening of the provincial economy

Reason for establishment of the Public Entity	• The promotion and development of small, medium and micro enterprises; • To assist Free State based small, medium and micro enterprises with funding by advancing loans; • To assist Free State based small, medium and micro enterprises in financial distress; • To initiate economic empowerment projects that would benefit the Free State; • To promote investment in and trade with the Province and to identify, analyse, publicize and market investment and trade opportunities in the provincial economy, in such manner and by such means as the board of directors may from time to time deem appropriate; and • To undertake, at the request of the responsible Member or other stakeholders or agencies, activities for which the necessary resources can be raised and which, in the opinion of the board of directors, will contribute to the strengthening of the provincial economy.

Registration Office	33 Kellner Street Westdene Bloemfontein 9301
Business Address	33 Kellner Street Westdene Bloemfontein 9301
Postal Address	PO Box 989 Bloemfontein 9300
Holding Company	Free State Development Corporation
Banker	ABSA Bank
Auditors	Auditor-General South Africa
Company Secretary	Boitumelo Moroosele- Acting as the Company Secretary for 2020- 2021 financial year.

1.2 ACRONYMS AND ABBREVIATIONS

AGSA	Auditor-General of South Africa
BDS	Business Development Support
CAE	Chief Audit Executive
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIPC	Companies and Intellectual Property Commission
CSI	Corporate Social Investment
DESTEA	Department of Economic, Small Business Development, Tourism and Environmental Affairs
DTIC	Department of Trade, Industry and Competition
EMC	Executive Management Committee
FDC	Free State Development Corporation
IDC	Industrial Development Corporation
MACUFE	Mangaung Arts and Cultural Festival
MAP SEZ	Maluti -A -Phofung Special Economic Zone
MEC	Member of Executive Council
PFMA	Public Finance Management Act
SMME	Small, Medium and Micro Enterprise

1.3 CHAIRPERSON'S STATEMENT

INTRODUCTION

It is an honour for me as the new Chairperson of the Board to present the Free State Development Corporation (FDC Group) Annual Report for the 2020/21 financial year. The scourge of the Coronavirus pandemic (COVID-19) continues to affect the entire nation, with South Africa unfortunately having one of the highest infection rates globally (top 20 countries globally), which created severe pressure on the economy. This has been a tragedy of epic proportions unfolding before our eyes, and sadly, with daily reports of ongoing infections and fatalities.

The Corporation's immediate priority and concern in the early stages of the pandemic was to ensure appropriate support to protect the lives and livelihoods of the FDC Group Employees, Clients and the communities in which we operate. Despite this bleak economic environment, FDC Group continued to play a meaningful role, with the support of the shareholder, DESTEA ,our key stakeholders the Department of Small Business Development and DTIC, and other strategic partners by providing access to business development support, covid relief grants, financial support and other appropriate interventions to assist our businesses during this difficult period.

EXTERNAL ENVIRONMENT

During the 2020/21 year under review, the South African Economy experienced a challenging economic environment. The onset of the Coronavirus pandemic (COVID-19) worsened the already weakened growth environment. The South African economy shrank by 7% in 2020 (Stats SA). The economic outlook continues to be highly uncertain. While the effects of COVID-19 persist, the mandatory restrictions of the pandemic had to be applied across the FDC Group operating jurisdictions to lessen the spread of the virus and manage associated health and humanitarian crises.

These conditions inevitably have had an impact on the FDC Group finances and operations, adversely risking the ability of the funded portfolio to repay, ultimately constraining the growth of SMMEs i.e., sector's contribution to job creation and poverty alleviation. The economic recovery will need all the social partners to hold hands and work together.

STRATEGIC DEVELOPMENT

The FDC Group has remained steadfast on its mission, and has thus continued to drive economic development activities and further maintained consistency by diversifying revenue and collaborating with other strategic partners in order to leverage on each other's strength.
Having reviewed the strategy during 2020, the board remains committed to it and confident that our leadership is capable of achieving a sustainable turnaround strategy and the long-term growth necessary to create values for our stakeholders.

Furthermore, the Board remains committed to supporting the Executive Management on this journey, and is grateful to its shareholder, DESTEA for support. The board is conscious that without these partnerships, the Corporation's dream to elevate SMMEs to become a significant contributor to the GDP will elude us.

CORPORATE GOVERNANCE

The Board of the FDC Group is committed to the principles of good corporate governance and of maintaining high standards of integrity, accountability and transparency in accordance with best practices.

Appropriate measures have been put in place to mitigate non-compliance. The positive evaluation of FDC compliance practices by the Free State Treasury signals a new era for the corporation. It is a significant milestone in the pursuit of a clean audit by the Board of this institution. Our risk management function continues to facilitate and monitor implementation of risk management measures across the organisation.

APPRECIATION AND RECOGNITION

It is a privilege and an honour to be entrusted with the responsibility to lead the FDC Group, to guide the team and oversee its operational performance. I am indebted to my fellow board members, who engaged with matters during stringent lockdown measures, thereby providing the best oversight and leadership to executives. I appreciate their unwavering support, wisdom and guidance, specifically during the time when I assumed the chairmanship.

A word of appreciation goes to the previous non-executive director who resigned from the board, Mr EM Mohlahlo.

The year under review took the ultimate toll on many of our people. In the month of February 2021, the FDC Group sadly learnt of the passing of the non-executive director, Mr AK Chose Choeu. Mr Choeu's contributions to the Board and Corporation has been exemplary to many. May his soul rest in peace.

Furthermore, I extend my heartfelt gratitude to the Honourable MEC of DESTEA, Member of Executive Council Makalo Mohale, for his leadership and guidance during this unsettling and disruptive year. Without the shareholder's support, we would not have survived the challenges posed by the challenging economic environment and the Covid – 19 pandemic over the last year under review. The board would like to extend special appreciation to the various strategic partners who continue to lend their support in the execution of FDC's mandate.

Lastly, I thank the FDC Management and the entire staff compliment for their hard-work and willingness to soldier on in the face of the increasing demands of the environment in which we operate. Their individual and collective efforts in achieving desired results are highly recognised.

Mr ZW Ngququ
(Chairperson)

1.4 VISION, MISSION AND VALUES

"To be the leading catalyst for economic growth and development in the Free State Province".

MISSION

To drive economic development through empowerment by:

- *Contributing to the radical socio - economic transformation of the Free State Province;*
- *Providing financial and non- financial services to SMMEs and Cooperatives;*
- *Developing and managing properties for business and residential purposes; and*
- *Facilitating and promoting investments and trade.*

VALUES

The FDC subscribes to the following values:

- *To be customer focused;*
- *To be honest and operate with integrity;*
- *To deliver excellence;*
- *To embrace teamwork and respect for others; and*
- *To embrace change.*

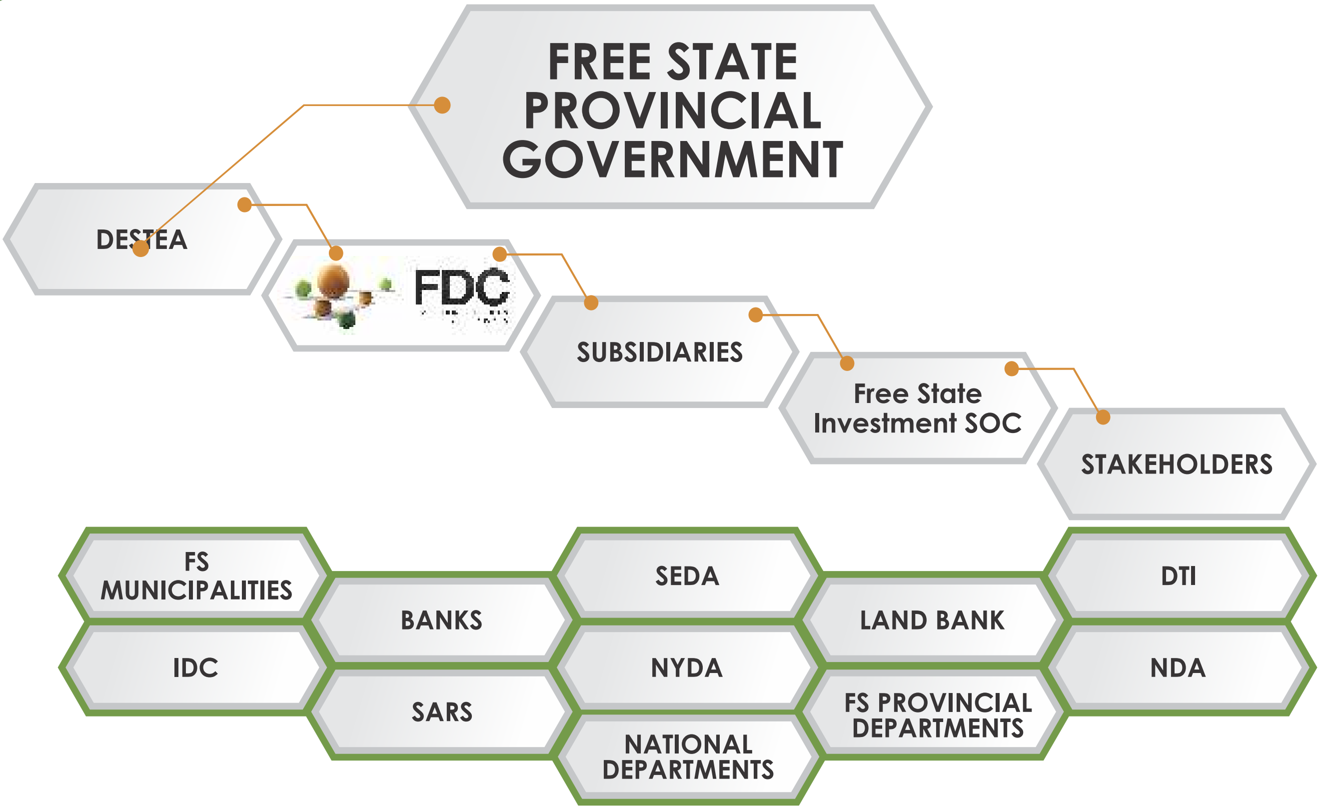
1.5 OUR MANDATE

Our mandate originates from the Free State Development Corporation Amendment Act 6 of 2010. The mandate is as follows:

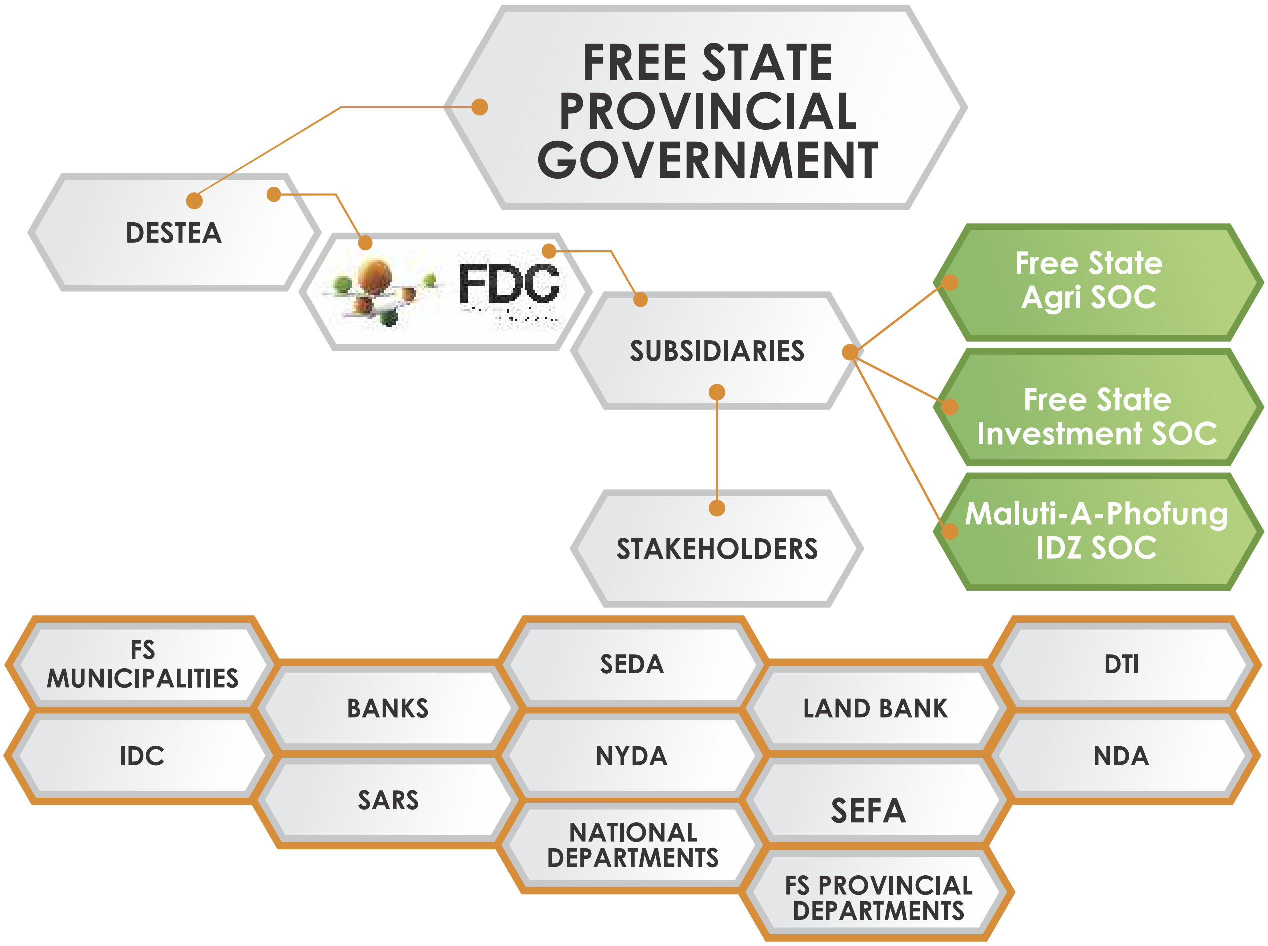
- the promotion and development of small, medium and micro enterprises;
- to assist Free State based small, medium and micro enterprises with funding by advancing loans;
- to assist Free State based small, medium and micro enterprises in financial distress;
- to initiate economic empowerment projects that would benefit the Free State;
- to promote investment in and trade with the Province and to identify, analyse, publicize and market investment and trade opportunities in the provincial economy, in such manner and by such means as the board of directors may from time to time deem appropriate; and
- to undertake, at the request of the responsible Member or other stakeholders or agencies, activities for which the necessary resources can be raised and which, in the opinion of the board of directors, will contribute to the strengthening of the provincial economy.

1.6 ORGANISATIONAL STRUCTURE

In terms of the Public Finance Management Act, the FDC is a Provincial Government Business Enterprise. We strive and work hard to develop Free State economy. The FDC functions and operates in the normal economic sector such as financial (providing loans) and own property fund management sectors, while simultaneously contributing to the imperatives of our government through compliance with dual mandate that applies in state-owned companies. Our robust engagements with key stakeholders are paramount in delivering developmental and sustainable value. Below is the legal structure and our key stakeholders the Corporation had envisaged for financial year 2020-2021 .

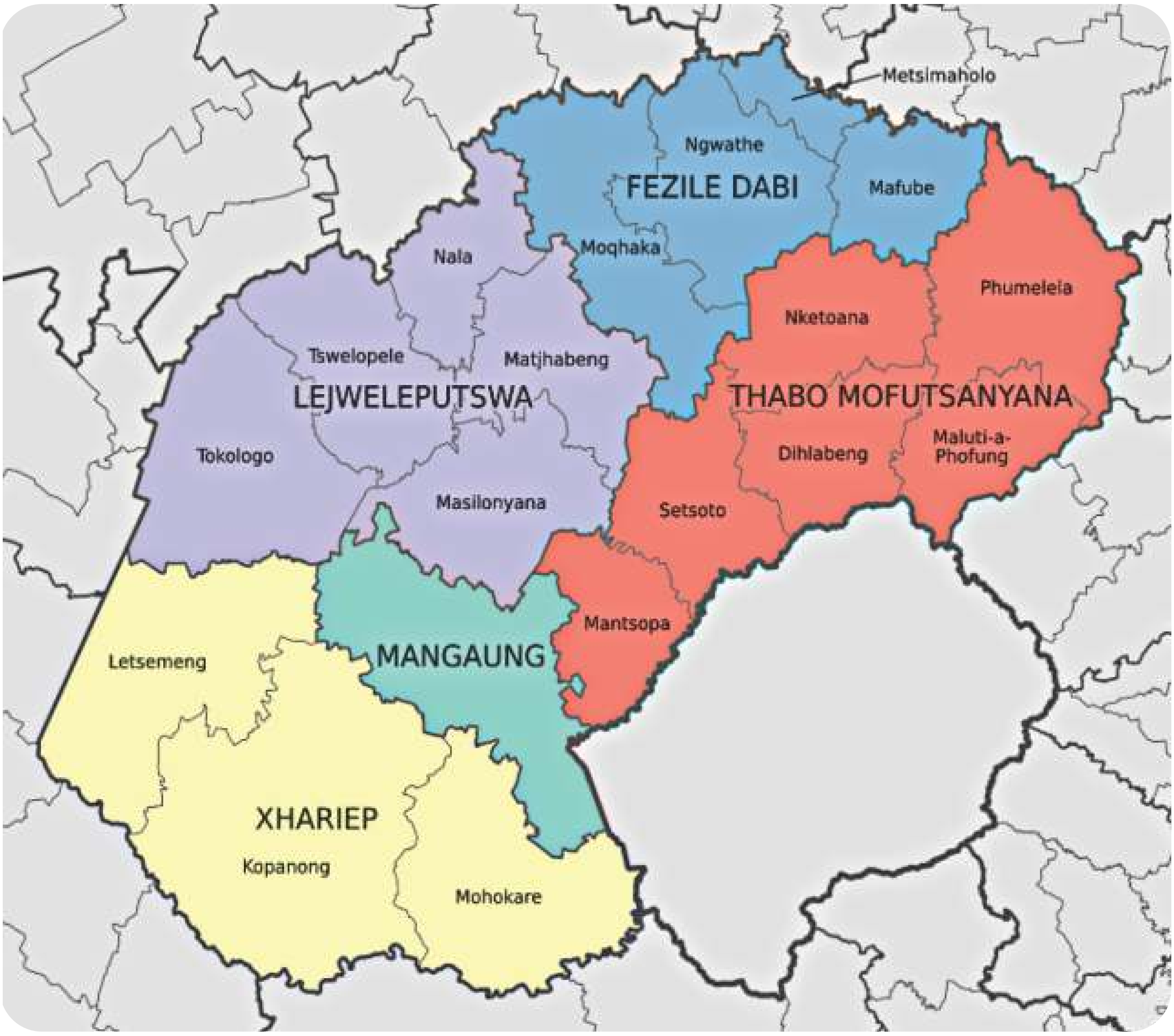


One will notice that the above structure has excluded two subsidiaries : MAP SEZ and Free State Agri Soc. When the Corporate Plan and targets for the period being reported on and audited were set these subsidiaries were to be de-registered. The above structure was what was envisaged for the 2020-2021 financial year. The targets were not achieved and as such the structure looks as follows:



1.7 OUR PROVINCIAL PRESENCE

The FDC operates in all five districts of the Free State Province. This is in order to better serve the people of the Free State. Presence in all the districts enables the FDC to customise the products per region and stimulate growth in a meaningful manner. We provide mainly cheaper rental rates for commercial, industrial and residential clients as a stimulus for economic growth in Mangaung and Thabo Mofutsanyane. In addition, financial support, non-financial support and enabling and facilitating the ability of SMMEs to trade by providing export development programmes and support are centre services provided to SMME in all the districts for fast tracking economic growth in the Province. Below is the pictorial view of our presence.




CLUTCH MOTOR

PART 2
STRATEGY

2.1 CEO'S STATEMENT

INTRODUCTION

It gives me great pleasure to deliver the 2020/21 annual report of the FDC Group under what can be described as a very challenging economic year. The FDC Group operated under a very challenging economic environment during the year under review, characterised by slow South African economic growth which began in early 2018 caused primarily by sovereign rating downgrades. The situation was exacerbated towards the end of the last quarter of the year 2019/20, when the world was plunged into an unprecedented health and economic crisis with the outbreak of the Covid-19 pandemic. This resulted in many businesses falling into distress which led to job losses across most sectors of the economy.

South Africa recorded high levels of unemployment in the fourth quarter of 2020. According to Statistics South Africa's Quarterly Labour Force Survey (QLFS), unemployment rose by 1.7 percentage points from the previous quarter to a record high of 32.5%. This means that , the number of people who joined unemployment ranks the fourth quarter increased by 701,000, bringing the number of unemployment people in South Africa to 7.2 million.

SMMEs are the hardest hit by the impact of the pandemic. The challenges they are facing at present are enormous and will impact on sector growth. Despite working under highly stressful and uncertain conditions, the Corporation continued to perform its developmental role in the Province by supporting SMMEs both financially and non-financially.

We financially assisted SMMEs in the construction sector by unlocking the funding barrier which normally impedes completion of projects and makes these SMMEs to fail. With the collaboration of the Department of Human Settlements and Education, 6 SMMEs were funded to the tune of R1.3 million. One of the SMME assisted is a company owned by a disabled person.

FDC also played a critical role (as the administrator) in the COVID 19 relieve fund to SMMEs and individuals in the art, craft, design and audio-visual sector. This fund, provided by the Department of Small Business Development assisted 91 SMMEs and individuals in these sectors.

In addition, the FDC prides itself with affordable rental rates for residential, commercial and industrial properties it provides to individuals looking for residential accommodation, companies looking for premises for their operations, potential investors and black industrialists looking for premises to manufacture their products (furniture, snacks and PPEs, etc.) and to offer their services (funeral parlours) to the broader economy.

PROGRESS DURING THE YEAR

In the face of Covid – 19 pandemic, the FDC Group remain confident in the measures it has put in place to support and offer relief to the affected businesses within the corporation's portfolio. The Group worked tirelessly to respond to challenges as they arise, ensuring the Corporation become sustainable. The Strategic Plan and Annual Performance Plan had to be aligned with Government's response to the COVID-19 pandemic.

The FDC implemented its mandate of providing financial and non-financial support to SMMEs in the Free State Province. We are proud to announce that the Corporation has funded 9 enterprises with business loans. Phase 1 of textile industry cluster was also initiated by first conducting training with the small industrialists in the textile sector and grouping them to create a cluster.

The combination of slow economic growth and the COVID-19 pandemic had a negative effect on trade and investment unit. Notwithstanding this, we managed to facilitate the establishment of one Black Industrialist in the Province. This industrialist manufactures furniture in the FDC premises in Thabo Mofutsanyane district.

Part of our endeavour to develop companies to be export ready and to improve their products, we were able to provide training to 37 businesses through Global Exporters Passport Programme Initiative (GEEP) and 35 Crafters in Product Development and Digital Marketing. The training programmes were aimed at enabling Free State Business to be capable of exporting their products outside Free State and South Africa and to improve their products and services.

Significant work has been done in Property Portfolio Management as follows:

- ❖ Through our partnership with DTIC, the second phase of the Botshabelo Industrial Revitalisation is almost complete. This project was approved for approximately R50 million.

- FDC has also provided facilities within the Botshabelo Industrial Park for the establishment of the ICT Digital Hub. The ICT Digital Hub will be completed by the end of June 2021. The hub will initially incubate 30 young people from Thaba Nchu, Botshabelo and Bloemfontein. The Botshabelo Digital Hub is a government initiative established by a collaboration between the Small Enterprise Development Agency (SEDA), Softstart Business and Technology Incubator(SBTI), Mangaung Metro, the FDC and the DTIC, which aims to provide a platform for communities, particularly the youth and innovators in general to collaborate and develop digital technologies that will be locally relevant but globally competitive, all this linked with the Fourth industrial revolution. This is a state-of-the-art facility where various activities will be taking place such as hackathons, coding, gaming, robotics, 3d printing, etc. The innovators will be supported throughout their innovation development journey from ideation until commercialisation with facilities and business development services.

- Phuthaditjhaba Industrial Park has been selected by the DTIC, in partnership with National Cleaner Production Centre (NCPC-SA), to participate in Eco-Industrial Park programme for three (3) years. The programme involves Resource Efficient and Cleaner Production (RECP) which entails increase of compositeness through optimizing of the use of raw material and reduction of the water and energy consumption. Three (3) companies were selected in the park for assessment in RECP programme. It is expected that another 11 companies will be assessment by the end of 2021.

- The establishment of Entrepreneurial Rapid Incubator in the Industrial Park with Maluti TVET, supported by SEDA. FDC will contribute to the programme by offering subsidized rental and other business development services. The programme will create 40 jobs.

FDC's commercial and industrial parks are responsible for sustaining 6579 full time and around 800 part time jobs.

The FDC rely on the skills, passion and commitment of its employees to achieve its mandate. During the year under review, the health and wellness of our employees were our foremost priority. Through stringent adherence to government-mandated health protocols, the Corporation has done everything in its power to protect employees, including splitting teams, restricting the number of people in our district offices, insisting on physical distancing and ensuring that there are sanitisers and personal protective equipment (PPE) across our district offices. In line with the Disaster Management Regulations relating to COVID-19, most of our employees across the Group have worked from home and will continue to do so until it is safe for us to fully return to the office.

The Corporation completed the process of security insourcing by migrating from using a service provider to directly appointing 105 security officials on contract basis.

Financial sustainability and management of liquidity risk continues to be a focal area, with cost containment measures and stringent financial forecasting applied rigorously to mitigate these risks.

NEW WAYS OF WORKING

The forecasts for 2021 remains uncertain since the group cannot predict the future trajectory of the pandemic, nor the extent to which vaccines may enable a return to a normal life this year. From the operational point of view, this has provided the push we needed to rethink the way we do things.

While we are optimistic about our prospects for continued business growth in the coming year 2021/22, we acknowledge that there are a number of risks which we need to be cognisant of. The most immediate of these are:

- The potential for a significant "third wave' of COVID 19, which could result in increased risks for our customers and our business;
- A slow recovery in the SA economy, which make the path to recovery for all businesses longer and more challenging.

We will accelerate and strengthen implementation of our mandate and intensify our partnerships to ensure significant growth of the economy of the Province. SMMEs will continue to be strengthened to ensure that they do not fail and they are provided with the required financial and non-financial support. Exporters will be supported to ensure that their products cross South African borders to be able to contribute positively to the Trade Balance of South Africa.

Our Commercial and industrial properties will continue to be the hub of manufacturing products and providing services. Through our tenants, our commercial and industrial properties remain the main source of employment for lower-level income earning people in Botshabelo, Thaba Nchu, Qwa Qwa and Harrismith.

These manufacturers do not only provide employment in these areas but also enable people in these areas to buy products directly from manufacturers at a cheaper rate compared to from retailers. Examples of products made and bought directly by communities are two plates stove, PVC ceilings, Paraffin Stoves, Clothes, furniture, cleaning detergent and toilet paper to name but a few.

APPRECIATION

In conclusion, I would like to thank the Board of Directors for their guidance and constructive engagements. A word of thanks goes to the Management Team and the broader staff compliment for their sterling efforts during this year which has been challenging and characterised by external uncertainties in the execution of their duties. We are grateful to all our stakeholders who have walked this journey with us under very difficult conditions.

Chief Executive Officer
Thabo Lebelo

FDC EXECUTIVES

The executive team is responsible for the day-to-day business of the organisation and is led by the Chief Executive Officer. The profile of the executive team is depicted below:

Mr Z. E. Lebelo – CEO
17 April 2020

Mr L. Mokalake - Acting Chief Financial Officer
1 April 2020

Vacant - Executive Co-Operations


Mr Z. E. Lebelo


Mr L. Mokalake

2.2 OUR STRATEGY

The Corporation has designed its strategy in order to achieve the mandate of the shareholder (DESTEA) , its mandate (FDC Act) and also to ensure self-sustainability. The key focus area for the next three financial years is to achieve the following impact statement and outcomes:

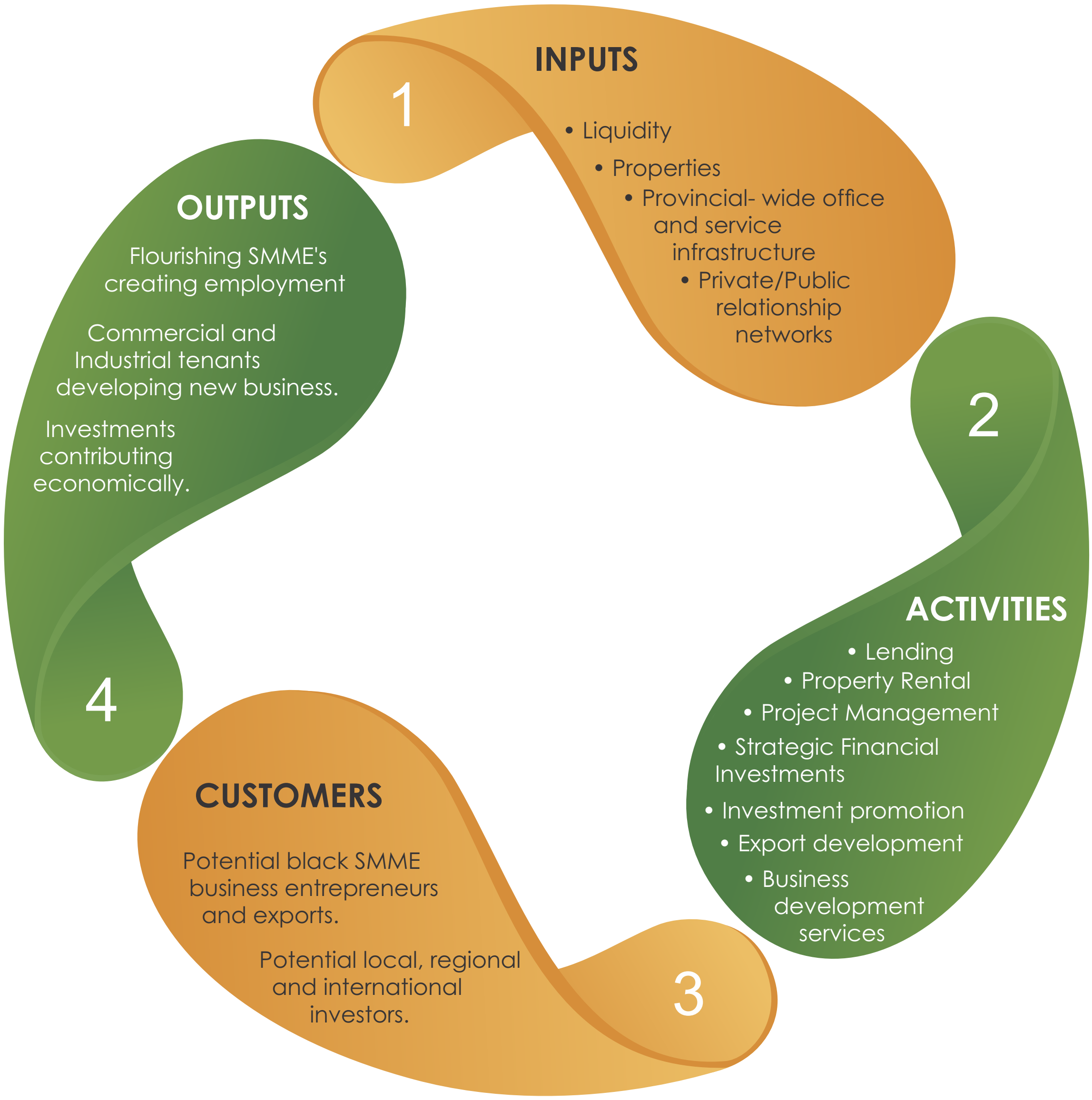
Impact Statement 1	A transformed economy

Impact Statement 2	A capable, ethical and developmental organisation

2.3 OUR BUSINESS MODEL

The business model of the FDC remains the same as this is the model that was set for the MTEF 2017-2020 to ensure that FDC achieves the streamlined objectives indicated under 2.2. above. The Corporation's business model consists of four components i.e., the inputs, activities, customers and outputs. The diagram below depicts our model which is the way the Corporation can sustain itself through revenue generation. The objective of our business model is to achieve the following;

- Build and strengthen a beneficially mutual partnerships with our stakeholders;
- Achieve business excellence by utilising Information technology as an enabler in the digital world and running various business units within FDC in an integrated manner;
- Identify and secure new business opportunities through focusing on commercial activities and pursuing strategic investments.



Stakeholders: Government, Public entities, Suppliers, Free State Business Community and Citizens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INNOVATION
SOLUTION


TRAINING

2.4 PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Performance against the Annual Performance plan is indicated below:

PROGRAMME 1: INVESTMENT FACILITATION AND MANAGEMENT
Strategic Goal: Measuring Outcomes for a Transformed Economy

Strategic Objective/ Outcome	Measurable Objective/Output	Actual Achievement 2019/2020	Key Performance Indicator	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Explanation for deviation
Increased private sector investment	Investment support	1	Number of investments above R10 million realised	1	0	-1	Current economic conditions
Improved economic growth	Trade support	111	Number of businesses provided with promotional and/ or export training programmes.	90	72	-18	Covid 19 regulations impacted on Exhibitions as they were cancelled and only training were arranged to be able to achieve the target
Transformed economic Structure	Black industrialists support	Not targeted	Number of black industrialists supported	2	1	-1	Current economic conditions

Performance against the Annual Performance plan is indicated below:

PROGRAMME 2: SMME FINANCING, DEVELOPMENT AND SUPPORT
Strategic Goal: Measuring Outcomes for a Transformed Economy

Strategic Objective/ Outcome	Measurable Objective/Output	Actual Achievement 2019/2020	Key Performance Indicator	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Explanation for deviation
Improved economic growth	Industry cluster support	Not targeted	Number of industry cluster created and operational	1	0	-1	The process of creating a cluster takes longer as a number of SMMEs have to be grouped to make a cluster
Sustainable job creation	SMME support	46	Number of SMMEs supported financially	25	37	12	Over achievement due to COVID relief support and CDP bridging loans
	SMME support for sustainability	Not targeted	Number of SMMEs provided with Business Development Support	50	32-	18	

Performance against the Annual Performance plan is indicated below:

PROGRAMME 3: Property Management

Strategic Goal: Measuring Outcomes for a Transformed Economy

Strategic Objective/ Outcome	Measurable Objective/Output	Actual Achievement 2019/2020	Key Performance Indicator	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Explanation for deviation
Improved economic growth	Enterprise and investment support	Different measure used	Number of new leases entered into in FDC's industrial and Commercial properties	10	23	13	The demand for renting commercial and industrial properties

Performance against the Annual Performance plan is indicated below:							
PROGRAMME 2 & 3 **Strategic Goal: Measuring Outcomes for a Transformed Economy**							
Strategic Objective/ Outcome	**Measurable Objective/Output**	**Actual Achievement 2019/2020**	**Key Performance Indicator**	**Planned Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to Actual Achievement for 2020/2021**	**Explanation for deviation**
Sustainable job creation	Employment creation	Not targeted	Number of *new jobs created	200	209	9	

Performance against the Annual Performance plan is indicated below:

PROGRAMME 4: SHARED SERVICES

Financial Management

Strategic Goal: Measuring Outcomes for a Transformed Economy

Strategic Objective/ Outcome	**Measurable Objective/Output**	**Actual Achievement 2019/2020**	**Key Performance Indicator**	**Planned Target 2020/2021**	**Actual Achievement 2020/2021**	**Deviation from planned target to Actual Achievement for 2020/2021**	**Explanation for deviation**
Improved governance	Lean and mean governance structure	Not targeted	De- register unproductive subsidiaries, associates and partnerships	De- register unproductive subsidiaries	0	6	
Functional and integrated corporation	Financial sustainability	Different measure used	Gross profit	30%	59%	29%	Reduction in security cost, commission expense and maintenance cost.

Performance against the Annual Performance plan is indicated below:

PROGRAMME 4: SHARED SERVICES

Risk Management

Strategic Goal: Measuring Outcomes for a Transformed Economy

Strategic Objective/ Outcome	Measurable Objective/Output	Actual Achievement 2019/2020	Key Performance Indicator	Planned Target 2020/2021	Actual Achievement 2020/2021	Deviation from planned target to Actual Achievement for 2020/2021	Explanation for deviation
Ethical, capable and professional workforce	Zero tolerance to fraud	Not targeted	% of employees aware of fraud and corruption risk	100%	100%		

The performance against predetermined objectives has been prepared in compliance and in accordance with section 55 (2)(a) of the PFMA and section 28.2.2 of the Treasury regulations.

2.5 RISK MANAGEMENT

The Board of the FDC is responsible and accountable for governance of risk in the organisation. The Board has delegated the day-to-day implementation of risk management to management.

In the 2020-2021 financial year, enterprise risk management framework was reviewed and approved by the Board. This is done annually. The Risk management framework consist of Enterprise-wide risk management strategy, risk management policy, fraud and corruption prevention policy, whistle blowing policy and Business Continuity Policy to name a few. These were implemented to improve the risk management maturity of the FDC.

With the emerging risk of COVID 19, the Business Continuity Plan and Crisis Management Procedures were implemented and continuously revised during implementation.

Measures were implemented to continuously comply with COVID 19 regulations and to minimise or eliminate possible negative effects of COVID 19 to the FDC.

The Board of the FDC has delegated risk, governance and oversight to the Board Audit, Risk and Performance Committee (BARPC). Implementation of the risk management frameworks and processes are monitored by the BARPC on a quarterly basis and this committee was at the centre of ensuring implementation and monitoring of the Business Continuity Plan, Crisis Management Procedures and Compliance with all COVID 19 regulations and measures.

Strategic Risks

Strategic Risks were identified and mitigating controls were implemented to minimise, reduce and even eliminate the risk. The strategic risks of the FDC are as follows were and are as follows

Strategic risk

Risk description	Inherent risk	Residual Risk
COVID 19	25	15
Diversion	25	25
Over- trading	25	25
Liquidity	25	25
Solvency	25	20
Viability	20	15
Compliance with legislation	20	15
Litigation	25	25

Implementation of mitigating controls for the strategic risks is reported and monitored on a quarterly basis to ensure that risks are not only identified but risk controls are in place, that there are identified officials for mitigating or implementing controls.

Embedding risk awareness culture

The FDC embeds a culture of risk awareness by providing workshops , preparing newsletter and presentations for employees. Through these means of communication, risk management frameworks are explained to the employees and employees also are informed about their respective responsibility in terms of risk management because risk controls are implemented at the level of employees or where the work is done on a daily basis and it is critical for each employee to understand that risk management is not only the responsibility of managers and the Board but of everyone in the organisation.

2020-2021 was a different year, most of the communication was done through WhatsApp and emails because physical contact had to be minimised. The objective was however still making employees aware of the concept of risk and its various sub contents and their responsibilities.

PART 3
CAPITALS AND PERFORMANCE

HUMAN RESOURCE MANAGEMENT

PERSONNEL COST

TOTAL EXPENDITURE	88 660 733,00

PROGRAMME	NUMBER OF EMPLOYEES
Investment Facilitation and Management	4
SMME Financing, Development and Support	37
Property Management	25
Shared Services	50

TRAINING COSTS

DIRECTORATE/ BUSINESS UNIT	TRAINING EXPENDITURE	NO. OF EMPLOYEES TRAINED
FDC	94 276,00	53 trained employees

EMPLOYMENT AND VACANCIES

LEVEL	2019/2020 NO. OF EMPLOYEES	2019/2020 APPROVED POSTS	2020/2021 NO. OF EMPLOYEES	2020/2021 VACANCIES	% OF VACANCIES
Top Management	3	0	4	0	-
Senior Management	0	1	1	1	0,92
Professional Qualified	16	1	12	1	0,92
Skilled	64	2	62	2	1,83
Semi-Skilled	24	0	24	0	-
Unskilled	16	0	13	0	-
Contract Employees	15	105	112	105	96,33
Total	138	109	228	109	100,00

EMPLOYMENT CHANGES

SALARY BAN	DEMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF PERIOD
Top Management	4	1	3	2
Senior Management	1	0	0	1
Professional Qualified	12	0	0	12
Skilled	62	1	1	62
Semi-Skilled	24	0	2	22
Unskilled	13	0	0	13
Contract Employees	112	105	6	211
Total	228	107	12	323

SOCIAL AND RELATIONSHIP CAPITAL

In the financial year 2020-2021, the Corporation performed the following social responsibility projects to assist communities in the Province.

CSI PROJECT	**DONATION**
Back to School Shoe Drive - Mokwena Primary school in Thaba Nchu	Donated School Shoes

CSI PROJECT	**DONATION**
Dignity Sanitary Towels Drive- Bartimea School for the Deaf and Blind in Thaba Nchu	Donated Sanitary Towels and Clothes

CSI PROJECT

Olesego Orphanage Home-Mangaung

DONATION

Donated the following Essential needs; Food parcels; Toiletries; Clothes; and Hot Plate Stove

PART 4
GOVERNANCE FRAMEWORK

4.1 CORPORATE GOVERNANCE REPORT

The Board of directors is appointed by the shareholder (Free State Provincial Government) represented by MEC of DESTEA. The Board is responsible for strategic direction and oversight of FDC. The executive management under the leadership of the CEO, is responsible for the day-to-day management of the Corporation.

Introduction

The FDC is a public business enterprise in the Free State Province established in terms of Free State Development Corporation Act No.6 of 1995. It is listed as a Schedule 3D in terms of the Public Finance Management Act No.1 of 1999(PFMA).

The Board of directors as the accounting authority in terms Section 50-56 of the PFMA has governance responsibilities and must account to the Provincial Member of the Executive Council for DESTEA. In addition to legislative requirements based on FDC's enabling legislation, Protocol for Corporate Governance in Public Entities and **Shareholder Compact** (entered into with DESTEA) are regulatory instruments directing the Corporation's governance.

The FDC Board of Directors is committed to responsible and effective corporate governance. Its role is to provide strategic oversight, ethical and effective leadership through a range of mechanisms, policies, procedures, committee structures and values that enable such leadership, some of which are briefly described in this report.

Free State Legislature

In terms of the Constitution of the Republic of South Africa, the National Assembly and Provincial Legislatures have an oversight role over their respective Executives. The Provincial Legislature is required to maintain oversight over the Provincial Cabinet, and Members of the Provincial Cabinet must provide the Provincial Legislature with full and regular reports concerning all matters under their control.
Free State Legislature has established the following committees to facilitate its oversight role over the FDC:

The Portfolio Committee on Public Accounts, (PROPAC) (Financial responsibilities)

This committee addresses, inter alia, the following:

- Issues raised in the Auditor-General's audit outcomes;
- Compliance with the PFMA and Treasury Regulations;
- Financial performance;
- Corporate Governance,
- Consideration of the Report of the Auditor General on Financial Statements for the Year ending 31 March

The Portfolio Committee on Agriculture and Rural Development, Economic Development, Small Business, and Sports, Arts and Culture (Non-financial responsibilities)

This committee addresses, *inter alia*, the following:

- Monitoring the economy, efficiency and effectiveness of service delivery as measured by performance indicators presented in the pre-determined objectives.
- Evaluating management's explanation as to why the entity's service delivery performance did not attain the targets set in the corporate plans.
- Equity of service delivery.
- Investigating the circumstances that led to financial under-performance and the impact this had on service delivery and the measures taken by management to rectify the situation.
- Consideration of Annual Report.
- Consideration of the Corporate Plan.
- Consideration of Quarterly Non-Financial Report.

Executive Authority

In terms of section 63 – 65 of the PFMA **and related sections in the Treasury Regulations**, the MEC is the Executive Authority and is responsible for the functions specified therein and assigned to him or her by the Premier. MEC's are accountable collectively and individually to the Provincial Legislature for the exercise of their powers and the performance of their functions.

The MEC must ensure that the FDC sets up adequate systems to enable herself to discharge his/her responsibilities. The MEC is further required to oversee such systems to ensure that they function optimally and comply with the Framework for Managing Programme Performance Information and other related guidelines.

The FDC Board of Directors must regularly provide itsr MEC with the above information. The MEC responsible for the Corporation is the MEC for DESTEA.

The MEC also has responsibility in terms of section 33.2.2 of the Treasury Regulations, which states that :

"The Executive Authority may direct a public entity to lay charges of criminal financial misconduct against any person should the accounting authority fail to take appropriate action"

Legislative and Regulatory Framework

The Constitution of the Republic of South Africa

The Constitution of the Republic of South Africa is the supreme law of the Republic and all statutes and legal provisions must be interpreted in line with its provisions.

Section 195(1) of the Constitution binds all organs of state and public enterprises to basic values and principles. It further places a responsibility on provincial legislature to provide suitable mechanisms in order to ensure the following:

- To ensure that all provincial executive organs of state in the province are accountable to it; and
- To maintain oversight of provincial executive authority in the province and any provincial organ of state including the FDC.

Public Finance Management Act (PFMA)

Sections 50 -56 of the PFMA **and corresponding sections of the Treasury Regulations (which detail requirements set in Section 50-56 of the PFMA)** provide for the fiduciary duties and general responsibilities of the Board respectively. and in terms of section 3(2)(3), in the event of any inconsistency between the PFMA and any other legislation, the PFMA prevails.

The PFMA also regulates conflict of interest, and makes provision for the FDC Board of directors to delegate its functions to an official of the FDC. The ultimate accountability still remains with the Board.

In addition, through the Treasury Regulations, the PFMA makes provision and provides detailed requirements for the following reporting and oversight mechanisms:

- Shareholder Compact;
- Corporate Plan;
- Annual Report;
- Audit Committee and
- Provincial Treasury.

Free State Development Act No. 6 of 1995 (FDC Act)

The FDC Act is the enabling legislation of the FDC and the main objects of FDC are set out in Section 3 of this Act. Sections 4 and 4A of the Act specify the powers of the Board of Directors.
Companies Act 71 of 2008

As a state-owned entity, FDC subscribes to provisions of the Companies Act 71 of 2008, as amended, in as far as it relates to directors and their obligations.

Board Charter

The Board Charter provides the terms of reference of the FDC Board, setting out the high-level responsibilities of FDC Board and regulation of its affairs.

According to the Board Charter, the Board has the following Duties and Responsibilities:

- Absolute responsibility for the performance of FDC and is fully accountable to the Executive Authority;
- To retain full and effective control over FDC and monitor management closely in implementing FDC plans, strategies and resolutions. This includes the monitoring of management and operational performance;
- To ensure that FDC is fully aware of and complies with applicable laws, regulations, policies and code of business practice and communicates with its stakeholders openly and promptly with substance prevailing over form;
- To ensure that there are effective policies, procedures, practices and systems of internal control in place that protect FDC's assets, resources and reputation;
- To ensure that management has implemented an effective system of risk management;
- To ensure that all Board members have unrestricted access to accurate, relevant and timely information on the FDC and act on a fully informed basis, in good faith, with diligence, skill and care and in the best interest of FDC, whilst taking into account the interests of the various stakeholders, including employees, creditors, suppliers and local communities;
- To closely monitor the process of disclosure and communication and exercise objective judgement on the affairs of FDC;
- To monitor and manage potential conflicts of interest of Board members and management. The FDC Board as a whole and each individual director must not accept any payment of commission, any form of bribery, gift or profit for him/herself.
- To develop a clear definition of the levels of materiality or sensitivity in order to determine the scope of delegation of authority and ensure that it reserves specific powers and authority to itself. Delegated authority must be in writing and evaluated on a regular basis;
- Notwithstanding any delegated authority. The board retains overriding power and responsibility on delegation of authority and may assume and take decision on a subject matter of any delegated authority;

- To ensure that financial statements are prepared for each financial year, which fairly represents the financial position of FDC; and
- To at least annually assess its performance and effectiveness as a whole and that of individual directors.

Board and Board Committees Independent Evaluation

Provincial Treasury conducts an independent evaluation of the Board Audit Risk and Performance Committee bi-annually to assess its effectiveness and performance in terms of its mandate and delegations.

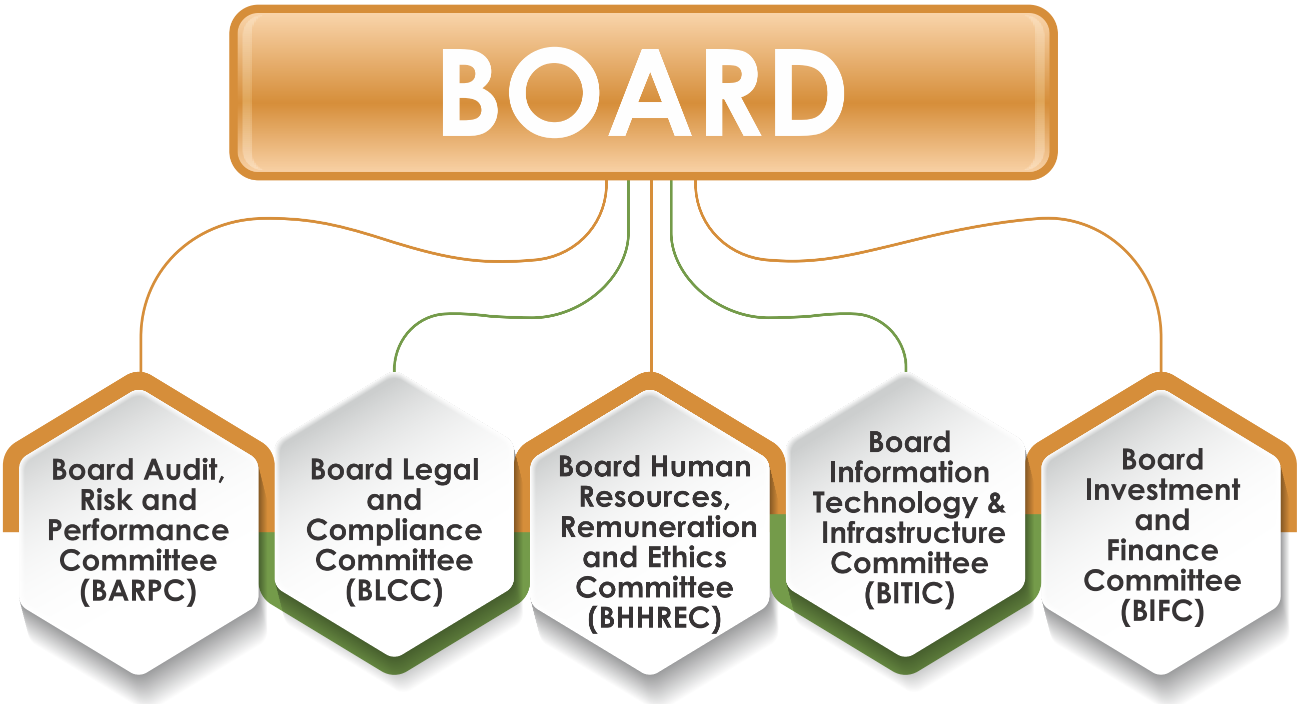
Governance Compliance

The PFMA classifies FDC is a 3D Public Entity. The FDC thus complies with PFMA and Treasury regulations requirements on Corporate Governance. These requirements are further detailed in the Protocol of Corporate Governance in the Public Sector developed by the Department of Public Enterprise and the FDC complies.

In addition, the FDC also complies with the King IV Code on Corporate Governance, where the Code is applicable and also to use is as best practice.

FDC has created formal structure (committees) for Corporate Governance as indicated below.

4.2 THE BOARD OF DIRECTORS



Mr Z.W Ngququ -Chairperson
Date of appointment 06 August 2020

- B Proc Degree, legislative drafting course, contract drafting course, business rescue course, Company Secretarial Course

Mr MV. Mahlatsi - Deputy Chairperson &Chairperson of Human Resources, Remuneration & Ethics; Legal & Compliance Committee
Date of appointment 24 April 2019

- Certificate in Basic Nursing, Public Management, National Higher Certificate

Ms HB Matseke -Chairperson

Date of appointment 24 April 2019 - 15 July 2020 and was an ordinary Board member from there

- Diploma in Personal Computing, Diploma in Software Supporting, Diploma in Marketing, New Managers Programme and Introduction to Computers

Mr E. M. Mohlahlo

Date of appointment 24 April 2019 - resigned 01 December 2020

- Masters of Business Administration, Hons. B.com (Financial Accounting) , B.Com , Diploma: Public Finance Management and Administration

Ms TN Sandlana - Chairperson of the Board Investment & Finance Committee

Date of appointment 24 April 2019

- Diploma in Management, B Comm, Higher Education Diploma, Master of Business Administration, Certificate in Quality Assessment CQA, Certificate in Control Self- Assessment

Mr. CAK Choeu

Appointment date: 01 January 2020 – Deceased February 2021

- Master's degree in South African Political Economy,
- Master's Degree in International Relations, BA (honours) Cum Laude Majoring in Political Science, BA Cum Laude Majoring in Political Science, History and Psychology

Adv. T.P Tsuaeli
Appointment date: 1 January 2020

- Certificate School for Legal Practice: Free State, Bachelor of Laws (LLB – Postgraduate), Bachelor of Procurations (BProc) Law

Ms. R. Mantenche
Chairperson of Board, Audit, Risk and Performance Committee
(30 May 2019- 25 November 2019)

Appointment date:
24 April 2019 – resigned 29 April 2020

- Bachelor of Accounting

Mr Z.E Lebelo
- Chief Executive Officer

Date of appointment
01 April 2020

COMMITTEES OF THE BOARD

Board Audit, Risk and Performance (BARPC)

The GARPC has been constituted **in terms of Section 77 of the PFMA** and Section 27 of the Treasury Regulations. **The committee** provides assurance and oversight over the FDC of internal controls and ensure effective management of risks. The Committee acts in line with its statutory duties **as specified in Section 27 of the Treasury Regulations and its delegated authority as specified in its Charter and FDC's delegations of Authority.**

Board Investment and Finance Committee (BIFC)

The BIFC is a Board Committee playing an oversight role over all FDC Investments, Finance and Property related matters. Its primary focus was to achieve financial sustainability of the FDC through projects relevant to the FDC mandate in terms of section of the FDC Act. The Committee acts in line with functions delegated to it by the FDC Board as **specified in its Charter and FDC's delegations of Authority.**

Board Information Technology and Infrastructure Committee (BITIC)

The BITIC is a Board Committee playing an oversight role on all IT governance and infrastructure. IT policies and processes have been put in place to enhance controls and efficiency of the FDC. This committee also has a charter in place.

Board Human Resources, Remuneration and Ethics Committee (BHHREC)

The BHRREC is a Board Committee with a function of playing an oversight role over all FDC human resources, remuneration and ethics. Its focus was to capacitate the FDC for forward movement in as far as identified projects are concerned, to ensure that the FDC mandate is realised. **The operations and functions of this committee are also regulated and specified in the its charter.**

Board Legal and Compliance Committee (BLCC)

The BLCC plays an oversight function in as far as all legal and compliance issues of the FDC are concerned. This serves to oversee all major court cases against the FDC and reviewing of all major contracts. **The operations and functions of this committee are also regulated and specified in the its charter**

BOARD COMMITTEE MEMBERS

GARPC	BIFC	BHRREC	BLCC	BITIC
Ms Matenche Chairperson *Appointment date as Chairperson - 30 May 2019 - Resignation date as Chairperson- 25 November 2019* *Resigned as Board member 29 April 2020*	Ms Sandlana Chairperson *Appointment date as Chairperson - 30 May 2019*	Mr Mahlatsi Chairperson *Appointment date as Chairperson - 30 May 2019*	Mr Mahlatsi Chairperson *Appointment date as Chairperson - 30 May 2019*	Mr Mohlahlo Chairperson *Appointment Date as Chairperson - 30 May 2019 Resigned as Board member 1 December 2020*
Mr Ntshiea *Appointment date as Chairperson - 25 November 2019*	Mr Mohlahlo Member *Resigned as Board member 1 December 2020*	Mr Mohlahlo Member *Resigned as Board member 1 December 2020*	Ms Matenche Member *Resigned as Board member 29 April 2020*	Ms Matenche Member *Resigned as Board member 29 April 2020*
Ms Sandlana Member	Mr Mahlatsi Member	Ms Sandlana Member	Mr Tsuaeli Member	Ms Sandlana Invitee
Mr Mohlahlo Member *Resigned as Board member 1 December 2020*	Mr C. Choeu Member *Deceased February 2021*			Mr C. Choeu Member *Deceased February 2021*

Remuneration of Board and Committee members

In terms of section6(3) of the FDC Act, A director shall hold office upon such conditions (including the payment of remuneration and allowances) as the responsible Member may determine, after consultation with the Member of the Executive Council responsible for Finance in line with the National Treasury Guidelines.

Compliance with laws and regulations

The FDC complies with required laws, regulations and codes. Each manager of the FDC is responsible for compliance with legislation, regulations and codes that relates to his/ her function. In addition, it is the responsibility of each manager to ensure that FDC policies pertaining to their functions are developed and updated with relevant

legislation, regulations and codes as they change.

FDC also makes use of the internal audit , external audit function, Treasury and other regulatory assurance providers to assure compliance with relevant laws and regulations. Reports of these assurance providers are also utilised to improve the FDC's compliance universe.

Minimising conflict of interest

In order to minimise conflict of interest, all board members and committee members are required to declare conflict of interest on an annual basis and before any meeting commences. The FDC keeps a conflict of interest register for Board members and Independent members.
Management declares conflict of interest annually and during each Board and Committee meetings.

Code of Conduct

The code of conduct guides members on the ethical and honest conduct that is expected of them. King IV is used as a professional code that guides the conduct of the Board.

Company Secretary

In the 2020-2021 financial year, the FDC did not have a Company Secretary to perform functions in terms of section 10 A of the Free State Development Corporation Act of No.6 of 1995 as well as section 88 of the Companies Act No.71 of 2008 as amended. The FDC, still made sure that the Company Secretary function of ensuring that the Board is functioning optimally and is well managed are performed.

Delegations of Authority

A comprehensive delegations of authority framework is in place to ensure clear roles and responsibility between the Board and Management and to enable timely and effective implementation of Board Strategy and decisions.

BOARD AND COMMITTEE MEMBERS MEETINGS ATTENDANCE BY NON-EXECUTIVE MEMBERS

	BOARD	URGENT/ SPECIAL BOARD	GARPC	JOINT GARPC AND BIFC	BIFC	BHHREC AND SPECIAL	BITIC	BLLC	JOINT BOARD AND GARPC	BOARD STRATEGIC
Total meeting held:	1	9	8	6	5	3	0	0	1	1
Mr ZW Ngququ	1	6								1
Ms HB Matseke	1	7				1			1	0
Mr MV Mahlatsi	1	9	3	6	5	3			1	1
Mr ME Mohlahlo		5		3	1	1			1	
Ms NT Sandlana	1	9	8	6	5	3			1	1
Ms R Matenche			3							
Mr CAK Choeu	1	8	6	6	5					
Mr TP Tsuaeli	0	2								
Mr ME Ntshiea	1	9	8	6	1				1	0

4.3 BOARD AUDIT RISK PERFORMANCE COMMITTEE

Mr M Ntshiea-
Chairperson of Board, Audit, Risk and Performance Committee
(26 November 2019 to date)
Date of appointment:
24 April 2019

- B. Com Accounting

Ms TN Sandlana
Date of appointment:
24 April 2019

- Diploma in Management, B Comm, Higher Education Diploma, Master of Business Administration, Certificate in Quality Assessment CQA, Certificate in Control Self-Assessment

Ms. R. Mantenche
Chairperson of Board, Audit, Risk and Performance Committee
(30 May 2019- 25 November 2019)
Appointment date: 24 April 2019
- Resigned 29 April 2020

- Bachelor of Accounting

Mr E. M. Mohlahlo
Date of appointment
24 April 2019
- resigned 01 December 2020

- Masters of Business Administration, Hons. B.com (Financial Accounting), B. Com, Diploma: Public Finance Management and Administration

Mr CAK Choeu
Date of appointment:
21 October 2020
- deceased February 2021

- Master's degree in South African Political Economy,
- Master's Degree in International Relations, BA (honours) Cum Laude Majoring in Political Science, BA Cum Laude Majoring in Political Science, History and Psychology

PART 5
FINANCIAL INFORMATION

IFRS

Report of the auditor-general to the Free State Legislature on the Free State Development Corporation

Report on the audit of the consolidated and separate financial statements

Disclaimer of opinion

1. I was engaged to audit the consolidated and separate financial statements of the Free State Development Corporation and its subsidiaries (the group), set out on pages 70 to 147 which comprise the consolidated and separate statement of financial position as at 31 March 2021, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. I do not express an opinion on the consolidated and separate financial statements of the group. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

Basis for disclaimer of opinion

Going concern

3. The public entity incurred a net loss of R131 346 926 and R130 282 598 for the year ended 31 March 2021 and, at that date, its current liabilities exceeded its current assets by
R898 855 712 and R895 368 112, as indicated in note 34 to the consolidated and separate financial statements, respectively. The public entity was therefore commercially insolvent because it was not able to pay its debts as and when they were due, even though its total assets exceeded its total liabilities. Additionally, I was unable to obtain sufficient appropriate evidence to confirm the reasonableness of the cash flows forecasted and the related assumptions, conditions, and events to support management's assessment of the public entity's viability in the foreseeable future. Consequently, I was unable to confirm or dispel whether it is appropriate to prepare the consolidated and separate financial statements using the going concern assumption.

Investment property

4. I was unable to obtain sufficient appropriate evidence for investment property as the assumptions used by the public entity to value investment property could not be substantiated by supporting evidence. I was unable to confirm investment property by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to investment property, stated at R1 281 409 489 and R1 285 909 489 (2020: R1 272 888 895 and R1 277 388 895) in note 3 to the consolidated and separate financial statements, respectively. In addition, the public entity did not recognise investment property in accordance with International Accounting Standards (IAS) 40, *Investment Property* as investment property was recognised that was not under the entity's control or could not be physically verified. Consequently, investment property was overstated by R59 098 645 (2020: R51 257 390). This also had an impact on the comprehensive loss for the year and retained income. Furthermore, the public entity did not recognise all properties that met the definition of investment properties in accordance with International Accounting Standard (IAS) 40, *Investment property*, as properties that were under construction were not recorded

as investment property. I was unable to determine the full extent of the misstatement as it was impracticable to do so. Additionally, this also has an impact on the deferred income.

Trade and other payables

5. I was unable to obtain sufficient appropriate audit evidence for trade payables and accruals due to the status of the accounting records as the public entity did not maintain adequate records of outstanding payments for goods and services received but not yet paid. I was unable to confirm trade payables and accruals by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to trade payables and accruals, stated at R860 733 884 and R855 635 162 (2020: R551 803 528 and R550 996 445 for trade payables) in note 17 to the consolidated and separate financial statements, respectively.

Property, plant and equipment

6. The public entity did not recognise all items of property, plant and equipment in accordance with IAS 16, *Property, plant and equipment.* Assets under construction included in note 2 to the consolidated and separate financial statements were incorrectly classified as assets under construction while they were completed and available for use. This resulted in the overstatement of assets under construction and an understatement of completed assets. I was unable to determine the impact on the net carrying amount and depreciation as it was impracticable to do so. In addition, the public entity did not record all assets that met the definition of property, plant and equipment in accordance with IAS 16, *Property, plant and equipment*, as assets owned and under construction by the public entity were not recorded as property, plant and equipment. I was unable to determine the impact on the net carrying amount and depreciation as it was impracticable to do so. Additionally, this also has an impact on the comprehensive loss for the period, retained income, and deferred income. Furthermore, I was unable to obtain sufficient appropriate evidence for property, plant and equipment as the assumptions used by the public entity to value land and buildings could not be substantiated by adequate supporting evidence. I was unable to confirm property, plant and equipment by alternative means. Consequently, I was unable to determine whether any further adjustments were necessary to land and buildings, stated at R22 321 973 and R17 195 000 in note 2 to the consolidated and separate financial statements, respectively.

Revenue

7. During 2020, I was unable to obtain sufficient appropriate evidence that all the revenue from utility income had been recorded, as the public entity did not have adequate systems. I could not confirm utility income by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to utility income stated at R68 851 663 disclosed in note 19 to the consolidated and separate financial statements. In addition, the public entity recognised utility income from transactions that did not meet the definition of revenue in accordance with International Financial Reporting Standards (IFRS) 15, *Revenue from contract with customers*, as it was not probable that the entity will collect the consideration due to the poor payment history of some tenants. Consequently, revenue from utility income was overstated by R29 180 482 in the consolidated and separate financial statements. This also had an impact on comprehensive loss for the period and trade and other receivables. My audit opinion on the consolidated and separate financial statements for the period ended 31 March 2020 was modified accordingly. My opinion on the current year consolidated and separate financial statements was also modified because of the possible effect of these matters on the comparability of the revenue for the current period.

8. During 2020, the public entity did not recognise revenue from leases with tenants in accordance with IFRS 16, *Leases* as rental income relating to prior years were recognised in the current year. Consequently, rental income was overstated by R48 942 414 in the consolidated and separate financial statements. This also had an impact on the comprehensive loss for the period and on the retained income. My audit opinion on the consolidated and separate financial statements for the period ended 31 March 2020 was modified accordingly. My opinion on the current year consolidated and separate financial statements was also modified because of the possible effect of these matters on the comparability of the revenue for the current period.

Contingencies

9. I was unable to obtain sufficient appropriate audit evidence for the contingencies disclosed and that all contingencies had been properly accounted for due to the status of the accounting records as the public entity could not provide adequate supporting evidence to confirm the contingencies disclosed I was unable to confirm the contingencies by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to contingencies, stated at R91 479 569 (2020: R71 356 877) in note 29 to the consolidated and separate financial statements.

Emphasis of matters

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

Irregular expenditure

11. As disclosed in note 36 to the consolidated and separate financial statements, the group incurred irregular expenditure of R6 558 834 (2020: R21 711 568), of which R5 749 279 (2020: R15 764 269) was incurred by the parent entity, mainly due to non-compliance with supply chain management (SCM) requirements. In addition, the full extent of the irregular expenditure is still being determined.

Fruitless and wasteful expenditure

12. As disclosed in note 37 to the consolidated and separate financial statements, the group incurred fruitless and wasteful expenditure of R34 020 769 (2020: R38 290 497), of which R34 002 568 (2020: R38 290 497) was incurred by the parent entity, mainly due to interest payments on overdue accounts.

Material impairments – trade debtors and other financial assets

13. As disclosed in note 6 to the consolidated and separate financial statements, material impairments of R324 044 707 (2020: R295 899 751) were recognised by the group and R329 533 299 (2020: R301 388 418) was recognised by the parent entity as a result of the provision for impairment of other financial assets.

14. As disclosed in note 9 to the consolidated and separate financial statements, material impairments of R377 245 293 (2020: R327 505 923) were recognised by the group and R377 191 335 (2020: R327 451 965) was recognised by the parent entity as a result of the provision for impairment of trade and other receivables.

Restatement of corresponding figures

15. As disclosed in note 32 to the consolidated and separate financial statements, the corresponding figures for 31 March 2020 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2021.

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

16. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) 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.

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

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

18. My responsibility is to conduct an audit of the consolidated and separate financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and separate financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

20. 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 of the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

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

22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected

programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programmes	Pages in annual performance report
Programme 2 – SMME financing, development and support	25

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

24. The material findings on the usefulness and reliability of the performance information of the selected programme are as follows:

Programme 2 – SMME financing, development and support

Number of new jobs created (Joint indicator – programmes 2 and 3)

25. I was unable to obtain sufficient appropriate evidence that systems and processes were established to enable consistent measurement and reliable reporting of performance against the predetermined indicator definitions. This was due to insufficient measurement definitions and processes. I was unable to validate the existence of systems and processes by alternative means.

26. I was unable to obtain sufficient appropriate evidence for the achievement of 209 reported against the target of 200 in the annual performance report due to the lack of accurate and complete records. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to be reported achievement.

Other matter

27. I draw attention to the matters below.

Achievement of planned targets

28. Refer to the annual performance report on pages 24 to 29 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 paragraphs 25 and 26 of this report.

Report on the 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 public entity's compliance 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:

Annual 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

of expenditure and disclosure items identified by the auditors in the submitted financial statements were corrected but the uncorrected material misstatements and supporting records that could not be provided resulted in the financial statements receiving a disclaimer of opinion.

Expenditure management

32. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The value as disclosed in note 36 is not complete, as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with SCM requirements.
33. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R34 002 568, as disclosed in note 37 to the annual 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 incurred on late payments to suppliers.

Revenue management

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

Strategic planning and performance management

35. The corporate plan submitted to the head of department designated by the executive authority did not include the affairs of Maluti-A-Phofung SEZ SOC RF (subsidiary), as required by section 52(b) of the PFMA.

Procurement and contract management

36. I was unable to obtain sufficient appropriate audit evidence that goods, works, and services were procured through a procurement process that is fair, equitable, transparent, and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

37. The preference point system was not applied in some of the procurement of goods and services above R30 000, as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA). Similar non-compliance was also reported in the prior year.

Consequence management

38. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed

39. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into 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. The other information does not include the consolidated and separate financial statements, the auditor's report, and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.

41. My opinion on the consolidated and separate financial statements and findings on the reported performance information and compliance with legislation does not

cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

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. When I do receive and read this information, if I conclude that there is a material misstatement therein, 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 an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

45. Leadership did not implement consequence management as no investigations were done to address the prior year's findings and no steps were taken to hold staff accountable for transgressions with laws and regulations.

46. Leadership did not adequately develop and monitor the implementation of the action plan to address significant internal control deficiencies identified in the prior year, resulting in repeat material findings identified in the current year.

47. Management's lack of detailed review of the consolidated and separate financial statements and the annual performance report and the underlying records resulted in material misstatements that were not detected by the public entity's internal processes.

48. Leadership did not adequately exercise its oversight responsibility regarding non-compliance with laws and regulations, as instances of non-compliance with legislation and material misstatements in the consolidated and separate financial statements and annual performance report submitted for audit were identified during the audit.

49. Leadership did not implement effective human resource management to ensure that performance agreements are in place for key personnel and that performance is monitored.

Material irregularities

50. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit. The material irregularity identified is as follows:

Long outstanding electricity receivables not collected

51. A service provider was appointed to provide electricity billing and collection services to tenants for a contract period of 60 months. The service provider collected money amounting to
R37 473 038 from the tenants for the period 1 April 2019 to 31 March 2020, but only

paid over a total of R4 841 970 collected to the Free State Development Corporation. The total cumulative closing balance of the receivable due by the service provider as at 31 March 2021 was R109 204 581 as disclosed in note 9 to the financial statements. The accounting authority did not take effective and appropriate steps to collect the outstanding amounts due from the service provider as the debt collection processes only commenced in May 2020, in contravention with 51(1)(b)(i) of the PFMA. The service provider was placed under voluntary liquidation from 26 May 2020. The non-compliance is likely to result in a material financial loss for the Free State Development Corporation if the outstanding amounts are not recovered from the service provider.

52. The accounting authority was notified of the material irregularity on 23 October 2020 and invited to make a written submission on the actions taken and that will be taken to address the matter. The Free State Development Corporation instructed an external legal firm in a letter dated 14 July 2020 to proceed with legal steps against the service provider, however, this process has not resulted in the recovery of the outstanding amount. The accounting authority could not provide sufficient and appropriate evidence of the other actions that had been taken in response to being notified of the material irregularity. I recommend that the accounting authority should take the following further actions to address the material irregularity, which should be implemented by 15 January 2022:

- Appropriate action should be taken to investigate the non-compliance, in order to determine if any official should be held responsible.
- Effective and appropriate disciplinary steps should commence against any official that the investigation found to be responsible, as required by section 51(1)(e) of the PFMA.

53. In addition, I am in the process of referring the material irregularity to a public body for investigation as provided for in section 5(1A) of the PAA.

54. I will follow up on the implementation of the recommendations after the due date.

Other reports

55. In addition to the investigation relating to the material irregularity, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public 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 consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

56. During 2019, the Directorate for Priority Crime Investigation (Hawks) conducted a forensic investigation into alleged irregularities regarding the investment in a mutual bank by the Free State Development Corporation. The investigation was still in progress at the date of this auditor's report.

Auditor-General

Bloemfontein

02 September 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

General Information

Country of incorporation and domicile	**South Africa**
Nature of business and principal activities	The Free State Development Corporation Group (FDC Group) is a specialist economic development agency formed to offer the Free State people and potential investors a wide selection of services. These services include: - Promotion and development of small, medium and micro enterprises - Assist Free State based small, medium and micro enterprises with funding by advancing loans - Assist Free State based small, medium and micro enterprises in financial distress - Initiate economic empowerment projects that would benefit the Free State - Promote investment in and trade with the Province and to identify, analyse, publicise and market investment and trade opportunities in the provincial economy - Undertake, at the request of the responsible Member or other stakeholders or agencies, activities for which the necessary resources can be raised and which, in the opinion of the board of directors, will contribute to strengthening of the provincial economy
Directors	**ZW Ngququ** **ZE Lebelo** **TN Sandlana** **M Mahlatsi** **T Tsuaeli** **HB Matseke** **Mantenche R**
Registered office	**33 Kellner Street** **Westdene** **Bloemfontein** **9301**
Business address	**33 Kellner Street** **Westdene** **Bloemfontein** **9301**
Postal address	**P.O. Box 989** **Bloemfontein** **9300**
Bankers	**ABSA**
Auditors	**Auditor-General of South Africa**
Acting Secretary	**Ms B Moroosele**

Contents

Board, Audit and Risk Committee Report

This report is provided by the audit and risk committee appointed in respect of the 2021 financial year of Free State Development Corporation Group.

The audit committee hereby presents the report for the financial year ended 31 March 2021 in accordance with the Treasury Regulations and the Public Finance Management Act.

Group Audit, Risk and Performance Committee's (Committee)Responsibility

The audit committee ensured that the GRAP reports complies with its responsibilities arising from section 51(1)(a) of the PFMA Act and section 27.1.7 and section 27.1.6 to 27.1.13 of Treasury Regulations.

Section 51 (1) (a) of the PFMA states that:

The accounting authority must ensure that the public entity has and maintains:

- Effective, efficient and transparent systems of financial and risk management and internal controls;
- A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77 of the PFMA;
- An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective; and
- A system for properly evaluating all major capital projects prior to a financial decision on the project.

The Committee assists the Board in fulfilling its oversight responsibility on the system of internal controls, governance of its external and internal functions, annual reporting and the Entity's processes for monitoring statutory and regulatory compliance.

The committee has regulated its affairs in compliance with its charter and has discharged all its responsibilities as contained therein. The committee reports that it has performed its duties as delegated by the Board and has a majority of independent non-executive directors who are financially literate as recommended by King IV.

The committee met during the financial year, evaluated its performance, and addressed matters of conflict of interest within the corporation itself. The committee has conducted its affairs in accordance with its terms of reference and has discharged its responsibilities as contained therein.

Control Environment

Accounting officers and authorities are responsible for internal controls, including leadership, planning, risk management as well as oversight and monitoring. While accounting officers and authorities depend on senior management for designing and implementing the required financial and performance management controls, they should create an environment that helps to improve such controls.

The provision of an adequate level of assurance by the accounting authority and their impact on creating an effective control environment were not evident at Free State Development Corporation (FDC). As reported in the Auditor General of South Africa (AGSA) report for 2020/21 financial year, there was no movement in the status of those internal controls for which accounting authority is responsible, as their leadership, planning, risk management, oversight and monitoring did not result in sustainable practices that translated into improved audit outcomes.

The Board committees assist the directors to discharge their duties and ensure the Board's effectiveness in discharging its duties The Board delegates specific responsibilities to three standing Board committees, namely the Group Audit, Risk and Performance Committee (BARPC) Board Human Resources, Remuneration and Ethics Committee (BHHREC) and Board Information Technology and Infrastructure Committee (BITIC). The committees' terms of reference and the Board Charter are reviewed annually to limit risk and ensure that they remain in line with relevant regulations, company requirements and best practice in corporate governance.

However the committee noted that these committees were not effective as they could not quorate due to vacancies during the year. The position of the chairperson of the Board was filled by three (3) various people during the year under review. The Board was also dissolved on 18 June 2021, subsequent to the approval of the draft financial statements for auditing.

In addition, the key vacancies at executive management level (Chief Operations Officer (Core business) , Company Secretary, Chief Audit Executive) and Management level (IT Manager) were not filled during the year, which weakened the overall control environment.

Effectiveness of internal controls

The Committee considered the effectiveness of internal control systems and governance, legal matters that could have a material impact on the company, and the effectiveness of the entity's compliance with legal and regulatory requirements.

The Committee has observed that the overall control environment, including internal financial controls, has not improved during the year under review. There are still concerns with the level of internal controls within the operations where evidence of lapses of effective monitoring and enforcement by management were observed.

Board, Audit and Risk Committee Report

The Chief Audit Executive position was vacant for the entire financial year, which also compromised an independent internal audit function and report on the status of internal controls across the Group. The internal auditors were unable to complete their audit plan, due to vacancies in the unit.

The Committee concluded and advised the Board that a significant improvement in the entire control environment is still required. Most of the identified control weaknesses indicated that internal financial controls are largely not working as intended regarding the financial statements' assertion of completeness and accuracy. This is, in particular, in relation to the investment property, trade and other receivables, property plant and `equipment, revenue and contingencies.

While there is a need for significant improvement, the Committee concluded that there was a breakdown of internal controls, including internal financial controls.

Going concern

The Committee reviewed management's assessment of the going-concern premise of the group and the company, and recommended to the Board that the group and the company could be considered a going concern for the foreseeable future. In performing its assessment, the Committee acknowledged that Free State Development Corporation cannot solve its problems alone, but needs support from its shareholder, the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA). The Committee recognised the Shareholder's and Free State Provincial Treasury's to support the FDC through engagements. However, the challenges of funding for FDC remains.

The Committee assessed liquidity of the group taking into account the cash flow forecasts. The committee noted inadequate efforts in implementing the turnaround strategy.

External auditors

The Committee has satisfied itself that the external auditor, the Auditor-General of South Africa, was independent of the group, as set out in the PFMA and section 90(2)(c) of the Companies Act, 2008, as amended, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board of Auditors.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year. The Committee.

Financial statements and accounting practices

The Committee reviewed the annual consolidated financial statements of the group and company, as well as the accounting policies and practices of the group. The Committee considered the key judgments, estimates and accounting for significant transactions in the annual financial statements. Where appropriate, the Committee sought the input and views of the experts.

The committee concurs and accepts the conclusions of the AGSA on the Group audited annual financial statements and the predetermined objectives. It is of the opinion that the audited annual financial statement be accepted and read together with the report of the AGSA.

Finance function

The Committee reviewed the financial effectiveness of the finance function and concluded that there remains a capacity challenges with the appropriate skills. The Committee further noted the AGSA's report in its commentary about the improvements required to achieve proper record keeping, and regular processing and reconciling of transactions. The Committee will regularly review and monitor management's plans to address these deficiencies.

Conclusion

The Committee has evaluated the financial statements of FDC and the Group for the year ended 31 March 2021 and considers that they comply, other than the matters disclaimed in the external auditor's report, with the requirements of the Companies Act, the PFMA and the IFRS.

The Committee recommended the consolidated annual financial statements and the integrated report for the year ended 31 March 2021 for approval by the Board on 31 May 2021

ME Ntshiea
Chairperson – Group Audit, Risk and Performance Committee

Directors' Responsibilities and Approval

The directors are required in terms of the Free State Development Corporation Act of 1995 (as amended) effective from 15 September 1995 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated 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, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group’s cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated financial statements. The consolidated financial statements have been examined by the group's external auditors and their report is presented on page 55.

The consolidated financial statements set out on page 63, which have been prepared on the going concern basis, were approved by the board of directors on 31 May 2021 and were signed on their behalf by:

ZW Ngququ
Chairperson of the Board of Directors

Report of the Board

The directors have pleasure in submitting their report on the consolidated financial statements of Free State Development Corporation Group for the year ended 31 March 2021.

1. Constitution

FDC is a Provincial Development Agency constituted in terms of the Free State Development Corporation Act of 1995 (as amended) effective from 15 September 1995.

2. Main business and operations

The objectives of FDC are:

- the promotion and development of small, medium and micro enterprises;
- to assist Free State based small, medium and micro enterprises with funding by advancing loans;
- to assist Free State based small, medium and micro enterprises in financial distress;
- to initiate economic empowerment projects that would benefit the Free State;
- to promote investment in and trade with the Province and to identify, analyse, publicise and market investment and trade opportunities in the provincial economy, in such manner and by such means as the board of directors may from time to time deem appropriate; and
- to undertake, at the request of the responsible Member or other stakeholders or agencies, activities for which the necessary resources can be raised and which, in the opinion of the board of directors, will contribute to the strengthening of the provincial economy.

The operating results and state of affairs of the Free State Development Corporation and the Group are fully set in the attached consolidated financial statements and in our opinion do not require any further comment.

3. Directorate

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

Directors	Office	Designation	Changes
ZW Ngququ	Chairperson	Non-executive	Appointed Thursday, 06 August 2020
I Osman	Chief Executive Officer	Executive	Retired Thursday, 30 April 2020
ZE Lebelo	Chief Executive Officer	Executive	Appointed Wednesday, 01 April 2020
C. Chose	Member	Non-executive	Deceased Wednesday, 10 February 2021
TN Sandlana	Member	Non-executive	
M Mahlatsi	Member	Non-executive	Acting Chairperson from 15 July 2020 until new chairperson was appointed,
T Tsuaeli	Member	Non-executive	
HB Matseke	Member	Non-executive	
ME Mohlahlo	Member	Non-executive	Resigned Tuesday, 01 December 2020
Mantenche R		Non-Executive	

4. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the group had an interest and which significantly affected the business of the group.

5. Interests in subsidiaries and associates

Details of material interests in subsidiary companies, associates and joint arrangements are presented in the consolidated financial statements in notes 5.

The financial report in respect of the interests of the Free State Development Corporation and the Group of Entities, listed below, is set out in the consolidated financial statements of the FDC:

Report of the Board

There were no significant acquisitions or divestitures during the year ended 31 March 2021.

Name of subsidiary or associate	Percentage holding	Audit opinion
Cross Point Trading 23 (Proprietary) Limited**	25.00 %	Under liquidation (No audit opinion)
Highland Furniture Factory (Proprietary) Limited ** (Dormant since Oct 2015)	100.00 %	Pending liquidation (No audit opinion)
Mafube Risk and Insurance Brokers (Proprietary) Limited *	24.50 %	Active (Unqualified)
Phiritona Plastics (Proprietary) Limited **	38.00 %	Pending liquidation (No audit opinion)
Free State Agri SOC RF **	100.00 %	Dormant (No audit opinion)
Free State Investments SOC RF**	100.00 %	Dormant (No audit opinion)
Free State Publishers SOC RF**	100.00 %	Dormant (No audit opinion)
Maluti-A-Phofung IDZ SOC RF**	100.00 %	Active

* Associated companies
** Subsidiary companies

6. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

7. Going concern

The directors believe that the Group and the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group and the Company is in a sound financial position and that it has access to contractual agreements, which will enable it to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the Group and the Company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group and the Company.

8. Auditors

The Auditor-General of South Africa continued in office as auditors for the Free State Development Corporation and the Group of Entities for 2020/2021 financial year.

9. Relations with stakeholders

There are no events recorded that have occurred with stakeholders that could materially affect the reported results and financial position of the Group and the Corporation.

10. Remuneration of directors and senior management

Refer to note 31.

Statement of Financial Position as at 31 March 2021

		Group		Company	
Figures in Rand	Note(s)	2021	2020 Restated *	2021	2020 Restated *
Assets					
Non-Current Assets					
Property, plant and equipment	**2**	**359,227,983**	**368,581,434**	**348,018,980**	**357,009,828**
Investment property	**3**	**1,281,409,489**	**1,272,888,895**	**1,285,909,489**	**1,277,388,895**
Intangible assets	**4**	**275,894**	**394,350**	**239,270**	**371,006**
Investment in associate	**5**	**613,151**	**748,326**	**49,000**	**49,000**
Operating lease asset	**7**	**12,362,578**	**11,756,122**	**12,362,578**	**11,756,122**
		1,653,889,095	**1,654,369,127**	**1,646,579,317**	**1,646,574,851**
Current Assets					
Inventories	8	3,323,485	3,323,485	3,035,784	3,035,784
Trade and other receivables	9	45,074,252	44,258,148	43,479,487	44,358,148
Other financial assets	6	25,898,425	54,543,170	25,898,426	54,543,169
Operating lease asset	7	448,123	527,290	448,123	527,290
Cash and cash equivalents	10	2,944,843	3,882,054	2,618,835	3,602,915
		77,689,128	**106,534,147**	**75,480,655**	**106,067,306**
Total Assets		**1,731,578,223**	**1,760,903,274**	**1,722,059,972**	**1,752,642,157**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Reserves		9,154,374	9,235,580	9,463,639	9,544,845
Retained income		713,706,322	845,745,151	706,544,945	837,391,844
		722,860,696	854,980,731	716,008,584	846,936,689
Non-controlling interest		(3,121,093)	(3,121,093)	-	-
		719,739,603	**851,859,638**	**716,008,584**	**846,936,689**
Liabilities					
Non-Current Liabilities					
Other financial liabilities	12	41,755	41,755	-	-
Finance lease liabilities	13	49,404	187,670	-	-
Retirement benefit obligation	14	34,390,000	38,960,000	34,390,000	38,960,000
Deferred income	15	90,591	88,713	90,591	88,713
Long service awards	16	722,030	724,297	722,030	724,297
		35,293,780	**40,002,435**	**35,202,621**	**39,773,010**
Current Liabilities					
Trade and other payables	17	940,020,806	831,450,446	934,533,744	828,589,446
Other financial liabilities	12	4,520,693	3,692,413	4,520,693	3,692,413
Finance lease liabilities	13	209,011	247,743	-	-
Deferred income	15	31,794,330	33,650,599	31,794,330	33,650,599
		976,544,840	**869,041,201**	**970,848,767**	**865,932,458**
Total Liabilities		**1,011,838,620**	**909,043,636**	**1,006,051,388**	**905,705,468**
Total Equity and Liabilities		**1,731,578,223**	**1,760,903,274**	**1,722,059,972**	**1,752,642,157**

* See Note 32

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
Figures in Rand	Note(s)	2021	2020 Restated *	2021	2020 Restated *
Revenue	19	136,373,728	190,490,845	136,373,728	190,490,845
Other operating income	20	30,594,056	74,982,389	13,518,742	53,913,301
Other operating gains (losses)		-	7,500	-	7,500
Administrative expenses	21	(8,998,996)	(9,719,490)	(7,120,820)	(8,323,819)
Employee related costs	22	(88,660,733)	(94,688,335)	(81,449,467)	(86,691,456)
Other operating expenses	23	(180,258,499)	(279,361,217)	(171,265,691)	(271,815,040)
Operating loss	21	**(110,950,444)**	**(118,288,308)**	**(109,943,508)**	**(122,418,669)**
Investment income	24	105,409	1,669,953	105,409	1,669,953
Finance costs	25	(37,248,316)	(36,161,524)	(37,189,450)	(36,096,747)
Contributions to retirement benefit obligations andlong service awards through profit and loss		(1,166,108)	(1,384,450)	(1,166,108)	(1,384,450)
Gains from fair value through profit and loss	3	8,313,057	162,080,632	8,313,057	162,080,632
Income from equity accounted investments	5	1,474	(27,797)	-	-
Other non-operating gains (losses)	26	-	(1,414,138)	-	(1,414,138)
(Loss) profit for the year		**(140,944,928)**	**6,474,368**	**(139,880,600)**	**2,436,581**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurements on net defined benefit liability/asset		9,074,240	1,573,265	9,074,240	1,573,265
Gains on property revaluation		523,762	604,968	523,762	604,968
Total items that will not be reclassified to profit or loss		**9,598,002**	**2,178,233**	**9,598,002**	**2,178,233**
Other comprehensive income for the year net of taxation		**9,598,002**	**2,178,233**	**9,598,002**	**2,178,233**
Total comprehensive (loss) income for the year		**(131,346,926)**	**8,652,601**	**(130,282,598)**	**4,614,814**

* See Note 32

Statement of Changes in Equity

Figures in Rand	Revaluation reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
Group					
Restated* Balance at 01 April 2019	**3,521,571**	**837,697,524**	**841,219,095**	**(3,121,093)**	**838,098,002**
Profit for the year	-	6,474,368	6,474,368	-	6,474,368
Other comprehensive income	5,714,009	96,453	5,810,462	-	5,810,462
Total comprehensive income for the year	**5,714,009**	**6,570,821**	**12,284,830**	**-**	**12,284,830**
Remeasurement of net defined benefit liability/asset recognised in OCI	-	1,476,806	1,476,806	-	1,476,806
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**1,476,806**	**1,476,806**	**-**	**1,476,806**
Balance at 01 April 2020	**9,235,580**	**845,567,965**	**854,803,545**	**(3,121,093)**	**851,682,452**
Loss for the year	-	(140,944,928)	(140,944,928)	-	(140,944,928)
Other comprehensive income	(81,206)	7,500,975	7,419,769	-	7,419,769
Total comprehensive Loss for the year	**(81,206)**	**(133,443,953)**	**(133,525,159)**	**-**	**(133,525,159)**
Remeasurement of net defined benefit liability/asset recognised in OCI	-	1,582,310	1,582,310	-	1,582,310
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**1,582,310**	**1,582,310**	**-**	**1,582,310**
Balance at 31 March 2021	**9,154,374**	**713,706,322**	**722,860,696**	**(3,121,093)**	**719,739,603**
Note(s)					
Company					
Restated* Balance at 01 April 2019	**3,521,571**	**833,382,000**	**836,903,571**	**-**	**836,903,571**
Profit for the year	-	2,436,581	2,436,581	-	2,436,581
Other comprehensive income	6,023,274	96,453	6,119,727	-	6,119,727
Total comprehensive income for the year	**6,023,274**	**2,533,034**	**8,556,308**	**-**	**8,556,308**
Remeasurement of net defined benefit liability/asset recognised in OCI	-	1,476,810	1,476,810	-	1,476,810
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**1,476,810**	**1,476,810**	**-**	**1,476,810**
Balance at 01 April 2020	**9,544,845**	**837,351,304**	**846,896,149**	**-**	**846,896,149**
Loss for the year	-	(139,880,600)	(139,880,600)	-	(139,880,600)
Other comprehensive income	(81,206)	7,500,975	7,419,769	-	7,419,769
Total comprehensive Loss for the year	**(81,206)**	**(132,379,625)**	**(132,460,831)**	**-**	**(132,460,831)**
Remeasurement of net defined benefit liability/asset recognised in OCI	-	1,573,266	1,573,266	-	1,573,266
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**1,573,266**	**1,573,266**	**-**	**1,573,266**
Balance at 31 March 2021	**9,463,639**	**706,544,945**	**716,008,584**	**-**	**716,008,584**
Note(s)					

* See Note 32

Statement of Changes in Equity

Figures in Rand	Share capital	Revaluation reserve	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity

The accounting policies on pages 75 to 88 and the notes on pages 89 to 147 form an integral part of the consolidated financial statements.

* See Note 32

Statement of Cash Flows

		Group		Company	
Figures in Rand	Note(s)	2021	2020 Restated *	2021	2020 Restated *
Cash flows from operating activities					
Cash receipts from customers		115,435,391	212,088,858	101,031,761	187,382,042
Cash paid to suppliers and employees		(119,208,539)	(257,531,477)	(105,375,014)	(238,417,592)
Cash used in operations	27	(3,773,148)	(45,442,619)	(4,343,253)	(51,035,550)
Interest income		103,763	1,667,996	103,763	1,667,996
Dividends received		1,646	1,957	1,646	1,957
Finance costs		(90,861)	(151,352)	(31,995)	(86,575)
Net cash from operating activities		**(3,758,600)**	**(43,924,018)**	**(4,269,839)**	**(49,452,172)**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(407,403)	(6,935,676)	(317,402)	(1,275,518)
Proceeds from sale of property, plant and equipment	2	1,983,869	707	2,296,858	-
Purchase of other intangible assets	4	(41,324)	(20,267)	(21,837)	(20,267)
Proceeds from investment in associates		135,175	27,796	-	-
Proceeds from/Financing of other financial assets		499,789	(319,514)	499,862	(319,586)
Net cash from investing activities		**2,170,106**	**(7,246,954)**	**2,457,481**	**(1,615,371)**
Cash flows from financing activities					
Repayment of borrowings		-	-	-	-
Movements in other liabilities		828,280	(865,269)	828,280	(823,514)
Movement in finance lease liabilities		(176,998)	(167,491)	-	-
Net cash from financing activities		**651,282**	**(1,032,760)**	**828,280**	**(823,514)**
Total cash movement for the year		**(937,212)**	**(52,203,732)**	**(984,078)**	**(51,891,057)**
Cash at the beginning of the year		3,882,053	56,085,787	3,602,914	55,493,971
Total cash at end of the year	10	**2,944,841**	**3,882,055**	**2,618,836**	**3,602,914**

* See Note 32

Accounting Policies

1. Presentation of Consolidated Financial Statements

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

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these consolidated financial statements.

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

The consolidated financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the group and company's functional currency. All figures are rounded to the nearest Rand.

These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of consolidation

The consolidated financial statements incorporate the corporation and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

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

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

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

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

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

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

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

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

Accounting Policies

1.3 Investment in associate

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

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

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

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

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Critical judgements in applying accounting policies

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

Lease classification

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

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Allowance for slow moving, damaged and obsolete inventory

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

Electronic devices with a cost price of R - are included in the inventory balance at the reporting date. These items have been on hand for approximately - months and have not been selling because of alternative devices introduced by competitive forces. Management have estimated that if the sales price is reduced by -%, then the inventory is expected to be sold within the next financial year. An allowance of R - was therefore recognised against inventory at the reporting date. If the market does not absorb the inventory at the reduced price, then a further allowance of R - will be required.

Fair value estimation

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

A valuation committee was established in order to determine the appropriate valuation techniques and inputs for each valuation. The committee reports to the CFO. Significant valuation issues are reported to the audit committee.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the various assets and liabilities is disclosed in note 3 and note 14.

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

An impairment charge of R - arose on the North Rand Aluminium production plant, resulting in its carrying amount of R - being written down to a recoverable amount of R -. If the budgeted cost of capital rate used as the discount rate in the value in use calculation had been -% higher (lower) than management estimated, the impairment charge would have been R - (R - lower).

Management reviewed the recoverable amount of major equipment during the current period because increasing competitive forces indicated that there may have been a decline in the value in use of the equipment. An impairment test was performed and the recoverable amount of the equipment was assessed to be the value in use. Sales forecasts were applied in this calculation and management estimated an annual sales volume reduction on -% per annum for the following - years. This calculation resulted in an impairment loss of R - being recognised. Management also determined that should the annual sales volume differ by -% from the estimate per annum the impairment loss would have changed by R -. The carrying amount of the equipment after the impairment amounts to R -.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 16.

The provision for rehabilitation of land of R - is expected to have a significant impact on the consolidated financial statements. The provision is based on discounted cash flow forecasts over - years. Management have assessed that if the discount rate (based on the current markets assessment of the time value of money and adjusted for specific risks) was -% higher (lower) than applied in the calculations, then the provision would have been R - lower (R - higher).

The group was in the process of arbitration regarding a previous senior employee who alleges to have been unfairly dismissed. Legal council has estimated that a claim of R - is the most likely award. However, the range could lie between R - and R -.

1.5 Investment property

Investment property (note 3) is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

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

Accounting Policies

1.5 Investment property (continued)

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 (note 3) is measured at fair value.

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

1.6 Property, plant and equipment

Property, plant and equipment (note 2) are tangible assets including infrastructure assets which the group holds for the use in the production or supply of goods and services, for rental to others, or for administrative purposes and which are expected to be used for more than one year.

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

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Owner-occupied properties and buildings	Straight line	20 years
Furniture and fixtures, machinery and equipment	Straight line	1 to 15 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Infrastructure	Straight line	20 years
Motor vehicles	Straight line	4 to 9 years
Computer hardware	Straight line	1 to 10 years
Other property, plant and equipment	Straight line	15 to 25 years

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

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

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

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

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

1.7 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

Item	**Useful life**
Computer software	1 to 7 years

1.8 Investments in subsidiaries

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

1.9 Financial instruments

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

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

Financial assets which are equity instruments:

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

Financial assets which are debt instruments:

Accounting Policies

1.9 Financial instruments (continued)

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

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

Note 33 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

Loans receivable at amortised cost

Classification

Loans to group companies (note 6), loans to shareholders (note 6), loans to directors, managers and employees (note 6), and loans receivable (note 6) are classified as financial assets subsequently measured at amortised cost.

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Impairment

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

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

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

Accounting Policies

1.9 Financial instruments (continued)

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

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 33).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 9).

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Impairment

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

Accounting Policies

1.9 Financial instruments (continued)

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

Credit risk

Details of credit risk are included in the trade and other receivables note (note 9) and the financial instruments and risk management note (note 33).

Trade and other payables

Classification

Trade and other payables (note 17), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 25).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 33 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at the carrying amount, which is deemed to be fair value.

Bank overdrafts

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

Reclassification

Financial assets

The group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

Accounting Policies

1.10 Leases

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

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

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

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

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note 21) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

Details of leasing arrangements where the group is a lessee are presented in note 13 Finance lease liabilities (group as lessee).

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment on the Statement of Financial Position.

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

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

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

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

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

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

Accounting Policies

1.10 Leases (continued)

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

Group as lessor

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

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

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

1.11 Inventories

Inventories consist out of stands held for sale. Inventories are measured at the lower of cost and net realisable value.

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

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

The cost of inventories 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.

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

1.12 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

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

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

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

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

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

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

Accounting Policies

1.12 Impairment of assets (continued)

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

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

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

1.13 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans - Pensions and Benefit Fund Contributions

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans - Post retirement medical obligation

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

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

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

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

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees.

Actuarial gains or losses within the corridor are not recognised.

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

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

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

1.14 Provisions and contingencies

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

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

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be 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 business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business 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 29.

1.15 Government grants

Government grants are recognised when there is reasonable assurance that:
- the group will comply with the conditions attaching to them; and
- the grants will be received.

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

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

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

Grants related to income are presented as a credit in the profit or loss (separately).

Accounting Policies

1.15 Government grants (continued)

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.16 Revenue from contracts with customers

The group recognises revenue from the following major sources:

- Utility income - Sale of water and electricity
- Rental of commercial properties
- Rental of residential properties

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

Interest is recognized, in profit and loss, using the effective interest rate method.

Dividends are recognized, in profit and loss, when the company's right to receive payment has been established.

Utility income - Sale of water and electricity

For utility income - sale of water and electriticy, revenue is recognised when services are rendered, based on the consumption of tenants occupying FDC properties for rental purposes. All electricity tariffs charged are governed by NERSA. The Board reviews the tariffs on an annual basis and adjust the tariffs within the legsilative prescripts. As utility income relates to water and services, once the units have been consumed by the tenant, the risks and rewards associated with the utilities are deemed to be transferred. A utility meter is installed that monitors the usage of consumption. Once the utilities are passed the meter, on the "tenant's side", the risks were transferred to the tenant, which includes any distribution losses incurred passed the meter. The FDC bears the risk of any and all distribution losses incurred on utilities, before it passes through the meter.

A receivable is recognised by the group when the utilities are consumed by the tenant, as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

There are no sales-related warranties associated with with the supply of utilities to tenants.

There are also no discounts applicable to utility income.

Rental of residential and commercial properties

Refer to Accounting Policy 1.10 above for the detailed accounting treatment for leases.

1.17 Bad debts written off

Bad debts are written off, directly against the debtors' account, after a comprehensive collection process, all legal steps have been taken and it is considered that the Corporation will be unable to recover the debt. The collection processes include debtor visits, consultations with debtors, rework of debtors' business plans and the rescheduling of debts. If debtors cannot pay after the collection process they will be handed over to the legal department for the legal collection of debts.

Bad debts are written off after the legal process has been exhausted and recognised as an expense in profit or loss. Subsequent recoveries of amounts previously written off are credited against other income in profit or loss.

Accounting Policies

1.18 Irregular expenditure

Irregular expenditure is recorded in the notes of the annual financial statements when confirmed. The amount recorded is equal to the value of irregular expenditure unless it is impractical to determine, in which case, reasons are provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written-off as irrecoverable. Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either

a) condoned by the relevant authority if no official was found to be liable in law;
b) recovered from an official liable in law;
c) written-off if it's irrecoverable from an official liable in law; or
d) written -off if it's not condoned an not recoverable.

1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

The expenditure is classified in accordance with the nature of the expense, and when it will be recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Notes to the Consolidated Financial Statements

2. Property, plant and equipment

Group

	2021			2020		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Land	5,430,000	-	5,430,000	5,715,789		5,715,789
Buildings	28,374,981	(11,483,008)	16,891,973	37,666,889	(20,155,705)	17,511,184
Plant and machinery	6,673,304	(769,812)	5,903,492	6,583,304	(436,796)	6,146,508
Furniture and fixtures, machinery and equipment	9,121,914	(7,592,484)	1,529,430	9,121,914	(7,100,542)	2,021,372
Motor vehicles	1,610,914	(1,411,065)	199,849	1,610,914	(1,411,065)	199,849
Right-of-use assets	864,585	(654,491)	210,094	864,585	(481,574)	383,011
Computer hardware	7,301,543	(6,899,556)	401,987	6,982,685	(6,080,504)	902,181
Assets under construction	241,039,325	-	241,039,325	241,271,861	-	241,271,861
Infrastructure	105,227,974	(17,606,141)	87,621,833	94,379,555	50,124	94,429,679
Total	**405,644,540**	**(46,416,557)**	**359,227,983**	**404,197,496**	**(35,616,062)**	**368,581,434**

Company

	2021			2020		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Land	5,430,000	-	5,430,000	5,715,789	-	5,715,789
Buildings	22,906,611	(11,141,611)	11,765,000	32,198,519	(19,814,308)	12,384,211
Plant and machinery	923,148	(314,318)	608,830	923,148	(268,156)	654,992
Furniture and fixtures, machinery and equipment	6,015,479	(4,722,947)	1,292,532	6,015,479	(4,299,884)	1,715,595
Motor vehicles	938,985	(938,985)	-	938,985	(938,985)	-
Computer hardware	6,906,809	(6,645,349)	261,460	6,750,397	(5,912,696)	837,701
Assets under construction	241,039,325	-	241,039,325	241,271,861	-	241,271,861
Infrastructure	105,227,974	(17,606,141)	87,621,833	94,379,555	50,124	94,429,679
Total	**389,388,331**	**(41,369,351)**	**348,018,980**	**388,193,733**	**(31,183,905)**	**357,009,828**

Notes to the Consolidated Financial Statements

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2021

	Opening balance	Additions	Disposals	Revaluations	MAP SEZ adjustments	Depreciation	Total
Land	5,715,789	-	-	(285,789)	-	-	5,430,000
Buildings	17,511,184	-	-	496,561	-	(1,115,772)	16,891,973
Plant and machinery	6,146,508	90,000	(46,162)	-	-	(286,854)	5,903,492
Furniture and fixtures, machinery and equipment	2,021,372	6,320	-	-	-	(498,262)	1,529,430
Motor vehicles	199,849	-	-	-	-	-	199,849
Right-of-use assets	383,011	-	-	-	-	(172,917)	210,094
Computer hardware	902,181	311,083	-	-	170,469	(981,746)	401,987
Assets under construction	241,271,861	-	(232,536)	-	-	-	241,039,325
Infrastructure	94,429,679	-	(1,705,171)	-	-	(5,102,675)	87,621,833
	368,581,434	**407,403**	**(1,983,869)**	**210,772**	**170,469**	**(8,158,226)**	**359,227,983**

Notes to the Consolidated Financial Statements

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Disposals	MAP SEZ adjustments	Revaluations	Depreciation	Total
Land	5,495,951	-	-	-	219,838	-	5,715,789
Buildings	19,638,684	-	-	-	(1,016,728)	(1,110,772)	17,511,184
Plant and machinery	701,155	5,660,158	-	-	-	(214,805)	6,146,508
Furniture and fixtures, machinery and equipment	2,602,857	8,602	-	(83,027)	-	(507,060)	2,021,372
Motor vehicles	199,849	-	-	-	-	-	199,849
Right-of-use assets	557,125	-	-	-	-	(174,114)	383,011
Computer hardware	1,765,143	191,320	(707)	68,079	-	(1,121,654)	902,181
Assets under construction	240,196,265	1,075,596	-	-	-	-	241,271,861
Infrastructure	99,848,248	-	-	-	-	(5,418,569)	94,429,679
	371,005,277	**6,935,676**	**(707)**	**(14,948)**	**(796,890)**	**(8,546,974)**	**368,581,434**

Reconciliation of property, plant and equipment - Company - 2021

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	5,715,789	-	-	(285,789)	-	5,430,000
Buildings	12,384,211	-	(312,990)	809,551	(1,115,772)	11,765,000
Plant and machinery	654,992	-	(46,162)	-	-	608,830
Furniture and fixtures, machinery and equipment	1,715,595	6,320	-	-	(429,383)	1,292,532
Computer hardware	837,701	311,082	-	-	(887,323)	261,460
Assets under construction	241,271,861	-	(232,536)	-	-	241,039,325
Infrastructure	94,429,679	-	(1,705,170)	-	(5,102,676)	87,621,833
	357,009,828	**317,402**	**(2,296,858)**	**523,762**	**(7,535,154)**	**348,018,980**

Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Revaluations	Depreciation	Total
Land	5,495,951	-	219,838	-	5,715,789
Buildings	14,511,711	-	(1,016,728)	(1,110,772)	12,384,211

Notes to the Consolidated Financial Statements

2. Property, plant and equipment (continued)

Plant and machinery	701,155	-	-	(46,163)	654,992
Furniture and fixtures, machinery and equipment	2,145,176	8,602	-	(438,183)	1,715,595
Computer hardware	1,632,705	191,320	-	(986,324)	837,701
Assets under construction	240,196,265	1,075,596	-	-	241,271,861
Infrastructure	99,848,249	-	-	(5,418,570)	94,429,679
	364,531,212	**1,275,518**	**(796,890)**	**(8,000,012)**	**357,009,828**

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

2. Property, plant and equipment (continued)

Pledged as security

No assets are pledged as security. There are no restrictions on the distribution of the revaluation reserve to the equity holders of the group.

Revaluations

The group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year.

Fair value hierarchy for assets held at fair value

IFRS 13 requires financial assets recognised at fair value, to disclose the fair value hierarchy which reflects the significance of the input
measurements. The fair value hierarchy has the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Assets are measured at fair value on a recurring basis in the statement of financial position after the initial recognition.

Level 2 of the fair value hierarchy applies to Property, Plant and Equipment measured at fair value.

Refer to note 3 investment property for the specific details of the valuators and assumptions used for the valuation of the land and buildings.

The carrying value of the revalued assets under the cost model would have been:

Buildings	4,633,471	12,180,507	4,633,471	8,080,507

Other information

Fully depreciated property, plant and equipment still in use	8,615,927	6,346,606	8,615,927	6,346,606

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Corporation.

Infrastructure assets relate to SEZ fencing and infrastructural developments still under construction.

Notes to the Consolidated Financial Statements

3. Investment property

Group	2021			2020		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	1,281,409,489	-	1,281,409,489	1,272,888,895	-	1,272,888,895

Company	2021			2020		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	1,285,909,489	-	1,285,909,489	1,277,388,895	-	1,277,388,895

Reconciliation of investment property - Group - 2021

	Opening balance	**Fair value adjustments**	**Total**
Investment property	1,272,888,895	8,520,594	1,281,409,489

Reconciliation of investment property - Group - 2020

	Opening balance	**Fair value adjustments**	**Total**
Investment property	1,243,414,702	29,474,193	1,272,888,895

Notes to the Consolidated Financial Statements

3. Investment property (continued)

Reconciliation of investment property - Company - 2021

	Opening balance	Fair value adjustments	Total
Investment property	1,277,388,895	8,520,594	1,285,909,489

Reconciliation of investment property - Company - 2020

	Opening balance	Fair value adjustments	Total
Investment property	1,247,914,702	29,474,193	1,277,388,895

Fair value hierarchy for assets held at fair value

IFRS 13 requires financial assets recognised at fair value, to disclose the fair value hierarchy which reflects the significance of the input measurements. The fair value hierarchy has the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Assets are measured at fair value on a recurring basis in the statement of financial position after the initial recognition.

All industrial investment property relating to Qwa-Qwa and Botshabelo relates to unobservable market data, which is therefore classified as level 3 on the fair value hierarchy. The total value for industrial investment property relating to these areas amounts to R667 717 000 (2020: R661 105 941).

All other investment properties relating to commercial, residential and other industrial developments relate to observable market data, which is therefore classified as level 2 on the fair value hierarchy.

Pledged as security

No investment property is pledged as security.

Other disclosures:

A register containing the detailed information regarding the properties is available at the FDC's head offices, situated at 33 Kellner Street, Bloemfontein.

Properties included in the Investment Property asset register but not registered in the name of the FDC or its predecessors.

Where it can be established that the FDC is the rightful owner of such a property, the property will be transferred into the name of the FDC. Where no such proof exists, the property will be removed from the Investment Property asset register. This will affect the value of Investment property as disclosed in the consolidated financial statements.

Details of valuation

The effective date of the fair value valuation is 31 March 2021. Revaluations were performed by an independent valuer, Mr Madonsela registered as a Professional Valuer, (Certificate no. 6446). Mr Madonsela is not connected to the group and has recent experience in the location and categories of the investment property being valued. The group's complete last revaluation was performed on June 2020 by independent valuators

Notes to the Consolidated Financial Statements

3. Investment property (continued)

The 2021 valuations of the investment register was performed on the basis of an independent market analysis as well as site inspections, where possible. The Rode report was used to determine the market trends to calculate the net replacement value of the comparative figures. The following percentages were obtained from the Rode Report and used for the net replacement value calculations for the 2019/20 comparitive figures:

- Commercial properties	-5% (2020: 4%)
- Industrial properties	1% (2020: 2%)
- Residential properties	4% (2020: 3.1%)

Basis and standards of valuation

This valuation has been prepared in accordance with the Guidance Notes of the Appraisal and Valuation Standards manual of the Royal Institution of Chartered Surveyors (RICS)- Global Standards, and in conformity with the Guidance Notes of the International Valuation Standards Council (IVSC) adapted for South African Law and Regulations.

Basis and standards of valuation

The basis of our valuation is 'Market Value' and this is defined by the RICS and IVSC as:

'The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'

Sources of information

The valuation is based on primary and secondary data provided by FDC, property managers and other sources, including but not limited to:
- Copy of the Deeds report;
- Surveyor General's records and zoning information.
- Publications including: SAPOA Office Vacancy, Cap and Discount Rate Reports,
- Investment Property Databank (IPD); and
- The Rode Report was also referenced.

Methodology and approach

Independent enquiries were made in relation to market conditions, outlook and pricing, using a variety of primary sources including: brokers and agents, peers in the industry and through our empirical observations.

Physical features of the property were also taken into consideration, such as the:
- Location and access;
- Site features;
- Soil conditions;
- Environmental issues; and
- Asbestos material
- Title particulars
- Town planning
- Municipal valuations
- Services
- Highest and best use
- Description of improvements
- Overview of the market

Land has no value until there is a use for it; the amount of the value however depends on the character of the intended use. The owner of real property typically desires to reap the greatest possible return from the property and will select a use to achieve this objective. Since change is ever present, the existing use of land may no longer conform to what had become its highest and best use; and the highest and best use of the improved property may differ from the highest and best use of the site if vacant

Highest and best use

Notes to the Consolidated Financial Statements

3. Investment property (continued)

"Highest and best use" is an appraisal concept denoting the probable use on which an estimate of market value is based. Since different possible uses tend to have different market values, the selection of a probable, or "highest and best use" is necessary for a reliable estimate of market value. A reliable prediction of "highest and best use" allows an appraiser to employ valuation techniques, market data and assumptions relevant to the selected highest and best use. A market value estimate based on anything but probable use, gave an indication of what price would actually be paid, if the property were sold as on the date of valuation.

"Highest and best use" is defined as:

"The most probable use of a property which is physically possible, appropriately justified, legally permissible and financially feasible at the time of the appraisal and which results in the highest value of the property being valued."

The criteria considered in selecting the "highest and best use" at the time of the appraisals were:

- Physically possible. The site must possess adequate size, shape and soil conditions to support the proposed use.
- Legally permissible. The proposed use of the property must conform to all zoning and use restrictions for the site.
- Appropriately justified. A use that is not legally permissible or physically possible cannot be considered as highest and best use. A use that is both legally permissible and physically possible may never require an explanation justifying why that use is reasonably probable.
- Financially feasible. The proposed use must be capable of providing a net return to the property FDC group should the property be sold.

Basic Valuation Methods

Value is not intrinsic to a property object and is not equated with cost or production. Market value is the result of the interaction of people in the market situation, in a similar situation we can only expect people to act in a similar fashion. The basic imperfection of the appraisal process lies in the fact that we do not have reliable records of how all types of people react in all types of market situations.

The following valuation methods were used:

Depreciated Replacement Cost Method (DRC)

The Depreciated Replacement Cost Method (DRC) is used as a valuation methodology. This method is used when a property is in a poor state of repair.

Land valuation:

The comparison method is used on land valuations. The method is used when there is a purchaser and seller, which are both aware of past transactions in similar properties, they will take into account those transactions in the bargaining process.

Comparable sales:

The comparable sales is used to determine the value of the subject property assuming vacant possession.

Assumptions

The following methodology assumptions were used:

- Use of Construction Indices

Construction rates used in this valuation were based on AECOM construction index as provided by the African Property and Construction Handbook 2020/2021. In the absence of any other relevant information it is common convention in the valuation profession to use such indices as a guide to estimating reinstatement costs.

- Cumulative Depreciation Rate

The location, condition and age of buildings is taken into account when determining the depreciation rate. The cumulative depreciation rate is calculated based on the condition or age of buildings using the reducing balance method of valuation.

Notes to the Consolidated Financial Statements

3. Investment property (continued)

Amounts recognised in profit and loss for the year

	Group 2021	Group 2020	Corporation 2021	Corporation 2020
Rental income from investment property	98,457,124	105,151,949	98,457,124	105,151,949
Direct operating expenses from rental generating property (* PY restated)	(43,473,099)	(74,934,710)	(67,817,915)	(150,028,096)
Fair value adjustment	8,313,057	162,080,632	8,313,057	162,080,632
	63,297,082	**192,297,871**	**38,952,266**	**117,204,485**

Permission - To - Occupy (PTO's)

FDC is in the possession of 28 Permissions To Occupy Certificates given as security. These PTO's were not valued by the
Professional Valuer during the previous financial year or revalued for the current financial year for reasons below:

Permission To Occupy was issued by a communal tribal authority on state land within the former Homelands (in South Africa). PTO's provided the bearer with a recognised right of occupation and utilisation of an identified portion of land but the land remained the ownership of the state. PTO's are not recognised for purposes of security by financial institutions. This situation is responsible for low levels of investment by the private sector in such areas. All land holders share the same obligations, including payment of tribal levies and observance of traditional practices. Exclusive rights to residential stands or arable plot cannot be sold and can only be exchanged with the approval of the headman or chief. Anyone wishing to leave the area may sell any remaining structures to a new occupant, but the new occupant must have the stand allocated to them by the Tribal Authority before taking occupation.

- Permission to occupy is a right of personal nature allowing the user either use or occupation rights over a certain rural surveyed piece of land. Therefore it is not registerable in a Deeds Registry.
- PTO's are not eligible for registration in a Deeds Registry as they are by nature classified as mere personal rights whereas only real rights and limited real rights can be registered in a Deeds Registry.
- PTO tenure is not an economically viable form of land holdership as it is not acceptable as real security or collateral by any financial institution (it cannot secure a debt or one cannot take a home loan or mortgage against it).
- The tenure rights of the PTO lapses when its holder dies and as such cannot be inherited in a deceased estate of the holder.

A PTO is a less formal tenure right that merely evidences a user right and such is only a personal right. It is not proof of title of ownership in land and therefore cannot be classed as a Title Deed to Land.

Notarial lease assets

Properties are let in terms of Notarial deed of lease. Included in Investment Properties are the following properties which the

Corporation has let in terms of Notarial Deed of Lease:

- Reahola Shopping Centre, Botshabelo, Erf 139 & 161.
- Setsing Shopping Centre, Phuthaditjhaba, farm 1922/19 &20.

The fair values of these properties are as follow:				
Reahola Shopping Centre, Botshabelo, Erf 139 & 161	6,298,500	6,236,139	6,298,500	6,236,139
Setsing Shopping Centre, Phuthaditjhaba, farm 1922/19&20	5,377,000	5,660,000	5,377,000	5,660,000
	11,675,500	**11,896,139**	**11,675,500**	**11,896,139**

Details of all investment properties - fair value				
Commercial /Industrial properties	1,119,771,454	1,117,467,707	1,124,271,454	1,121,967,708
Residential properties	161,638,035	155,421,188	161,638,035	155,421,188
	1,281,409,489	**1,272,888,895**	**1,285,909,489**	**1,277,388,896**

Notes to the Consolidated Financial Statements

4. Intangible assets

Group	2021			2020		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	5,704,203	(5,428,309)	275,894	5,665,324	(5,270,974)	394,350

Company	2021			2020		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	5,653,673	(5,414,403)	239,270	5,632,413	(5,261,407)	371,006

Reconciliation of intangible assets - Group - 2021

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	394,350	41,324	(159,780)	275,894

Reconciliation of intangible assets - Group - 2020

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	591,062	20,267	(216,979)	394,350

Reconciliation of intangible assets - Company - 2021

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	371,006	21,837	(153,573)	239,270

Reconciliation of intangible assets - Company - 2020

Notes to the Consolidated Financial Statements

4. New Standards and Interpretations (continued)

	Opening balance	Additions	Amortisation	Total
Computer software	568,785	20,267	(218,046)	371,006

Pledged as security

No intangible assets are pledged as security.

Other information

	Group 2021	Group 2020	Company 2021	Company 2020
Fully amortised intangible assets still in use	4,654,095	2,269,252	4,654,094	2,269,252

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

5. Investment in associate

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

Group

Name of company	Held by	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021	Carrying amount 2020
Mafube Risk and Insurance Consultants (Proprietary) Limited		24.50 %	24.50 %	613,151	748,326

Mafube Risk and Insurance Consultants (Proprietary) Limited	Carrying amount 2021	Carrying amount 2020
Cost	49,000	49,000
Accumulated profits	562,677	727,123
Income/(loss) from equity accounted investments	1,474	(27,797)
Less: Dividends paid	-	-
	613,151	**748,326**

Company

Name of company	% ownership interest 2021	% ownership interest 2020	Carrying amount 2021	Carrying amount 2020
Mafube Risk and Insurance	24.50 %	24.50 %	49,000	49,000

The principal place of business of Mafube Risk and Insurance Consultants (Proprietary) Limited is in Bloemfontein, Free State, The company is registered in South Africa.

The carrying amount of Mafube Risk and Insurance Consultants (Proprietary) Limited approximates its fair value. The carrying amounts of associates are shown net of impairment losses.

Summarised financial information of material associates

Carrying value of investments	2,765,491	2,673,414
Total liabilities	468,852	392,940
Turnover	19,640	227,022
Share of other comprehensive income	6,017	(113,458)

Associates with different reporting dates

The management accounts of Mafube Risk and Insurance were obtained for the period that differs to the year of the group. The transactions that occurred during this period were assessed and found to be insignificant to the group. The management accounts were however consolidated to a period ending 31st of March 2021.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020
6. Other financial assets				
Loans and receivables (Financial instruments) Business loans Business loans are secured by installment sale agreements, special and general notarial bonds, key man insurance and comprehensive insurance. These loans are repayable over a maximum period of 5 years and the interest is equal to the prime lending rate.	187,254,279	184,724,520	187,254,279	184,724,520
Housing loans The Group and the Corporation holds collateral in the form of first bonds over the properties of the clients. These loans have a maximum repayment period of 20 years and the interest is equal to the prime lending rate.	50,707,593	52,883,399	50,707,593	52,883,399
Personnel loans See detailed terms and conditions below.	3,786,688	5,638,307	3,786,688	5,638,307
Other receivables	343,910	361,406	343,910	361,406
Bridging loans These are short term loans secured by installment sale agreements, special and general notarial bonds, key man insurance and comprehensive insurance. Interest is charged at the prime lending rate and repayment is over the length of the project ranging from 1 month to 1 year.	107,850,662	106,835,289	107,850,661	106,835,289
Loan to Cross Point Trading 23 (Proprietary) Limited This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	-	737,756	737,756
Loan to Highlands Furniture Factory (Proprietary) Limited This loan is long term in nature, bears no interest, is unsecured and has no fixed terms of repayment.	-	-	4,299,675	4,299,675
Loan to Phiritona Plastics (Proprietary) Limited This loan according to the agreement, is obligated to cede with an equivalence of shares in favour of the Corporation and continues until such time as the business loan and the shareholder's loan are repaid. This amount is long term in nature, bears no interest and is repayable on demand.	-	-	451,163	451,163
	349,943,132	350,442,921	355,431,725	355,931,515
Loss allowance (Impairments)	(324,044,707)	(295,899,751)	(329,533,299)	(301,388,418)
	25,898,425	**54,543,170**	**25,898,426**	**54,543,097**
Current assets				
Loans and receivables	25,898,425	54,543,170	25,898,426	54,543,169

Personnel loans

Personnel loans consist of housing, motor vehicle, computer and personal loans.

The housing loans are secured by a first mortgage bond over the properties and are repayable over a maximum period of 30 years at the South African Revenue Services official interest rate per annum.

	Group		Company	
Figures in Rand	2021	2020	2021	2020

6. Other financial assets (continued)

Motor vehicle loans are secured by installment sales agreements, and are repayable over a maximum period of 5 years. For computers and personal loans the security is the net salary of the employee and is repayable over a maximum period of 2 years. All personnel loans carry interest at the South African Revenue Services official interest rate per annum.

Bursary and dependent study loans are secured by the net salary of the employee, repayable within 12 months and carry interest at the South African Revenue Services official interest rate per annum. Study bursaries are expensed and recognised as loans if employees fail their studies.

Loans and receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

Business loans	**2021**	**2020 * Restated**	**2021**	**2020 * Restated**
Current	368,619	7,697,555	368,619	7,697,555
30-60 days	35,191	85,241	35,191	85,241
61-90 days	12,009	9,232	12,009	9,232
91-120 days	-	104,213	-	104,213
120+ days	356,261	15,037,891	356,261	15,037,891
	772,080	**22,934,132**	**772,080**	**22,934,132**

Housing loans				
Current	5,347,350	8,499,334	5,347,350	8,499,334
30-60 days	239,019	129,202	239,019	129,202
61-90 days	114,296	(34,237)	114,296	(34,237)
91-120 days	55,414	225,774	55,414	225,774
120+ days	18,289,131	17,680,698	18,289,131	17,680,698
	24,045,210	**26,500,771**	**24,045,210**	**26,500,771**

Personnel loans				
Current	941,247	4,746,881	941,247	4,746,881
30-60 days	1,510	(14,552)	1,510	(14,552)
61-90 days	654	(11,231)	654	(11,231)
91-120 days	6,879	(26,440)	6,879	(26,440)
120+ days	-	400,929	-	400,929
	950,290	**5,095,587**	**950,290**	**5,095,587**

Bridging loans				
Current	61,974	11,213	61,974	11,213
30-60 days	10,115	15,168	10,115	15,168
61-90 days	3,761	2,850	3,761	2,850
91-120 days	-	43,299	-	43,299
120+ days	54,996	(59,923)	54,996	(59,923)
	130,846	**12,607**	**130,846**	**12,607**

Loans were individually assessed to evaluate the movement on the loans.

The estimated credit losses were calculated based on an assessment of the recoverability of the loan amount. This assessment took into consideration the movement of the loan, the remaining lifetime of the loan, the number of payments that were made and the percentage of payments that was made.

Average historic data for the past 3 years were used to determine the recoverability percentage of the loan for each period.

Loans were not impaired, beneath the fair value of the securities provided to the loan.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

6. Other financial assets (continued)

The carrying amount reported in the statement of financial position for other financial assets approximate fair value.

Valuations - Collateral of immovable securities over other financial assets.

The valuators determined the fair value of the securities for statement of financial position purposes on the following effective dates: 31 March 2020 and 31 March 2019. The effective date of the valuation was March 2020.

Loans and receivables impaired

As of 31 March 2021, loans and receivables of R 324,046,879 (2020: R 301,388,418-) were impaired and provided for.

The ageing of these loans is as follows.

Reconciliation of provision for impairment of loans and receivables

Housing loans				
Opening balance	50,707,593	52,883,398	50,707,593	52,883,398
Provision for impairment	(26,662,383)	(26,382,629)	(26,662,383)	(26,382,629)
	24,045,210	**26,500,769**	**24,045,210**	**26,500,769**
Personnel loans				
Opening balance	3,786,688	5,638,307	3,786,688	5,638,307
Provision for impairment	(2,836,399)	(542,720)	(2,836,399)	(542,720)
	950,289	**5,095,587**	**950,289**	**5,095,587**
Business and bridging loans				
Opening balance	295,448,024	297,409,810	295,448,024	297,409,810
Provision for impairment	(294,545,095)	(274,463,069)	(294,545,095)	(274,463,069)
	902,929	**22,946,741**	**902,929**	**22,946,741**

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

6. Other financial assets (continued)

Loans and receivables

Credit rating				
B	3,901,302	360,922	3,901,302	360,992
Below C	13,592,576	30,466,385	13,592,576	30,466,385
C	8,404,548	23,715,792	8,404,548	23,715,792
	25,898,426	**54,543,099**	**25,898,426**	**54,543,169**

3546044 Definition of risk ratings:

B rating – Good behaviour, minor risk.

C rating – Fair trade risk.

Below C rating – Poor trade risk.

Receivables is given a B rating if the following criteria is met:
- 80% of the total amount billed was paid during the financial year
- More than 8 payments were made during the year.

Receivables is given a C rating if the following criteria is met:
- 80% of the total amount billed was paid during the financial year
- Less than 8 payments were made during the year.

- Less than 80% of the total amount billed was paid during the financial year.

It is the corporation's mandate to engage with SMME companies to improve their productivity, and therefore an element of poor trade risk will be present at the corporation.

Loans to group companies

Loan to Highlands Furniture Factory (Proprietary) Limited	-	-	737,756	737,756
Loan to Highlands Furniture Factory (Proprietary) Limited	-	-	4,299,675	4,299,675
Loan to Phiritona Plastics (Proprietary) Limited	-	-	451,163	451,163
Subtotal	-	-	5,488,594	5,488,594
Impairment of shareholder loan	-	-	(5,488,594)	(5,488,594)
	-	**-**	**-**	**-**

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

6. Other financial assets (continued)

Loans to subsidiaries impaired

Extract of methodology

The Corporation adjusts the historical information according to observable data to represent the effects of current, forecasts and future conditions that did not affect the period on which the historical data is based as follows:

Description of forecast risk	**Risk impact**	**Total**
Overall	Increase	80%
Future forecasts - Increase		
Treasury's indication of insourcing and limited use of external service providers	Increase	10%
Limited economic growth	Increase	10%
High local unemployment rate	Increase	10%
Technological advances	Increase	10%
COVID-19 Epidemic	Increase	10%
Future forecasts - Decrease		
External credit verification checks	Decrease	-10%
Decreased interest rates	Decrease	-10%
Definition of default		

As of 31 March 2021, loans to group subsidiaries of 2021: R 5 488 594 (2020: R 5 488 594) were impaired and provided for due to the fact that the subsidiaries are not operational anymore.

The carrying amount of loans to and from subsidiaries are denominated in Rand.

Definition of default

The Corporation defines an other financial loan default as "an unlikeliness to pay or recover the outstanding amount' and a "90 days past due" criterion

The 'unlikeliness to pay or recover the outstanding amount' provides a qualitative identification criteria for default before the quantitative '90 days past due' criteria is considered.

The Corporation measures the loss allowance for Other Financial Assets at an amount equal to the lifetime expected credit losses if there was a significant increase in the credit risk of that financial instrument since initial recognition of that financial instrument.

Should the performance of the loan meet any of the following, the Corporation considers a significant increase in the credit risk of that particular loan and would thus result in a lifetime expected credit loss:

- The loan is inactive in terms of the loan contract period;
- The payments was received or billings issued during the year for the particular loan;
- There ware less than 8 payments made during the year of the required 12 payments; and
- 80% of the loan payments due for the respective loan was paid during the current year.

Lifetime Expected Losses

The Corporation determines the Lifetime Expected Losses on the maximum contractual period to which the Corporation is exposed to credit risk. The Corporation uses practical expedients when measuring the Lifetime Expected Credit losses on financial assets through the implementation of a provision matrix. The provision matrix is prepared by the Corporation through the use of available historical credit loss experience data as basis to measure the expected credit losses. The Corporation then adjusts the historical information according to current observable data to represent the effects of the current conditions and forecasts of conditions and future conditions that did not affect the period on which the historical data is based and removes the effects of the conditions in the historical information that are not relevant to future contractual cash flows.

Loss allowance

The Corporation measures the loss allowance for Other Financial Assets at an amount equal to the 12-Month expected credit losses if there were no significant increase in the credit risk of that financial instrument since initial recognition of that financial instrument.

Should a loan meet none of the significant increase criteria reference above, the Corporation would consider that there were no significant increase in the credit risk of that particular loan and thus would only result in a 12-month expected credit loss. The Corporation uses practical expedients when measuring the 12-Month expected credit losses on financial assets through the implementation of a provision matrix. The Provision Matrix is prepared by the Corporation through the use of available historical credit loss experience data as basis to measure the expected credit losses. The Corporation then adjusts the historical information according to current observable data to represent the effects of the current conditions and forecasts of conditions and future conditions that did not affect the period on which the historical data is based and removes the effects of the conditions in the historical information that are not relevant to future contractual cash flows.

Assumptions:

- The loans consist of financing parties who were unable to received financing from Commercial Financiers;
- The loans are provided to SME's whereby the security of the loans provided are limited;
- The provided loans do not include loan insurance; therefore, recoverability is uncertain;
- Actual recoupment cost to recover outstanding loans;
- Significant portion of the loan balance at year end exceeds the expected repayment period; and
- The historical payment performance of borrowers forms an estimate on the current expected payment of the loan.

Forward-looking information:

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

Forward-looking information considered by the Corporation and the impact determination of this information on the calculation of the annual expected credit losses.

The Corporation considered that the following factors or indicators would result in a forward-looking increase of risk of default:
- Treasury's indication of insourcing and limited use of external service providers
- Limited economic growth
- Increasingly high local unemployment rate
- Technological advances
- Worldwide economic impact of the COVID-19 Epidemic

Mitigating factors:

The Corporation considered that the following as mitigating factors or indicators which would result in a decrease in forward-looking risk of default:
- External credit verification checks (third party credit valudation checks)
- Decreased interest rates

7. Operating lease asset (liability)

Non-current assets	12,362,578	11,756,122	12,362,578	11,756,122
Current assets	448,123	527,290	448,123	527,290
	12,810,701	**12,283,412**	**12,810,701**	**12,283,412**

Operating lease assets are financial instruments.

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

Lease income from operating leases shall be recognised in income on a straight line basis over the lease term. The shortage of the actual payments received the contractual payments and the straight lining are recognised as an operating lease asset.

The date of initial application of IFRS 16 for the Group is 1 March 2019.

Refer to note 28 for the minimum lease payments disclosure for operating lease assets and liabilities.

Refer to the table below for the impact of estimated credit losses on the operating lease assets:

Impact of estimated credit losses				
Gross value of operating lease assets	17,326,404	16,591,578	17,326,404	16,591,578
Estimated credit losses	(4,515,703)	(4,308,166)	(4,515,703)	(4,308,166)
	12,810,701	**12,283,412**	**12,810,701**	**12,283,412**

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

8. Inventories

Work in progress	155,904	155,904	-	-
Finished goods	131,797	131,797	-	-
Stands held for re-sale	3,035,784	3,035,784	3,035,784	3,035,784
	3,323,485	**3,323,485**	**3,035,784**	**3,035,784**
Carrying value of inventories carried at fair value less costs to sell	3,273,086	3,273,086	3,141,289	3,141,289

The carrying value of inventories carried at fair value less costs to sell comprises of finished goods and stands held for resale. During the year R 0 (2020: R 0) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Included in inventory is 2098 properties relating to the Human Settlement Project. Based on agreement with the FDC these properties are to be transferred to the tenants having an agreement with the FDC. If these tenants cannot be traced, then the property will be transferred to the current tenant. Due to outstanding levies FDC is currently unable to transfer the properties to the new owners and subsequently still hold the title deed to the properties.

Inventories are non-financial instruments.

Inventory pledged as security

No inventory was pledged as security.

9. Trade and other receivables

Financial instruments:				
Trade receivables	393,496,194	340,476,074	391,747,471	340,422,116
Loss allowance (Impairments)	(377,245,293)	(327,505,923)	(377,191,335)	(327,451,965)
Trade receivables at amortised cost	16,250,901	12,970,151	14,556,136	12,970,151
Deposits	6,453,990	6,453,990	6,453,990	6,453,990
Sundry debtors	15,375,674	12,932,306	15,475,674	13,032,306
Creditors with debit balances	830,044	5,351,982	830,044	5,351,982
Accrued income	4,197,014	4,387,221	4,197,014	4,387,221
Non-financial instruments:				
Prepayments	1,966,629	2,162,498	1,966,629	2,162,498
Total trade and other receivables	**45,074,252**	**44,258,148**	**43,479,487**	**44,358,148**

Split between non-current and current portions

Current assets	45,074,252	44,258,148	43,479,487	44,358,148

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	43,107,623	42,095,650	41,512,858	42,095,650
Non-financial instruments	1,966,629	2,162,498	1,966,629	2,262,498
	45,074,252	**44,258,148**	**43,479,487**	**44,358,148**

Trade and other receivables pledged as security

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

9. Trade and other receivables (continued)

None of the trade and other receivables were pledged as security.

Extract of methodology

The Corporation adjusts the historical information according to observable data to represent the effects of current, forecasts and future conditions that did not affect the period on which the historical data is based as follows:

Description of forecast risk	Risk impact	Total
Overall	Increase	80%
Future forecasts - Increase		
Treasury's indication of insourcing and limited use of external service providers	Increase	10%
Limited economic growth	Increase	10%
High local unemployment rate	Increase	10%
Technological advances	Increase	10%
COVID-19 Epidemic	Increase	10%
Future forecasts - Decrease		
External credit verification checks	Decrease	-10%
Decreased interest rates	Decrease	-10%

Definition of default

The Corporation defines a trade receivable default as ‘an unlikeliness to pay or recover the outstanding amount’ and ’a 90 days past due’ criterion.

The ‘unlikeliness to pay or recover the outstanding amount’ provides a qualitative identification criteria for default before the quantitative ’90 days past due’ criteria is considered.

The Corporation measures the loss allowance for trade and other receivables at an amount equal to the lifetime expected credit losses if there was a significant increase in the credit risk of that financial instrument since initial recognition of that financial instrument.

Should there be trade receivable outstanding at year-end, the Corporation considers if there is a significant increase in the credit risk of that particular receivable. The Corporation uses the presumption that the credit risk significantly increases on the trade receivables as the initial recognition when contractual payments are more than 30 days past due.

Trade receivables since initial recognition when contractual payments are more than 30 days past due.

Lifetime Expected Losses:

The maximum period used by the Corporation to determine the Lifetime Expected Losses is the maximum contractual period to which the Corporation is exposed to credit risk. The Corporation applies practical expedients when measuring the lifetime expected credit losses on trade receivables contract assets through the implementation of a provision matrix. The provision matrix is prepared by the Corporation through the use of available historical credit loss experience data as basis to measure the expected credit losses. The Corporation then adjusts the historical information according to currentobservable data to represent the effects of the current conditions and forecasts of conditions and future conditions that did not affect the period on which the historical data is based and removes the effects of the conditions in the historical information that are not relevant to future contractual cash flows.

Credit Impairment:

The Corporation considers an asset as credit-impaired when one or more events have had an impact on the estimated future cash flows of that financial asset. For these assets, the Corporation recognises only the lifetime ECL since initial recognition of such an asset:

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

9. Trade and other receivables (continued)

Indicators that an asset is credit-impaired would include the following events:

- Significant financial difficulty of the borrower;
- Breach of contract;
- The lender has granted concessions as a result of the borrower's financial difficulty which the lender would not otherwise consider; and
- It is becoming probable that the borrower will enter bankruptcy.

Forward-looking information:

Forward-looking information considered by the Corporation and the impact determination of this information on the calculation of the annual expected credit losses.

Additional text

The Corporation considered that the following factors or indicators would result in a forward-looking increase of risk of default:
- Treasury's indication of insourcing and limited use of external service providers
- Limited economic growth
- Increasingly high local unemployment rate
- Technological advances
- Worldwide economic impact of the COVID-19 Epidemic

Mitigating factors:

The Corporation considered that the following as mitigating factors or indicators which would result in a decrease in forward-looking risk of default:
- External credit verification checks
- Decreased interest rates

Exposure to credit risk

There have been no significant changes in the credit risk management policies and processes since the prior reporting period. The carrying amount of Trade and other receivables are denominated in Rand.

Credit risk disclosures for comparatives

The following sections provide comparative information for trade and other receivables. Please note that the comparative period has been restated to reflect a more accurate estimated credit loss. The information is provided in accordance with IFRS 9.

Credit quality of trade and other receivables

The carrying amount reported in the statement of financial position for trade and other receivables approximate fair value due to the short time period between initiation and settlement thereof. The effect of discounting is not material.

Impairment losses can be attributed to the current economic environment which is being characterised by an increase in the defaulting of payments.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

Future expected credit losses have been evaluated and concluded to be in line with current impairment calculations, therefore, no further adjustment is required.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

9. Trade and other receivables(continued)

Trade receivables

Credit rating of trade receivables	2021	2020* Restate	2021	2020 * Restated
Below C	11,767,131	9,857,098	11,767,131	9,857,098
C	669,367	1,695,192	669,367	1,695,192
B	1,332,009	1,417,861	1,332,009	1,417,861
	13,768,507	**12,970,151**	**13,768,507**	**12,970,151**

Definition of risk ratings:

B rating – Good behaviour, minor risk.

C rating – Fair trade risk.

Below C rating – Poor trade risk.

Receivables is given a B-rating if the following criteria is met:
- 80% of the total amount billed was paid during the financial year
- More than 8 payments were made during the year.

Receivables is given a C-rating if the following criteria is met:
- 80% of the total amount billed was paid during the financial year
- Less than 8 payments were made during the year.

Receivables is given below a C-rating if the following criteria is met:
- Less than 80% of the total amount billed was paid during the financial year.

It is the company's mandate to engage with SMME companies to improve their productivity, and therefore an element of poor trade risk will be present at the corporation.

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

Figures in Rand	2021	2020 * Restated	2021	2020 * Restated
0 - 30 days	6,320,520	9,681,497	6,320,520	9,681,497
31-60 days	3,110,848	2,014,047	3,110,848	2,014,047
61 - 90 days	609,009	468,101	609,009	468,101
91 - 120 days	311,595	48,563	311,595	48,563
120+ days	4,064,504	757,943	4,064,504	757,943
	14,416,476	**12,970,151**	**14,416,476**	**12,970,151**

Trade and other receivables impaired

The ageing of the ECL are as follows:	2021	2020 * Restated	2021	2020 * Restated
Current	5,271,273	11,003,573	5,271,273	11,003,573
0-30 days	5,976,293	6,678,995	5,976,293	6,678,995
31-60 days	4,341,040	6,644,141	4,341,040	6,644,141
90+ days	361,796,347	303,179,214	361,742,389	303,125,256
	377,384,953	**327,505,923**	**377,330,995**	**327,451,965**

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

9. Trade and other receivables(continued)

Reconciliation of provision for impairment of trade and other receivables	2021	2020 * Restated	2021	2020 * Restated
Opening balance	327,505,923	257,718,772	327,451,965	257,664,814
Provision for impairment	49,879,030	69,787,151	49,879,030	69,787,151
	377,384,953	**327,505,923**	**377,330,995**	**327,451,965**

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The group does not hold any collateral as security.

The Corporation experienced budget constraints due to the slow collection of outstanding debtors from loans receivables as well as trade and other receivables. Payment plans were entered into for long outstanding debtors due to the developmental mandate of the corporation. A number of other initiatives have been embarked on during the year in an endeavour to improve collection.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

10. Cash and cash equivalents

Cash and cash equivalents consist of the following financial instruments:

Cash on hand	30,280	32,964	29,731	32,541
Bank balances	1,144,884	3,308,405	899,142	3,109,406
Short-term deposits	1,689,962	460,968	1,689,962	460,968
Other cash and cash equivalents	79,717	79,717	-	-
	2,944,843	**3,882,054**	**2,618,835**	**3,602,915**

Credit quality of cash at bank and short term deposits, excluding cash on hand

Public entities bank with major banks with high credit standing. Furthermore, the cash holdings with banks are spread amongst a variety of banks to reduce the concentration of their credit risk exposure. The minimum counterparty credit rating for placing deposits and investing in government bonds is 'A' by Standard & Poor's or its Moody's or Fitch's rating equivalents, while the minimum rating for investments in corporate bonds is 'AA'. The rating of certain investment securities were below 'A' at year end due to downgrading of instruments or institutions by the rating agencies and due to the tightening of investment guidelines by the Bank, which resulted in passive breaches on some of the financial assets in the Bank's portfolios.

Included in the call on investment account is an amount of R10 018 233 invested with VBS, which is currently under curatorship. Subsequently, the investment was impaired during the previous financial years.

The carrying amount reported in the statement of financial position for cash and cash equivalents approximate fair value.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

11. Investment in subsidiaries

The mission and mandate of FDC (parent entity) is to provide financial and business development services that result in the establishment of sustainable SMMEs for economic growth and development in the Free State Province.

Based on the above, the parent entity acquired an equity interest in various SMMEs which are generally start-up companies and disbursed shareholder loans (unsecured and interest free) as well as business loans (secured and bears interest) to them.

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Name of company	Date acquired	Financial year-end	% holding 2021	% holding 2020
Cross Point Trading 23 (Proprietary) Limited	March 2007	February	25.00 %	25.00 %
Highland Furniture Factory (Proprietary) Limited	January 2002	March	100.00 %	100.00 %
Phiritona Plastics (Proprietary) Limited	October 2007	February	38.00 %	38.00 %
Free State Agre SOC RF	February 2015	March	100.00 %	100.00 %
Free State Investments SOC RF	February 2015	March	100.00 %	100.00 %
Free State Publishers SOC RF	February 2015	March	100.00 %	100.00 %
Maluti-A-Phofung IDZ SOC RF	February 2015	March	100.00 %	100.00 %

The carrying amounts of subsidiaries is shown net of impairment losses. Investments in subsidiaries are impaired due to liquidation, deregistration or due to the fact that the subsidiaries are not operational.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

11. Investment in subsidiaries (continued)

Name of company	Status of subsidiary	% voting power 2021	% voting power 2020	Carrying amount 2021	Carrying amount 2020	Carrying amount 2019
Cross Point Trading 23 (Proprietary) Limited	Pending liquidation	25.00 %	25.00 %	-	-	-
Highland Furniture Factory (Proprietary) Limited	Pending liquidation	100.00 %	100.00 %	-	-	-
Phiritona Plastics (Proprietary) Limited	Pending liquidation	38.00 %	38.00 %	-	-	-
Free State Agre SOC RF	Inactive (no audit opinion)	100.00 %	100.00 %	-	-	-
Free State Investments SOC RF	Inactive (no audit opinion)	100.00 %	100.00 %	-	-	-
Free State Publishers SOC RF	Inactive (no audit opinion)	100.00 %	100.00 %	-	-	-
Maluti-A-Phofung IDZ SOC RF	Active	100.00 %	100.00 %	-	-	-
				-	-	-

Restrictions relating to subsidiaries

Up until such time as the commercial loan and allthe interest thereon, as well as the shareholder's loanhave been repaid to the parent entity, no dividends will be declared to shareholders.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

11. Investment in subsidiaries (continued)

Reporting period

The management accounts for these entities with year ends that are different to the corporation were obtained. The effect of the transactions that occurred between the entities year end date and the corporations year end date were addressed at group level. The impact was found to be insignificant. Minor adjustments were processed to eliminate the intergroup transactions and balances during the consolidation process.

Subsidiaries with less than 50% voting powers held

Although the corporation holds less than 50% of the voting powers in the entities listed previously the investment is considered a subsidiary because of additional voting powers granted to the corporation as a result of its loans to the investee.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

12. Other financial liabilities

Financial instruments held at amortised cost				
Other financial liabilities	4,562,448	3,734,168	4,520,693	3,692,413
The balance includes commercial loans granted with credit balances.				

Split between non-current and current portions

Non-current liabilities	41,755	41,755	-	-
Current liabilities	4,520,693	3,692,413	4,520,693	3,692,413
	4,562,448	**3,734,168**	**4,520,693**	**3,692,413**

Refer to Changes in liabilities arising from financing activities for details of the movement in the other financial assets during the reporting period and note 33 Financial instruments and financial risk management for the fair value of other financial assets.

13. Finance lease liabilities

Minimum lease payments due				
- within one year	209,011	247,743	-	-
- in second to fifth year inclusive	49,404	187,670	-	-
Present value of minimum lease payments	**258,415**	**435,413**	**-**	**-**
Present value of minimum lease payments due				
- within one year	209,011	247,743	-	-
- in second to fifth year inclusive	49,404	187,670	-	-
	258,415	**435,413**	**-**	**-**
Non-current liabilities	49,404	187,670	-	-
Current liabilities	209,011	247,743	-	-
	258,415	**435,413**	**-**	**-**

Finance lease liabilities are financial instruments

FDC purchased a vehicle with ABSA through a lease transaction. The vehicle is repayable over a period of 5 years and has a monthly payment instalment amount of R18,986. The total cash flow per year amounts to R227,832 (2020: R227,832).

The effective interest rate based on the above is calculated as 11,43%.

MAP SEZ has right to use the asset, which has therefore been accounted for as a lease liability in the annual financial statements of MAP SEZ.

The carryig amount of these vehicles at year-end is R210,094 (2020: R383,011). The depreciation charge for the year for these assets amounted to R172,917 (2020: R174,113). The rental expenses for the year amounted to R227,832 (2020: R227,832). The interest expense incurred for the year amounted to R40,664 (2020: R60,338).

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

14. Retirement benefits

Defined benefit obligation

The benefit is in terms of current and retired employees of the parent entity (employees of FDC) who are currently members of medical schemes or continue to belong to a medical scheme after retirement. Pensioners include retired employees or their widow(er)s. The liability is in respect of pensioners who continue to belong to a medical scheme after retirement. In respect of these employees, 67% of the medical aid contribution is paid by the group (Corporation) while the pensioners pay the remaining 33%. Actuarial valuation is undertaken every year. Currently there is no funding arrangement in place to meet the liabilities that have occurred to date or that will occur in the future.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(38,960,000)	(39,980,000)	(38,960,000)	(39,980,000)
Net actuarial gains not recognised	9,038,000	1,710,107	9,038,000	1,710,107
Past service cost not recognised	(4,468,000)	(690,107)	(4,468,000)	(690,107)
	(34,390,000)	**(38,960,000)**	**(34,390,000)**	**(38,960,000)**

The fair value of plan assets includes:

Contributions to actuarial gain/(loss)

Contribution to actuarial gain/(loss)	9,433,000	1,710,107	9,433,000	1,710,107

Movements for the year

Opening balance	(38,960,000)	(39,980,000)	(38,960,000)	(39,980,000)
Benefits paid	1,474,000	4,033,893	1,474,000	4,033,893
Net income (expense) recognised in profit or loss	3,096,000	(3,013,893)	3,096,000	(3,013,893)
	(34,390,000)	**(38,960,000)**	**(34,390,000)**	**(38,960,000)**

Net expense recognised in profit or loss

Current service cost	(1,155,000)	(1,382,000)	(1,155,000)	(1,382,000)
Interest cost	(4,787,000)	(3,342,000)	(4,787,000)	(3,342,000)
Actuarial gains	9,038,000	1,710,107	9,038,000	1,710,107
	3,096,000	**(3,013,893)**	**3,096,000**	**(3,013,893)**

Key assumptions used

Assumptions used on last valuation on Wednesday, 31 March 2021

Discount rates used - Yield Curve	10.35 %	13.35 %	10.35 %	13.35 %
CPI (Consumer Price Inflation) - Difference between nominal and yield curves	3.54 %	8.32 %	3.54 %	8.23 %
Medical Aid Contribution Inflation - CPI +2,5%	6.83 %	10.82 %	6.83 %	10.82 %
Net Effective Discount Rate - Yield curve based	3.29 %	2.53 %	3.29 %	2.53 %

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

14. Retirement benefits (continued)

The expected value of each member and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). Allowance were made for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each member's medical aid benefit accrues uniformly over the working life of a member up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future.

Other assumptions.

Discount rates

The nominal and real zero curves as at 31 March 2021 supplied by the JSE were used to determine the discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, the prevailing yield at the time of performing the calculation was used.

Pre-retirement mortality

Pre-retirement mortality rate has been based on SA85/90 ultimate table. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS

Retirement age:

The expected retirement age for both males and females is 60.

Spouses and dependents

It was assumed that the marital status of members who are currently married will remain the same up to retirement. It was also assumed that 90% of all single members would be married at retirement with no dependent children. Where necessary it was assumed that female spouses would be three years younger than their male spouses at retirement and vice versa.

A table setting out the assumed rates of withdrawal from service is set out below:

Age	Withdrawal rate for males and females
20-24	16%
25-29	16%
31-34	10%
35-39	10%+
40-44	6%+
45-49	6%
50-54	2%+
55-59	0%
60+	0%

The experience adjustments arising on the plan liabilities for the last six years are as follows:

	2021	2020	2019	2018	2017	2016
Experience adjustments	-	-	-	2,085,000	982,000	5,542,000

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

14. Retirement benefits (continued)

Sensitivity analysis

In order to illustrate the sensitivity of the results to changes in certain key variables, the calculation was based on the following assumptions:
- 1 year increase/decrease in the assumed level of mortality;
- 1% increase/decrease in the Medical Aid inflation.

The effect of an increase of a 2021: 1% (2020: 1%) point in the medical cost trend rate and the effect of a decrease of one percentage point on the following would be:

Effect on the aggregate of the service and interest cost				
Increase	5,184,000	6,888,000	5,184,000	6,888,000
Decrease	(3,932,000)	(5,158,000)	(3,932,000)	(5,158,000)
	1,252,000	**1,730,000**	**1,252,000**	**1,730,000**
Effect on the benefit obligation at end of the year				
Increase	35,136,000	44,578,000	35,136,000	44,578,000
Decrease	(33,012,000)	(34,258,000)	(33,012,000)	(34,258,000)
	2,124,000	**10,320,000**	**2,124,000**	**10,320,000**

Retirement benefit obligation

The Corporation and members contribute to a fixed contribution pension fund and an associated employee benefit scheme. It is a self funded scheme governed by the Pension Fund Act, 1956 and managed by a Board of Trustees. The fund had 54 (2020: 68), members at year end. The fund was registered on 1 April 1997.

The expected contribution to the retirement benefit contribution for the year ending 31 March 2021 is R1 474 000 (2020: R1 710 000).

Associated risks:

There is an inherent risk that the Corporation will not be able to contribute to the scheme, due to cash flow constraints. Management are however in negotiations with all their significant creditors for payment arrangements,

Funding arrangements:

It is a self funded scheme governed by the Pension Fund Act, 1956 and managed by a Board of Trustees. There are no other funding arrangements applicable.

Maturity profile of the defined benefit obligation:

The maturity profile of the plan is relatively young working professionals, where in excess of 60% of the beneficiaries are younger than 40 years of age.

Notes to the Consolidated Financial Statements

Figures in Rand	Group 2021	Group 2020	Company 2021	Company 2020

15. Deferred income

Financial service fees are levied when an application for financing is approved. These service fees are amortised over the loan term. Financial service fees are realised in full when the loan is settled.

		Group		Company
Figures in Rand	2021	2020	2021	2020
Non-current liabilities	90,591	88,713	90,591	88,713
Current liabilities	31,794,330	33,650,599	31,794,330	33,650,599
	31,884,921	**33,739,312**	**31,884,921**	**33,739,312**

Deferred income consists of a asset received as a part of a government grant and is recognised in the consolidated financial statements as a form of government assistance from which the entity has directly benefited.

Deferred income is a financial instrument.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

16 Long service awards

Reconciliation of long service awards - Group - 2021

	Opening balance	Current service cost	Interest cost	Benefits paid during the year	Actuarial gain/(loss)	Total
Long service award	724,297	68,759	32,714	(67,500)	(36,240)	722,030

Reconciliation of long service awards - Group - 2020

	Opening balance	Current service cost	Interest cost	Benefits paid during the year	Actuarial gain/(loss)	Total
Long service award	640,524	60,056	61,875	(175,000)	136,842	724,297

Reconciliation of long service awards - Company - 2021

	Opening balance	Current service cost	Interest cost	Benefits paid during the year	Actuarial gain/(loss)	Total
Long service award	724,297	68,759	32,714	(67,500)	(36,240)	722,030

Reconciliation of long service awards - Company - 2020

	Opening balance	Current service cost	Interest cost	Benefits paid during the year	Actuarial gain/(loss)	Total
Long service award	640,524	60,056	61,875	(175,000)	136,842	724,297

Benefit Structure

The company has a policy to provide a long service award to employees who have been in the permanent service of the company for a certain period of time. The awards are cash lump sums dependent on the length of service. They are as follows.

Completed Years of Service Total	Long Service Benefit Award
5	R2 500
10	R5 000
15	R7 500
20	R10 000
25	R12 500
30	R15 000
35	R17 500

The calculated award values are then discounted at the assumed discount interest rate to the date of calculation. We also allowed for mortality, retirements and withdrawals from service.

The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable. Further it is assumed that the current policy for awarding long service awards remains unchanged in the future.

Valuation of Assets
As at the valuation date, the long service leave award liability of the FDC was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

The assumptions used are based on statistics and market data as at 31 March 2021. We have used the following valuation assumptions:

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

16. Long service awards (continued)

Discount rate

The assumed annual rate of discount used to calculate the present value of the liability was 10.35% (2020: 9.66%).

The determination of the Discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We use the nominal and real zero curves as at 31 March 2021 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period. For example, a liability which pays out in 1 year will be discounted at a different rate than a liability which pays out in 30 years.

** The Net Effective Discount Rate is different for each relevant time period of the yield curves' various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Pre-retirement mortality

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry.

Withdrawal rates

Age	Withdrawal rate Males	Withdrawal rate Females
20-24	16%	16%
25-29	12%	12%
30-34	10%	10%
35-39	8%	8%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	0%	0%
60+	0%	0%

Normal Retirement Age

The average retirement age for all active employees for the Corporation was assumed to be 60 years. This assumption implicitly allows for ill-health and early retirements.

Normal Retirement Age

The normal retirement age (NRA) for all active employees was assumed to be 60 years.

Methodology

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

17. Trade and other payables

Financial instruments:				
Trade payables	663,197,132	551,803,528	659,908,813	550,996,446
Sundry creditors	7,320,747	7,313,841	7,320,747	7,313,841
Accruals	197,536,752	177,890,852	195,726,349	176,326,577
Government Departments	40,133,025	38,030,503	40,133,025	38,030,503
Deposits received	11,170,310	11,113,574	11,170,310	11,113,574
Other payables	3,652,048	696,888	3,551,779	495,316
Non-financial instruments:				
Debtors with credit balances - Loans & receivables	14,998,705	42,737,657	14,998,705	42,737,657
VAT payable	2,012,087	1,863,603	1,724,016	1,575,532
	940,020,806	**831,450,446**	**934,533,744**	**828,589,446**

Refund liability

Accruals consists of travelling claims and water and electricity.

Included in trade and other payables is third party balances from government departments amounting to R40 133 025 in 2021 (2020: R38,030,503);

Deposits received relates to deposits paid by tenants for the renting of property.

The extent of trade and other payables may impact on the Corporation's ability to meet its financial obligations as they fall due and achievement of strategic objectives and initiatives as outlined in the corporate plan, as payables decrease the funds available for spending in the next financial year. However, the corporation is implementing its own turnaround strategy in order to improve its cash reserves and profitability. Given that, ninety per cent of the trade payables and accruals relates to municipalities and its entities, there is on-going engagements to settle the outstanding amounts in the manner that is beneficial to all parties concerned in line with the Inter-governmental Relations Framework Act.

18. SEZ Grants

FDC also receives grants from the Department of Trade and Industry in order to plan and prepare for the establishment of an Special Economic Zone (SEZ) in the Free State Province (Maluti-A-Phofung) and to develop a suitable business organisation that successfully attracts investors for such a SEZ. In accordance with the grant agreement, FDC has to perform and achieve the set of activities within the time frames and budgets set out in the agreement. FDC is solely accountable for use, for the intended purpose, of the funds granted in accordance with the budget stipulated in the agreement. FDC is also responsible to commence and / or continue to carry out project management including environmental impact assessment, socio economic impact analysis, skills assessment & training model, investment opportunity packaging and facilitation and documenting reports for the Maluti-A-Phofung SEZ business plan proposal and application.

The amount received for SEZ grants amounted to R17 000 000 (2020: R20 000 000)

The expense paid relating to SEZ grants amounted to R17 000 000 (2020: R20 000 000)

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

19. Revenue

Revenue from contracts with customers				
Utility income	23,619,596	68,851,663	23,619,596	68,851,663
Broadband income	2,482,748	3,416,585	2,482,748	3,416,585
	26,102,344	**72,268,248**	**26,102,344**	**72,268,248**
Revenue other than from contracts with customers				
Rental Income	98,457,124	105,151,949	98,457,124	105,151,949
Interest on debtors and loans	11,814,260	13,070,648	11,814,260	13,070,648
	110,271,384	**118,222,597**	**110,271,384**	**118,222,597**
	136,373,728	**190,490,845**	**136,373,728**	**190,490,845**

Disaggregation of revenue from contracts with customers

The groupdisaggregates revenue from customers as follows:

Rendering of services				
Utility income	23,619,596	68,851,663	23,619,596	68,851,663
Other revenue				
Broadband income	2,482,748	3,416,585	2,482,748	3,416,585
Total revenue from contracts with customers	**26,102,344**	**72,268,248**	**26,102,344**	**72,268,248**

Timing of revenue recognition

At a point in time				
Utility income	(23,619,596)	(68,587,348)	(23,619,596)	(59,197,600)
Broadband income	(2,482,748)	(3,680,900)	(2,482,748)	(13,070,648)
	(26,102,344)	**(72,268,248)**	**(26,102,344)**	**(72,268,248)**

20. Other operating income

Administration and management fees received	23,518	116,155	23,518	116,155
Fees earned	69,951	111,764	69,951	111,764
Bad debts recovered	4,590	46,314	4,590	46,314
FDC cost recoveries	2,276,827	2,195,290	2,276,827	2,195,290
Service costs	19,856	246,635	19,856	246,635
Government grants	28 199 314	72,266,231	11,124,000	51,197,143
	30,594,056	**74,982,389**	**13,518,742**	**53,913,301**

The Government grant is granted to FDC to focus on the sustainable development of SMMEs. The Chief Executive Officer or Acting Chief Executive Officer of FDC needs to provide the DESTEA annually, at least three months before the start of the financial year, with written assurance as contemplated in section 38 (1)(i) of the Public Finance Management Act,1999. Within 30 days from the effective date of the transfer payment agreement, FDC is expected to provide the department with a corporate plan. FDC has to provide the department within 15 days following the end of the month with monthly financial reports and submit quarterly financial reports within 30 days following the end of the quarter.

FDC has received a grant from IDC to fund part of the operational costs of the Agency Development and Support Department ("ADS") programme. The programme has been implemented to assist municipal entities and/or Municipalities to fulfil their mandate (the "ADS Programme") on the development and job potential inherent in various municipal areas through, but not limited to, integrated rural development, tourism, infrastructure provision, urban renewal strategies and other initiatives on a sustainable basis. FDC is expected to provide monthly reports on the utilization of the Grant according to the contract provided by IDC.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

20. Other operating income (continued)

Included in the government grant above is:

Government grants	2021	2020	2021	2020
DESTEA grants	9,268,000	50,747,143	9,268,000	50,747,143
IDC grant	-	450,000	-	450,000
DTIC Donated Asset Deferrred Income	1,856,000	-	1,856,000	-
	11,124,000	**51,197,143**	**11,124,000**	**51,197,143**

21. Administrative expenses

Assessment rates & municipal charges	4,472,204	2,996,844	4,472,204	2,996,844
Bank charges	142,490	214,454	136,112	204,749
Cleaning	1,082,631	828,160	2,967	117,771
Consumables	404,498	133,548	245,798	103,283
Debt collection	346,669	282,986	346,669	282,986
Entertainment	84,355	191,537	69,026	154,209
Flowers	4,400	6,391	4,400	6,391
Legal expenses	5,876	172,446	5,876	172,446
Licenses	434,597	425,968	434,597	403,279
Printing and stationery	51,026	316,157	45,200	294,530
Recruitment fees	-	7,116	-	7,116
Security	1,076,108	2,269,745	509,591	1,739,914
Subscriptions	39,845	65,896	31,948	56,822
Telephone and postage	341,981	797,751	304,116	772,988
Telephone and postage broadband	183,440	404,173	183,440	404,173
Training	94,276	183,791	94,276	183,791
Trade Exhibition	234,600	422,527	234,600	422,527
	8,998,996	**9,719,490**	**7,120,820**	**8,323,819**

22. Employee related costs

Direct employee costs				
Basic	64,961,438	70,948,805	59,522,085	65,125,500
Other allowances	346,641	638,043	-	-
Leave provision	3,655,950	3,122,278	2,731,004	1,960,427
Other employee benefits	427,093	408,793	310,009	297,184
Bonuses (13th cheque)	3,849,195	3,799,588	3,734,008	3,663,184
Non-pensionable allowances	15,372,483	15,648,897	15,104,428	15,523,230
Long-term benefits - incentive scheme	47,933	121,931	47,933	121,931
	88,660,733	**94,688,335**	**81,449,467**	**86,691,456**

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

23. Other operating expenses

	Group 2021	Group 2020	Corporation 2021	Corporation 2020
Advertising	-	4,410	-	-
Amortisation	159,780	222,748	153,573	218,046
Audit fees	7,811,961	9,331,633	6,874,856	8,406,403
Impairment losses (ECL allowances)	76,866,977	87,630,500	76,866,977	87,630,500
Consulting and professional fees	4,543,135	4,886,198	4,360,852	3,975,130
Depreciation	8,158,226	8,546,974	7,535,154	8,000,012
Agency fees	4,234,422	8,900,914	4,234,422	8,900,914
Security expenses	11,561,989	23,145,284	5,282,718	17,259,197
FDC Insurance	12,424	6,164,957	12,424	6,164,957
FDC Purchase of water and electricity	34,577,701	88,341,176	34,567,851	88,341,176
FDC Security and muncipal expenses	-	549,374	-	-
Licenses	-	286,694	-	-
Operating lease	4,585,494	5,395,046	4,585,494	5,383,690
Operational subsidy SEZ	100 000	-	100 000	4,512,497
Rates and taxes	24,211,029	25,884,186	24,211,029	25,874,301
Promotions	-	15,199	-	-
Recruitment fees	37,843	116,438	-	-
Repairs and maintenance - deductable	2,064,911	6,905,412	1,235,416	4,526,433
Staff welfare	50,815	210,186	-	26,947
Telephone and postage	36,867	347,365	-	118,314
Telephone and postage broadband	58,500	53,350	58,500	53,350
Travel - local	1,186,425	2,423,173	1,186,425	2,423,173
	180,258,499	**279,361,217**	**171,265,691**	**271,815,040**

24. Investment income

Dividend income				
Group entities:				
Subsidiaries - Local	1,646	1,957	1,646	1,957
Interest income				
Investments in financial assets:				
Bank	103,763	1,667,996	103,763	1,667,996
Total investment income	**105,409**	**1,669,953**	**105,409**	**1,669,953**

25. Finance costs

Bank	31,995	86,575	31,995	86,575
Lease laibilities	58,866	64,777	-	-
Trade and other payables	37,157,455	36,010,172	37,157,455	36,010,172
Total finance costs	**37,248,316**	**36,161,524**	**37,189,450**	**36,096,747**

26. Other non-operating gains (losses)

Gains (losses) on disposals, scrappings or settlements				
Property, plant and equipment	-	(1,414,138)	-	(1,414,138)

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

27. Cash used in operations

(Loss) profit before taxation	(131,346,926)	8,652,601	(130,282,598)	4,614,814
Adjustments for:				
Depreciation and amortisation	8,318,006	8,763,953	7,688,727	8,218,058
Revaluation of property, plant and equipment	(381,241)	811,839	(523,762)	796,890
Fair value adjustments on investment property	(8,520,594)	(29,474,193)	(8,520,594)	(29,474,193)
Opening balance restatement of investment property	-	(521,222,583)	-	(521,222,583)
Dividend income	(1,646)	(1,957)	(1,646)	(1,957)
Interest income	(103,763)	(1,667,996)	(103,763)	(1,667,996)
Finance costs	90,861	151,352	31,995	86,575
Other equity income	(81,206)	(500,113)	(81,206)	(541,719)
Movements in operating lease assets and accruals	(527,289)	(3,724,796)	(527,289)	(3,724,796)
Movements in retirement benefit assets and liabilities	(319,000)	(2,651,893)	(319,000)	(2,651,893)
Movements in provisions	(2,267)	83,773	(2,267)	83,773
Debt impairment	77,884,326	85,153,063	77,884,251	85,153,136
Interest on retirement benefit assets and liabilities	4,787,000	3,342,000	4,787,000	3,342,000
Actuarial gains on retirement benefit assets and liabilities	(9,038,000)	(1,710,107)	(9,038,000)	(1,710,107)
Interest on trade and other payables	32,370,455	32,668,172	32,370,455	32,668,172
Prior year adjustments	(692,264)	363,303,354	(564,299)	363,303,353
Changes in working capital:				
Trade and other receivables	(50,555,474)	(57,017,934)	(48,860,709)	(57,029,604)
Trade and other payables	76,199,905	71,391,721	73,573,843	70,515,402
Deferred income	(1,854,031)	(1,792,875)	(1,854,391)	(1,792,875)
	(3,773,148)	**(45,442,619)**	**(4,343,253)**	**(51,035,550)**

28. Commitments

Authorised capital expenditure

The total commitments for the year relating to Tshiame Project SEQ for 2021: R- (2020: R191 958 447).

Tshiame Project SEZ of R- (2020: R132 860 160) for the completion of the top structure with respect to the chemical plant for the signed investor Kevali Chemical Group (Pty) Ltd.

Tshiame Project SEZ of R- (2020: R59 098 287) for the completion of the top structure with respect to integrated abattoir and deboning facility for the signed investor GTM Abattoirs (Pty) Ltd.

There are no new commitments in the current financial year.

Operating leases – as lessor (income

Minimum lease payments due				
- within one year	32,425,348	36,449,828	32,425,348	36,449,828
- in second to fifth year inclusive	55,090,049	68,551,356	55,090,049	68,551,356
- later than five years	104,086,676	67,928,821	104,086,676	67,928,821
	191,602,073	**172,930,005**	**191,602,073**	**172,930,005**

The group is under operating lease agreements for properties. These lease agreements have escalations between 8% and 10% per year with the agreement terms varying between 3 – 5 years.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

29. Contingencies

The group has contingent liabilities and contingent assets in respect of legal claims arising in the ordinary course of business.

Contingent liabilities

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

Claim by MC Moranye against the Corporation

This individual was evicted and claims the house should not have been sold. A claim for damages of R100 000 for selling the house in execution was lodged against the FDC. The plaintiff argues the selling and the execution was null and void. The FDC reverted to counsel for advice and is opposing the claim. The case is in trial and has been postponed.

This amount as R200 000 in the prior year.

Maluti-A-Phofung Local Municipality

The Maluti-A-Phofung Local Municipality summoned the FDC to withdraw title deeds. FDC is defending the matter. The properties in question's total value amounts to R 790 000.

This amount as R790 000 in the prior year.

Maluti-A-Phofung Local Municipality

There is a payable balance (short-term debt) between Maluti-A-Phofung Local Municipality and FDC which is in dispute. The balance in dispute amounts to R90 589 569 (2020: R70 366 877) owing to Maluti-A-Phofung Local Municipality.

30. Related parties

Relationships	
Subsidiaries	Refer to note 11
Associates	Refer to note 5
Members of key management	Refer to note 31
Government entities with significant influence	Department of Economic Small Business Development, Tourism and Enviornmental Affairs (DESTEA)
	Free State Gambling and Liquor Authority
Other incorporated subsidiaries	Free State Investments SOC Limited (RF)
	Free State Publishers SOC Limited (RF)
	Maluti-A-Phofung SEZ SOC Limited (RF)

FDC is a schedule 3D Provincial Government Business Enterprise in terms of the Public Finance Management Act, Act 1 of 1999 as amended by Act 29 of 1999, therefore falls within the provincial sphere of government. As a consequence, FDC has a number of related parties, being entities that fall within the provincial sphere of the MEC of DESTEA. Amounts due from/to these entities are subject to the same terms and contributions as normal trade receivables and trade payables. Unless specifically disclosed, these transactions are concluded at arm's length and the group is able to transact with any entity.

Related party balances

Loan accounts - Owing (to) by related parties				
Cross Point Trading 12 (Proprietary) Limited			737,756	737,756
Highland Furniture Factory (Proprietar) Limited			4,299,675	4,299,675
Phiritona Plastics (Proprietary) Limited			451,163	451,163
Amounts included in Trade receivable (Trade Payable) regarding related parties				
Free State Gambling and Liquor authority	(123,950)	464,753	(123,950)	464,753

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020
30. Related parties (continued)				
Maluti-A-Phofung SEZ SOC Limited (RF)	-	-	(1,694,765)	100,000
Related party loan impairment provision				
Cross Point Trading 12 (Proprietary) Limited			(737,756)	(737,756)
Highland Furniture Factory (Proprietar) Limited			(4,299,675)	(4,299,675)
Phiritona Plastics (Proprietary) Limited			(451,163)	(451,163)
Related party transactions				
Interest paid to (received from) related parties				
Mafube Risk and Insurance Brokers (Proprietary) Limited	12,424	5,921,250	12,424	5,921,250
Rent paid to (received from) related parties				
Free State Gambling and Liquor authority	(1,889,469)	(1,589,550)	(1,889,469)	(1,589,550)
Amounts received from DESTEA by FDC for MAPSEZ operational purposes				
Maluti-A-Phofung SEZ SOC Limited (RF)	(17 000 000)	(20 000 000)	(17,000,000)	(20,000,000)
Grants paid to (received from) related parties				
DESTEA	(9,268,000)	(50,747,143)	(9,268,000)	(50,747,143)
IDC	-	(450,000)		(450,000)
Maluti-A-Phofung SEZ SOC Limited (RF)	17 075 314	25 581 585	17,075,314	25,581,585
DTIC Donated Asset Deferrred Income	(1,856,000)	-	(1,856,000)	-
Occupation of buildings by related parties				
Maluti-A-Phofung SEZ SOC Limited (RF)	-	-		-
Compensation to directors and other key management				
Short-term employee benefits	55,000	11,000		-

DESTEA provided a grant of R17 million (2020: R20 million) to FDC, which is to be used by MAPSEZ for operational expenses. During the 2020/21 financial year, R17 075 314 (2020: R25 581 585) was recognised by MAPSEZ with regards to the operational subsidy received.

31. Directors' emoluments

Executive

2021

	Emoluments	Other benefits	Corporation Contributions	Total
Osman I	124,391	632,514	25,186	782,091
Moyo S	-	19,893		19,893
Shaba G	191,271	124,921	172	316,364
Mgemane PM	1,292,336	908,237	1,785	2,202,358
Kgokotli K*	865,716	523,523	204,365	1,593,604
LA Mokalake	667,104	627,207	142,681	1,436,992
ZE Lebelo	1,680,000	1,140,174	1,636	2,821,810
	4,820,818	**3,976,469**	**375,825**	**9,173,112**

*Kgokotli K was reinstated from the 1 November 2019.

	Group		Company	
Figures in Rand	2021	2020	2021	2020

31. Directors' emoluments (continued)

2020

	Emoluments	Other benefits	Corporation Contributions	Total
Osman I	1,718,861	526,873	294,475	2,540,209
Moyo S	1,935,249	112,624	55,413	2,103,286
Shaba G	1,866,270	74,234	56,131	1,996,635
Mgemane PM	1,958,867	447,289	62,982	2,469,138
Motsitsi MDC	1,822,174	15,896	1,784	1,839,854
Kgokotli K *	425,619	1,097,382	66,430	1,589,431
Tlhomelang KF	923,711	228,562	185,603	1,337,876
	10,650,751	**2,502,860**	**722,818**	**13,876,429**

Non-executive

2021

	Directors' fees	Travel fees	Total
ZW Ngququ	423,000	11,815	434,815
Adv. T Tsuaeli	-	1	1
Ntshiea ME	300,000	10,124	310,124
TN Sandlana	337,000	25,434	362,434
HB Matseke	181,000	11,948	192,948
Mahlatsi M	323,000	19,198	342,198
Mantenche R	55,000	-	55,000
Choeu C	237,000	19,560	256,560
Mhlahlo ME	-	1	1
	1,856,000	**98,081**	**1,954,081**

2020

	Directors' fees	Travel fees	Total
Matseke HB	238,000	36,177	274,177
Sandlana TN	298,000	62,634	360,634
Mahlatsi M	301,000	10,031	311,031
Mantenche R	161,000	7,611	168,611
Choeu C	11,000	7,808	18,808
Mhlahlo ME	-	16,287	16,287
	1,009,000	**140,548**	**1,149,548**

* Members of the Board Audit and Risk Committee.

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

32. Prior period errors

32.1 Investment property:

The Corporation embarked on an extensive exercise to identify, unbundle and value its investment property portfolio. Numerous errors were corrected and the comparative figures were adjusted retrospective. The effect is as follows:

Increase in investment properties	R413 776 820
Increase in fair value adjustments	(R29 474 192)
Increase in retained earnings	(R384 302 628)

32.2 Operating lease assets:

The Corporation did not consider the estimated credit losses relating to the operating lease assets, in terms of IFRS9. The operating lease assets were subsequently considered for estimated credit losses. The comparative figures were adjusted retrospective. The effect is as follows:

Decrease in operating lease assets	(R3 185 971)
Decrease in retained earnings	(R1 122 194)
Increase in estimated credit losses	R4 308 166,

32.3 Trade and other payables:

A disputed amount relating to the Mangaung Metropolitan Municipality was previously disclosed as a contingent liability. The disputed amounts were subsequently investigated and the dispute was resolved. The opening balance of the municipal accounts were retrospectively adjusted and the contingent liability was removed from the disclosure note. The effect is as follows:

Increase in trade and other payables	(R18 844 384)
Decrease in retained income	R18 844 384

Furthermore, the balance of Maluti-A-Phofung Local Municipality was reconstructed and opening balance of the municipal accounts were retrospectively adjusted. The effect is as follows:

Increase in trade and other payables	(R6 520 770)
Decrease in retained income	R6 520 770

The population for payables were revisited and various smaller errors were corrected This resulted in the estimated credit losses being recognised. The comparative figures were adjusted retrospective. The effect is as follows:

Decrease in trade and other payables	R156 920
Increase in utility income	(R156 920)
Increase in estimated credit losses	(R2 120 763)
Increase in accumulated impairments	R2 120 763

32.4 Other financial liabilities:

It was found that Shell has written of the loan balance, which was due by the Corporation in the prior periods. The loan was subsequently written off in the records of the Corporation. The comparative figures were adjusted retrospective. The effect is as follows:

Decrease in other financial liabilities	R742 047
Increase in retained income	(R742 047)

32.5 Property, plant and equipment:

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

32. Prior period errors (continued)

The Corporation embarked on an extensive exercise to identify, unbundle and value its property, plant and equipment. The comparative figures were adjusted retrospective. The effect is as follows:

Decrease in property, plant and equipment	(R95 961)
Decrease in fair value adjustments	R95 961

Furthermore, based on the above-mentioned exercise the FDC has split the disclosure of land and buildings. Land is subsequently disclosed as a separate line item within property, plant and equipment. The comparative figures were adjusted retrospective. The effect is as follows:

Decrease in Buildings (Previously Land and Buildings)	(R5 715 789)
Increase in Land	R5 715 789

32.6 Sanusi Billings:

During the prior year, the Corporation incorrectly recorded estimated billings with regards to Sanusi's billings. The billings, due to the uncollectability, was impaired. However, these transactions were not in accordance with the IFRS standards. These transactions were subsequently reversed. The comparative figures were adjusted retrospective. The effect is as follows:

Increase in accruals	(R26 947 015)
Decrease in utility income	R26 947 015
Decrease in accruals	R26 947 015
Decrease in estimated credit losses	(R26 947 015)

32.7 Trade and other receivables:

During the prior year, the Corporation did not impair certain government departments' long outstanding debts. These balances were subsequently impaired. The comparative figures were adjusted retrospective. The effect is as follows:

Decrease in trade and other receivables	(R4 669 811)
Increase in estimated credit losses	R4 669 811

During the prior years, other receivabes were not recorded in the records of the Corporation. These debtors were subsequently recognized. The comparative figures were adjusted retrospective. The effect is as follows:

Increase in trade and other receivables	R2 518 996
Increase in retained income	(R2 518 996)

The correction of the errors results in adjustments, as follows:

	Group 2021	Group 2020	Company 2021	Company 2020
Statement of Financial Position				
Property, plant and equipment	-	(154,828)	-	(95,961)
Investment properties	-	413,776,820	-	413,776,820
Operating lease assets	-	(3,185,971)	-	(3,185,971)
Trade and other receivables	-	(2,168,172)	-	(2,168,172)
Other financial liabilities	-	742,047	-	742,047
Opening retained earnings	-	(383,737,812)	-	(383,779,571)
Reserves	-	95,961	-	95,961
Trade and other payables	-	(25,368,048)	-	(25,365,153)
Profit or Loss				
Revenue	-	26,947,015	-	26,947,015
Other operating income	-	90 480	-	90,480
Administrative expenses	-	2,397,989	-	2,397,175
Other operating expenses	-	(24,703,920)	-	(24,764,860)
Gains from fair value through profit and loss	-	(25,166,026)	-	(25,166,026)
Gains on property revaluation	-	95,961	-	95,961

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

33. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Operating lease asset	7	-	12,810,701	12,810,701	-
Trade and other receivables	9	45,074,252	-	45,074,252	45,074,252
Cash and cash equivalents	10	2,944,843	-	2,944,843	-
		48,019,095	**12,810,701**	**60,829,796**	**45,074,252**

Group - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Operating lease asset	7	-	12,283,412	12,283,412	-
Trade and other receivables	9	44,258,148	-	44,258,148	44,258,148
Cash and cash equivalents	10	3,882,054	-	3,882,054	-
		48,140,202	**12,283,412**	**60,423,614**	**44,258,148**

Company - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Operating lease asset	7	-	12,810,701	12,810,701	-
Trade and other receivables	9	43,479,487	-	43,479,487	43,479,487
Cash and cash equivalents	10	2,618,835	-	2,618,835	-
		46,098,322	**12,810,701**	**58,909,023**	**43,479,487**

Company - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Operating lease asset	7	-	12,283,412	12,283,412	-
Trade and other receivables	9	44,358,148	-	44,358,148	44,358,148
Cash and cash equivalents	10	3,602,915	-	3,602,915	-
		47,961,063	**12,283,412**	**60,244,475**	**44,358,148**

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

33. Financial instruments and risk management (continued)

Categories of financial liabilities

Group - 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	17	940,020,806	-	940,020,806	-
Other financial liabilities	12	4,562,448	-	4,562,448	-
Finance lease obligations	13	-	258,415	258,415	-
		944,583,254	**258,415**	**944,841,669**	**-**

Group - 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	17	831,450,446	-	831,450,446	-
Other financial liabilities	12	3,734,168	-	3,734,168	-
Finance lease obligations	13	-	435,413	435,413	-
		835,184,614	**435,413**	**835,620,027**	**-**

Company - 2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	17	934,533,744	934,533,744	-
Other financial liabilities	12	4,520,693	4,520,693	-
		939,054,437	**939,054,437**	**-**

Company - 2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	17	828,589,446	828,589,446	-
Other financial liabilities	12	3,692,413	3,692,413	-
		832,281,859	**832,281,859**	**-**

Capital risk management

The group manages its retained earnings, which at year end amounted to R719,739,603 (2020: R851 859 638) as capital and there were no changes in either its policies or processes for managing capital, or in what it regards as capital, from the prior period.

The group's objective when managing capital is to safeguard the group's ability to continue as a going concern in order to provide benefits to stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure, the group receives grants from The Free State Department of Tourism, Environmental and Economic Affairs to invest in SMME development. The Corporation does not pay any dividends and all profits are reinvested in SMME developments.

Other financial liabilities	12	4,562,448	3,734,168	4,520,693	3,692,413

Notes to the Consolidated Financial Statements

		Group		Company	
Figures in Rand		2021	2020	2021	2020
33. Financial instruments and risk management (continued)					
Lease liabilities	13	258,415	435,413	-	-
Trade and other payables	17	940,020,806	831,450,446	934,533,744	828,589,446
Total borrowings		**944,841,669**	**835,620,027**	**939,054,437**	**832,281,859**
Cash and cash equivalents	10	(2,944,843)	(3,882,054)	(2,618,835)	(3,602,915)
Net borrowings		**941,896,826**	**831,737,973**	**936,435,602**	**828,678,944**
Equity		719,739,603	851,859,638	716,008,584	846,936,689

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group is exposed to credit risk on loans receivable (at amortised cost), debt instruments at fair value through oci, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). The exposure to credit risk of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. Credit risk is assessed as low if there is a low risk of default (is defined after consideration of payment history to date, industry in which the customer operates, payment agreements and payments made on amounts past due). Should it be determined that there was a significant increase in credit risk since initial recognition management have chosen as an accounting policy, to make use of lifetime expected credit losses. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Notes to the Consolidated Financial Statements

33. Financial instruments and risk management (continued)

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the principle for the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management applies the principle that if a trade receivables and contract assets's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (is defined after consideration of payment history to date, industry in which the customer operates, payment agreements and payments made on amounts past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. Should it be determined that there was a significant increase in credit risk since initial recognition management have chosen as an accounting policy, to make use of lifetime expected credit losses.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information in its credit risk controls. The maximum exposure to credit risk is presented in the table below:

33. Financial instruments and risk management (continued)

Group		2021			2020		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Operating lease asset	7	12,810,701	-	12,810,701	12,283,412	-	12,283,412
Trade and other receivables	9	422,319,545	(377,245,293)	45,074,252	371,764,071	(327,505,923)	44,258,148
Cash and cash equivalents	10	2,944,843	-	2,944,843	3,882,054	-	3,882,054
		438,075,089	**(377,245,293)**	**60,829,796**	**387,929,537**	**(327,505,923)**	**60,423,614**

Company		2021			2020		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Operating lease asset	7	12,810,701	-	12,810,701	12,283,412	-	12,283,412
Trade and other receivables	9	420,670,822	(377,191,335)	43,479,487	371,810,113	(327,451,965)	44,358,148
Cash and cash equivalents	10	2,618,835	-	2,618,835	3,602,915	-	3,602,915
		436,100,358	**(377,191,335)**	**58,909,023**	**387,696,440**	**(327,451,965)**	**60,244,475**

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

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 business, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The group monitors its risk to a shortage of funds using projected cash flows from operations. The group's objective is to maintain a balance equal to an average of three months budgeted operating expenses. The group has sufficient unutilised facilities available.

The table below analyses the Corporation's financial liabilities into relevant maturity groupings based on the remaining periods at the reporting date to maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

Group - 2021

		Less than 1 year	**1 to 2 years**	**Total**	**Carrying amount**
Non-current liabilities					
Other financial liabilities	12	-	41,755	41,755	41,755
Finance lease liabilities	13	-	49,404	49,404	49,404
Current liabilities					
Trade and other payables	17	940,020,806	-	940,020,806	940,020,806
Other financial liabilities	12	4,520,693	-	4,520,693	4,520,693
Finance lease liabilities	13	209,011	-	209,011	209,011
		944,750,510	**91,159**	**944,841,669**	**944,841,669**

Group - 2020

Notes to the Consolidated Financial Statements

33. Financial instruments and risk management (continued)

		Less than 1 year	1 to 2 years	Total	Carrying amount
Non-current liabilities					
Other financial liabilities	12	-	41,755	41,755	41,755
Finance lease liabilities	13	-	187,670	187,670	187,670
Current liabilities					
Trade and other payables	13	831,450,446	-	831,450,446	831,450,446
Other financial liabilities	12	3,692,413	-	3,692,413	3,692,413
Finance lease liabilities	13	247,743	-	247,743	247,743
		835,390,602	**229,425**	**835,620,027**	**835,620,027**

Company - 2021

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	13	934,533,744	934,533,744	934,533,744
Other financial liabilities	12	4,520,693	4,520,693	4,520,693

Company - 2020

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	17	828,589,446	828,589,446	828,859,446
Other financial liabilities	12	3,692,413	3,692,413	3,692,413

33. Financial instruments and risk management (continued)

Market risk

The group is exposed it to a variety of financial risks, including market risks which comprises of currency risk, price risk and interest rate risk.

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.
The entity does not hedge foreign exchange fluctuations.

Interest rate risk

The group's exposure to risk for changes in market interest rates relate primarily to the group's (Corporation) long term and short term loans granted with floating interest rates. Changes in the interest rate will affect the revenue stream of the group (Corporation), as most of the interest bearing financial assets is linked to the prime interest rate. The group does not make use of interest rate derivatives and therefore 100% of the interest-bearing financial instruments have a variable interest rate.

Interest rate risks are presented by way of sensitivity analysis in accordance with IFRS 7: Financial Instruments: Disclosure. These show the effects of changes in market interest rates on interest repayments, interest income and expenses, other income components and, if applicable shareholder's equity. The time frame, over which the assessment is made, is 12 months due to the next reporting date being 31 March 2022. The analysis is based on the assumption that the prime interest rate has increased / decreased by 2% with all other variables held constant. There were no changes in the assumptions and methods used from the previous period.

The following table illustrates the sensitivity of the group's profit and equity to rate risk if interest rates change with the following percentages:

	Group		Company	
Figures in Rand	2021	2020	2021	2020
	2,818,899	(129,487)	2,797,612	(48,732)
	(2,818,899)	129,487	(2,797,612)	48,732
	-	-	-	-

Price risk

The group is not exposed to price risk since no listed securities are held for investment purposes and the financial assets available for sale consists of investments in unquoted shares.

34. Going concern

The Standard defines going concern by explaining that financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Management has no intention of ceasing activities or to liquidate the entity. There is also no intent or decision to close the Corporation by the executive authority, within the next twelve months. It therefore prepares the AFS on a going concern basis.

However, attention should be drawn to the relevant indicators as per recommended disclosure below:

The consolidated 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.

34. Going concern (continued)

During the financial year ended 31 March 2021 the consolidated entity has experienced operating losses of R131 346 926 (2020: profit R8 652 601), including R76 866 977 (2020: R87 630 500) in impairment charges and an improved cash flow from operating activities of R36 967 911 from 2020 (outflow of R3 231 311 in 2021 vs an outflow of R40 199 222 in 2020).

During the financial year ended 31 March 2021 the corporation has experienced operating losses of R130 282 598 (2020: profit R4 614 814), including R76 866 977 (2020: R87 630 500) in impairment charges and an improved cash flow from operating activities of R41 984 826 from 2020 (outflow of R3 742 550 in 2021 vs an outflow of R45 727 376 in 2020).

As at 31 March 2021, the consolidated statement of financial position reflected an excess of current liabilities over current assets of R898 855 712 (2020: R762 507 054).

As at 31 March 2021, the corporation's statement of financial position reflected an excess of current liabilities over current assets of R895 368 112 (2020: R759 865 152).

As at 31 March 2021 the consolidated entity had outstanding trade payables of R940 020 806 (2020: R831 450 446). As at 31 March 2021 the corporation had outstanding trade payables of R934 533 744 (2020: R828 589 446) with a significant portion thereof relating to the following related governmental entities:
- Mangaung Metro Municipality R291 273 178;
- Centlec SOC R352 948 074.

The above events and conditions cast may material uncertainty on the entity's ability to continue as a going concern.

The following matters have been considered by the directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

i) Of the R976 544 840 current liabilities as at 31 March 2021, R31 794 330 relates to deferred income representing an asset donation received by the Department of Trade and Industry (DTI). This amount will not result in any cash outflows, but rather future recognition of revenue;

ii) A possible partial settlement of Centlec electricity debt of R96,7 million by sale of the Corporation's Botshabelo electricity grid, as per the replacement valuation on;

iii) Of the estimated settlement amount for Mangaung and Centlec, the Corporation is in negotiations for a possible interest write-off in favour of the Corporation incurred in the above-mentioned accounts..

The directors are satisfied that the entity is able to meet its working capital requirements through the normal cyclical nature of receipts and payments. Neither is the Corporation intending to cease its activities or liquidate its assets, and hence, it is the opinion of the directors that it is appropriate to prepare that annual financial statements on a going concern basis. This conclusion is further supported by the fact that the Corporation was established in terms of the Free State Development Act 6 of 1995 as amended and as such will continue to receive support from Government to enable its continued operation in the foreseeable future.

35. Events after the reporting period

Process of disposal of subsidiary:

In the previous year a decision was taken by the MEC of the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) to establish the MAPSEZ as a listed Public Entity of the Province. The process of establishing the Entity could not be finalised during the 2019/20 financial year due to the pandemic which affected the business operations of the task team as well as the limited resources for expediting the business case. The entity is expected to be approved by the end of the financial year 2021/2022.

Dissolution of the FDC Board:

The Members of the Executive Council has taken a decision on 30 June 2021, to dissolve the Free State Development Corporation (FDC) Board. It is not possible to quantify the financial impact at this time.

No other subsequent events were identified

	Group		Company	
Figures in Rand	2021	2020	2021	2020

36. Irregular expenditure

Breakdown	Group 2021	Group 2020	Company 2021	Company 2020
Opening balance	80,167,331	58,455,763	73,297,658	57,533,389
Irregular expenditure incurred - current year	6,558,834	21,711,568	5,749,279	15,764,269
	86,726,165	**80,167,331**	**79,046,937**	**73,297,658**

During the 2018/19 financial year, the following contracts, with the respective service providers, were identified that will be placed under review. Due to potential non-compliance to procurement laws, regulations and supply chain management policy in the acquisition of a limited 3 quotations.

The contracts relate to the following service providers including the value of the contracts:
- Equity Property Professionals with a contract value of R69 696;
- National Real Estate with a contract value of R13 058 809; and
- Mayday Surveillance CC X 2 with a contract value of R5 604 752.

The following contracts, with the respective service providers, were identified that will be placed under review, whereby the nature of the potential non-compliance to procurement laws, regulations and supply chain management policy will be determined.

The contracts relate to the following service providers including the value of the identified contracts:
- Sanusi with a contract value of R3 911 829.

As a result of the audit of the 2019/20 financial year the following contracts were identified that was placed under review for potential non-compliance to procurements laws, regulations and supply chain management policy. The contracts relates to the following:

- Mayday Surveillance CC X 2 with a contract value of R5 604 752;.
- National Real Estate with a contract value of R13 058 809;
- Unique Mbant (Sanusi)
- Moganeng General Trading with a value of R262 050;
- Avoca Travels with a value of R224 003;
- Equate Property Construction with a value of R364 762;
- Suleman with a value of R115 785;
- Balden Vogel & Vennote with a value of R269 194; and
- AON Risk Services with a contract value of R5 724 624

SEZ Irregular expenditure was a result of Supply Chain Management processes not being completely followed in the process of acquiring services.

The full extent of the irregular expenditure is still in the process of being determined.

All of the above irregular expenditure is being investigated in order to establish facts whether the transaction is related to fraudulent, corrupt and/or other criminal conduct. To date, none of the investigations were finalized. All of the investigations were initiated and are under-way. No criminal charges were laid yet, as the above matters were not finalized yet. None of the prior year irregular expenditure was condoned.

The following contracts were identified that are currently under assessment and the full extent of the irregular expenditure impact is being assessed:
- UIF – Various training institutions amount to R12 400 715 (2020: R20 500 000),

37. Fruitless and wasteful

Breakdown

Fruitless and wasteful expenditure incurred - prior year	79,026,599	40,736,102	79,026,599	40,736,102
Fruitless and wasteful expenditure incurred - current year	34,020,769	38,290,497	34,002,568	38,290,497
	113,047,368	**79,026,599**	**113,029,167**	**79,026,599**

Notes to the Consolidated Financial Statements

	Group		Company	
Figures in Rand	2021	2020	2021	2020

37. Fruitless and wasteful (continued)

The prior year matter originates from management's belief that the Corporation is a schedule 3D government enterprise allowed to borrow funds and incur interest. Therefore, it is prudent for management to incur interest from municipalities than incurring it from the bank because the corporation can negotiate with the municipalities to write off interest charged, which is impossible to do with the banks. Interest incurred during the 2020/21 and 2019/20 financial year was R32 814 754 and R38 281 061 respectively.

All of the above fruitless and wasteful expenditure is being investigated in order to establish facts whether the transaction is related to fraudulent, corrupt and/or other criminal conduct. This matter was escalated to Provincial Treasury. Currently, the Corporation is awaiting feedback from Provincial Treasury.

38. New Standards and Interpretations

38.1 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2021 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023.

The group expects to adopt the standard for the first time in the 2024 consolidated financial statements.

It is unlikely that the standard will have a material impact on the group's consolidated financial statements.

38.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after 01 April 2021 or later periods but are not relevant to its operations:

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group expects to adopt the amendment for the first time in the 2022 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Notes to the Consolidated Financial Statements

38. New Standards and Interpretations (continued)

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group expects to adopt the amendment for the first time in the 2022 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group expects to adopt the amendment for the first time in the 2022 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group expects to adopt the amendment for the first time in the 2022 consolidated financial statements. It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4

An insurer applying the temporary exemption from IFRS 9 shall apply the new requirements of IFRS 9 concerning situations where a change in the basis for determining the contractual cash flows of a financial asset or financial liability is required by interest rate benchmark reform.

The effective date of the group is for years beginning on or after 01 January 2021.

The group expects to adopt the amendment for the first time in the 2022 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41

"Taxation" has been removed from the list of cash flows excluded from the fair value determination of biological assets.

The effective date of the group is for years beginning on or after 01 January 2022.

The group expects to adopt the amendment for the first time in the 2023 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

Notes to the Consolidated Financial Statements

38. New Standards and Interpretations (continued)

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the group is for years beginning on or after 01 January 2022.

The group expects to adopt the amendment for the first time in the 2023 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the group is for years beginning on or after 01 January 2022.

The group expects to adopt the amendment for the first time in the 2023 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the group is for years beginning on or after 01 January 2022.

The group expects to adopt the amendment for the first time in the 2023 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The group expects to adopt the amendment for the first time in the 2024 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

Notes to the Consolidated Financial Statements

38. New Standards and Interpretations (continued)

The effective date of the group is for years beginning on or after 01 January 2022.

The group expects to adopt the amendment for the first time in the 2023 consolidated financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated financial statements.

39. Managing capital

The Free State Development Corporation Group (FDC)'s core mandate is the assisting and development of SMME's within the Free State province. The Group helps SMME's by either providing rental accommodation or providing loans to SMME's. This enables the FDC to help stimulate growth within the province.

The Group manages the loan books and investment properties on behalf of DESTEA. Refer to other financial assets (note 6) and investment properties (note 3) for the quantitative data about what it manages.

There were no changes from the prior years in terms of their mandate.

ANNEXURE A

MAP SEZ PERFORMANCE AGAINST PREDETERMINED OBJECTIVES
MAP SEZ AUDITOR GENERAL REPORT
MAP SEZ FINANCIALS

ANNUAL PERFORMANCE REPORT OF THE MAPSEZ

OVERVIEW OF THE CEO

1. INTRODUCTION

It is my privilege and honor to present the 2020/21 performance of the MAPSEZ. We are proud to show case the strides our SEZ has made towards achieving its mandate of deepening industrial development and improving manufacturing competitiveness in the Maluti-A-Phofung region. These efforts are in line with the objectives of the SEZ in igniting the economic development of the region and the Free State as a whole.

Much like the rest of the world, the MAPSEZ has experienced difficulties in pursuing its objectives set for the 2020 financial year largely due to the Covid-19 pandemic which came as a dark cloud not only to ordinary South Africans, but also to the economy at large. The advent of COVID 19 impacted negatively on realizing our outputs.

We have seen our government and our leaders put up a gallant fight against this pandemic through their well-timed invocation of the Disaster Management Act in March 2020 and the lockdowns that have spanned several months at various stages of severity.

We are proud to pronounce that we have already attracted four investors to the investment value of value of R 1,1b. These investors are already operational in the agro-processing, chemical blending and human hair manufacturing sectors and have created 93 jobs from these investors. We are anticipating to attract further investments valued at approximately R 3.6 billion in the next 5 years, this investment will create an estimated 2500 permanent and temporary jobs.

Our pipeline of investors is also growing at a commendable rate. During the year under review, we managed to increase our existing pipeline by 4 new investors. We are expecting this trend to grow as we continue with our concerted effort of collaborating with the Business Chambers, DTIC, Invest SA and many other relevant stakeholders.

2. GET TO KNOW US

Maluti-A-Phofung SEZ (MAP-SEZ) is an initiative of the Free State government to establish manufacturing opportunities and to create regional and international trade environment with an added value chain within the Free State Province. MAP SEZ is located in the eastern part of the Free State, in a town called Harrismith. Its location is very strategic along the N3 and N5 corridors which are key strategic routes for exports and imports.

The MAPSEZ was designated as an Industrial Development Zone by the Department of Trade and Industry in September 2015 and was subsequently converted to a Special Economic Zone after the promulgation of the Special Economic Zone Act in February 2016.

The MAP-SEZ was granted an SEZ license and operator permit on 25 April 2017 and was finally gazetted as a Special Economic Zone on 02 June 2017.

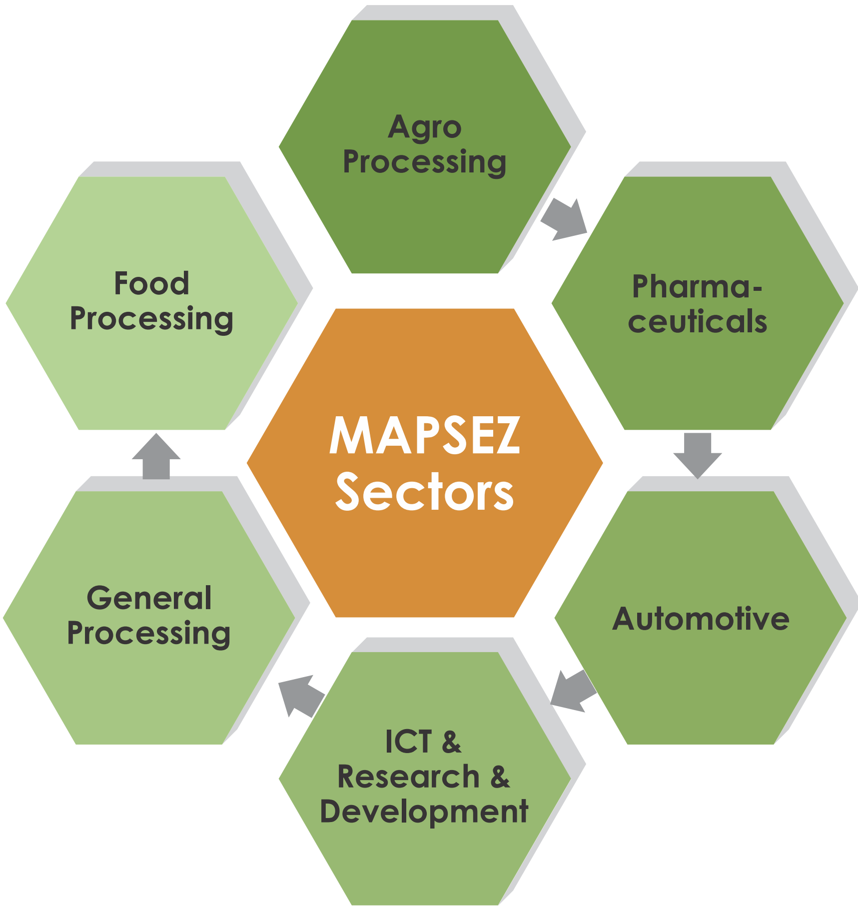
The main objective of the MAP-SEZ is to attract foreign and direct investment and to stimulate the local economy as well as to create meaningful work opportunities for the people of the

Free State and in particular for the Maluti-A-Phofung region.

One of the key advantages of conducting business in the MAPSEZ is the strategic location of the Zone in relation to the major metropolitan economies of South Africa and the easy access to good transport infrastructure.

From Harrismith you are just 3 hrs away from the busiest Port in the Country, which is Durban; and two and a half hours from Johannesburg which is the economic hub of the Country.

The Zone is located on 1038 hectares of land and its priority sectors amongst others are:



We are also proud to announce that we are in the process of declaring the entire Zone as a customs-controlled area. This will facilitate export and import of goods as per SARS regulations.

3. HIGHLIGHTS OF THE YEAR

Commencement of three new businesses in the Zone

Three new investors commenced with their operations amidst the covid-19 pandemic situation. Intabazwe Agri, Steynburg Pork Abattoir and No 1 Hair Industry all commenced with their operations in the second and third quarter of the financial year. Although the journey towards the commencement of their operations took well over two years, seeing the operations moving from paper work to real production lines was a great realization of hard work by the MAPSEZ.

The main business of the three investors is listed in the table below:

Investor	Investment Value	Work Opportunities created during the financial year 2020/21
Steynsburg Pork Abattoir	R450 million	26
No 1 Hair Industry	R 114 million	52
Intabazwe Agri	R 78 million	15
Total Investment	**R 1, 025 billion**	**93**

Oversight visits by the Portfolio Committee

On the 16 October 2020 we were honored by the oversight visit by a delegation of the Portfolio Committee on Economic Development, Agriculture, Rural Development, Small Business and Sports and Culture.

The delegation was given the opportunity for site visits and engagements with the investors at the new Factories namely, Steynburg Pork Abattoir, Intabazwe Agri, No 1 Hair Industry and Kevali Chemicals which was launched in 2018.

The portfolio committee was satisfied with the progress which was made and recommended that a piggery should be established within the Maluti-a-Phofung region as part of the Pork Abattoir value chain for SMME's within the region. We are in the process of engaging DESTEA and the department of agriculture to assist on the aforementioned recommendation.

The launch of the Intabazwe Agri - Agro processing business

During these trying times we are encouraged by the faith and commitment displayed by Intabazwe Agri in our region. Our SEZ is invigorated by the investment, trade and job opportunities brought by Intabazwe Agri to Harrismith and the great Maluti-a-Phofung Region.

In the recent past, President Ramaphosa roused the country to create a new social compact for inclusive growth that includes more localization, production, warehousing, and distribution of our own food and products. This new endeavor by Intabazwe Agri in partnership with MAPSEZ is an enthusiastic response to our President's call.

Intabazwe signed a 50 Year lease agreement in October 2019. During the year under review, they completed the construction of four Steel Silos at a cost of approximately R78 million using their own funding.

Furthermore, the investor will also be maintaining the railway siding at the leased Premises at a cost of approximately R 500 000 per annum, once their rate negotiations with Transnet are concluded. It is through this railway that the investor seeks to support Government's objective of moving cargo from road to rail in an effort to ease truck traffic on the N3.

Their operations commenced in September 2020. As at the end of March 2021 they had already employed 15 personnel mostly from the local community.

Commencement of operations by Steynsburg Pork Abattoir

The abattoir originates from Denmark and they form a part of Danish crown which is a Danish food manufacturer in Denmark, dealing primarily in meat processing of pork and beef. It Is Europe's largest pork producer and agricultural exporter.

The Abattoir has the capacity to slaughter 1000 to 1200 pigs' units per day with an estimated total of 8000 units per week, however, due to insufficient pigs from their piggery they are currently slaughtering 2000 pigs per week.

We are currently in discussion with the department of agriculture for the establishment of the piggery within Maluti-A-Phofung Area in order to develop SMME's that can take advantage of the opportunity to supply pigs to the abattoir.

The abattoir produces the pork carcasses, pork cuts and deboned pork in chilled and frozen form, clean offal and casings from the pigs.

The Steynburg Pork Abattoir investor signed a 25-year lease agreement in 2019. On the 24th June 2019 they commenced with the construction of their 5000m² Top Structure at a cost of 60 million. The construction of their facility was initially scheduled for completion by March 2020, however, the time frame was shifted to end August due to delays caused by the local unrests as well as the covid-19 pandemic. Completion therefore only took place at the August 2020. The MAPSEZ has successfully completed the tenant installation of a boundary wall and fence as per the requirements of their operating license.

Their operations commenced in September with an employment of 26 personnel mostly from the local community.

Commencement of operations by the No 1 Hair Industry

No 1 Hair Industry is a Human hair manufacturing facility for domestic and international markets. They have formed a joint venture with the South Korean based company called Amytech Co Ltd who are bringing a new technological innovation in the manufacturing of hair products and raw material used for manufacturing hair styles.

The investor has been accommodated in an existing facility of 3500m² which was partly renovated by the MAPSEZ to enable commencement of its operations. They signed a 25-year lease in February 2020.

The investor commenced with its operations in August 2020 employing almost 52 staff personnel by the end of March 2021 mostly from local community.

4. FUTURE LOOK

In the previous year a decision was taken by the MEC of the Department of Economic, Small Business Development, Tourism and Environmental Affairs (DESTEA) to establish the MAPSEZ as a listed Public Entity of the Province.

The process of establishing the Entity could not be finalized during the 2020/21 financial year due to the pandemic which affected the business operations of the task team as well as the limited resources for expediting the business case.

The entity is expected to be fully established by the end of the new financial year 2021/2022.
This re-establishment will separate the MAPSEZ from the FDC, therefore, the MAPSEZ will cease to become a subsidiary of the FDC. This unbundling will create a new trajectory for the MAPSEZ to become fully functional with the ability to access potential private funders and explore different funding models.

5. CONCLUSION AND RECOGNITION

We have noted with serious concern the lack of a business model and funding strategy for our mandate. The dire funding situation of this Entity is, to a large extent, as a result of a piece meal approach to the funding of the organisation. To this end we will be developing a cogent business model with the help of experts so that we can table a bankable proposition for the execution of our mandate.

All these achievements would not have been possible without the relentless efforts of the entire staff who have shown unreserved dedication to the successes of the Entity.

My sincere gratitude goes to the MEC of DESTEA and the MAPSEZ Board for their support and leadership provided in steering this organisation in the right direction.

We are thankful for the continuous support we receive from Strategic Partners like the DTIC, DESTEA, IDC, and the Provincial government as we continue to attract new investors and to retain existing ones.

ANNUAL PERFORMANCE AGAINST PREDETERMINED OUTCOMES

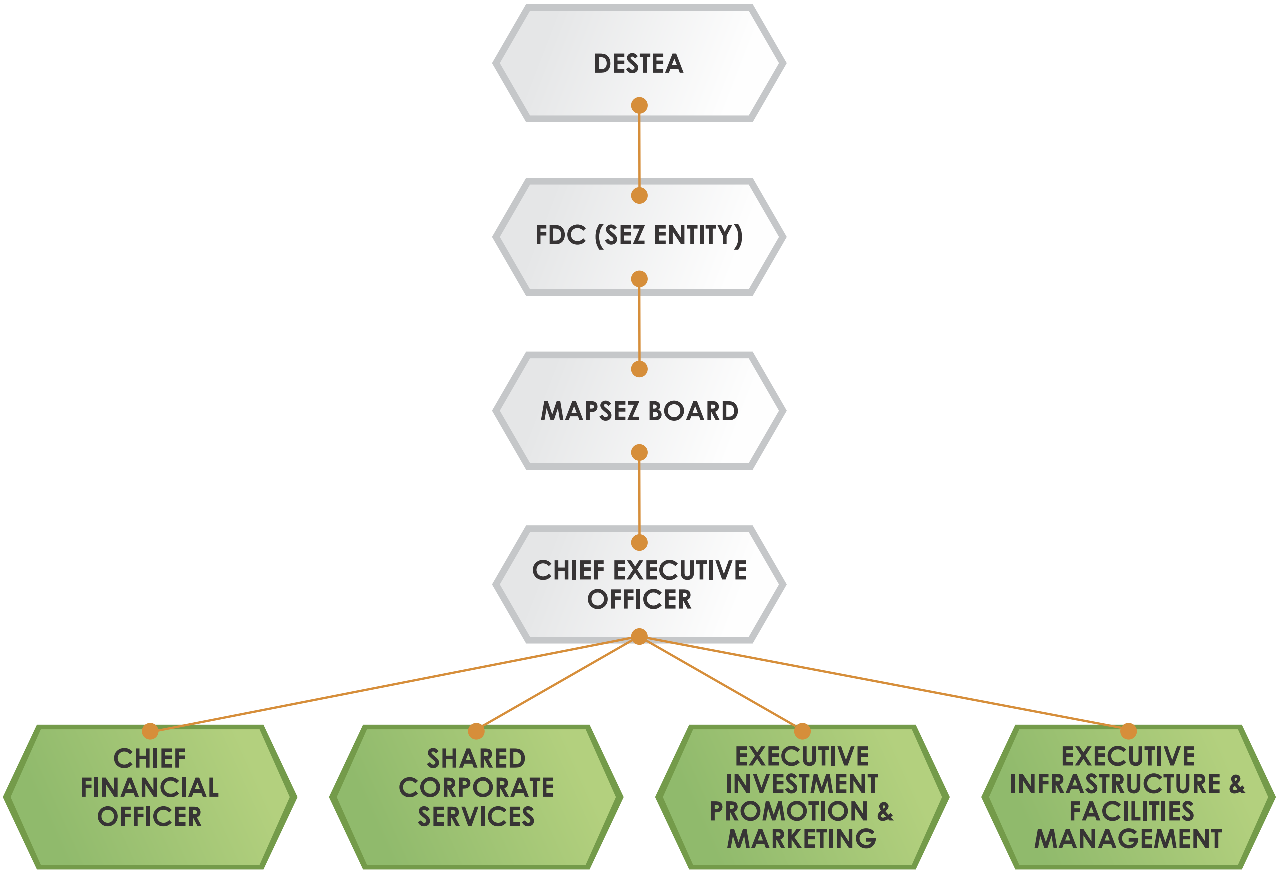
The current staff compliment of the MAPSEZ is made up of 13 personnel including the CEO and CFO who are the only two Executives. The targets of the annual performance plan were amended and approved by the Board in November 2020. The reduction of the targets was largely as a result of the state of readiness of the MAPSEZ to operate fully as well as the budget adjustments which were necessitated by the covid-19 pandemic.

Performance against Annual Targets						
Impact Statement 1: A Transformed Economy						
Programme 2:						
Outcome	**Output**	**Output Indicator**	**Planned Target**	**Actual Achievement**	**Deviation from planned Target**	**Comments on Deviations**
Increased Private Sector Investmen	Investment support	Number of Investors in the Pipeline	5	5	None	
		Number of Investors approved by the SEZ Board	4	4	None	
		Number of signed Investors	1	0	1	The indicator is dependent on the funding for the building of a Top Structures for the investor to lease. Funding was not approved by the DTIC or Province for the year under review.
Sustainable job creation	Employment creation	Number of direct jobs created	60	75	15	Over achievement as a result of new business which commenced during the year under review.

Performance against Annual Targets						
Impact Statement 2: A Capable, Ethical and Developmental State						
Outcome	**Output**	**Output Indicator**	**Planned Target**	**Actual Achievement**	**Deviation from planned Target**	**Comments on Deviations**
Improved governance	Improved Audit outcome of the 2019/20 financial year	Unqualified audit opinion with findings	Unqualified audit opinion with findings	Unqualified audit opinion with findings	None	
Leadership oversight	Improved Audit outcome of the 2019/20 financial year	Unqualified audit opinion with findings	Unqualified audit opinion with findings	Unqualified audit opinion with findings	None	

Graphical Presentation of Performance

ORGANIZATIONAL STRUCTURE



The interim operational structure of the MAPSEZ was approved in August 2017. The structure consisted of 53 posts, however, due to the migration process which took longer than expected only 2 Executive posts, 1 Manager post and 10 lower-level posts have been filled by permanent and contract workers.

Other critical posts will be filled once the MAPSEZ becomes fully established as a listed Public Entity.

Report of the auditor-general to the Free State Legislature on the Maluti-A-Phofung Industrial Development Zone SOC RF

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Maluti-A-Phofung Industrial Development Zone SOC RF set out on pages 171 to 196, which comprise the statement of financial position as at 31 March 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Maluti-A-Phofung Industrial Development Zone SOC RF as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial reporting Standards (IFRS) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

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

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

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

Material uncertainty relating to going concern

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

7. As disclosed in note 22 to the financial statements, the public entity incurred a net loss of R1 065 803 during the year ended 31 March 2021 and, as of that date, the public entity's current liabilities exceeded its current assets by R2 076 293. As stated in note 22, these events or conditions, along with other matters as set forth in note 22, indicate that a material uncertainty exists that may cast doubt on the public entity's ability to continue as a going concern.

Emphasis of matters

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

Irregular expenditure

9. As disclosed in note 15 to the financial statements, the public entity incurred irregular expenditure of R1 040 363 (2020: R5 947 299), as it did not comply with supply chain management (SCM) requirements. In addition, the full extent of the irregular expenditure is still in the process of being determined.

Other matters

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

Unaudited supplementary schedules

11. The supplementary information set out on page 197 form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion on them.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

16. I was unable to audit the usefulness and reliability of the reported performance information because the annual performance report was presented without the approved shareholder's compact and corporate plan for the year under review, as required by treasury regulation 29. I was unable to audit the reported performance information by alternative means.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 155 to 156 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 16 of this report.

Report on the audit of compliance with legislation

Introduction and scope

19. In accordance with the Public Audit Act 25 of 2004 and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

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

Annual financial statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA. Material misstatements of current liabilities, non-current assets, revenue and disclosure items identified by the auditors in the submitted financial statements were corrected, which resulted in the financial statements receiving an unqualified audit opinion.

Expenditure management

22. Effective and appropriate steps were not taken to prevent irregular expenditure, as required by section 51(1)(b)(ii) of the PFMA. The value as disclosed in note 15 is not complete as management was still in the process of quantifying the full extent of the irregular expenditure. The majority of the irregular expenditure disclosed in the financial statements was caused by non-compliance with SCM requirements.

23. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R27 838, as disclosed in note 16 to the annual 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 incurred on overdue accounts.

Consequence management

24. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

25. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure, as

required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Strategic planning and performance management

26. A corporate plan was not prepared, as required by section 52(b) of the PFMA.

27. A corporate plan was not submitted to the head of the Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs designated by the executive authority, as required by section 52(b) of the PFMA.

28. The corporate plan did not include the objectives and outcomes as agreed in the shareholder's compact, as required by treasury regulation 29.1.1(a).

29. The shareholder's compact did not include the mandated key performance measures and indicators, as agreed between the accounting authority and the executive authority, as required by treasury regulation 29.2.2.

30. Procedures for facilitating effective performance monitoring, evaluation and corrective action through quarterly reports were not established, as required by treasury regulation 29.3.1.

Procurement and contract management

31. Some of the quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act 5 of 2000 and its regulations.

32. Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board (CIDB) in accordance with section 18(1) of the CIDB Act 38 of 2000.

Other Information

33. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected measuring impacts presented in the annual performance report that have been specifically reported in this auditor's report.

34. 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 on it.

35. 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 financial statements and the selected measuring impact presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

36. I am unable to conclude whether the director's report and the audit committee report are materially misstated because I was unable to obtain sufficient appropriate audit evidence of the reported performance information presented in the annual performance report.

Internal control deficiencies

37. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

38. The establishment of the Maluti-A-Phofung Industrial Development Zone was not properly planned and structured to enable it to function independently, which resulted in major weaknesses in oversight and governance structures as well as a lack of accountability for the reporting on performance information. This also led to an organisational structure not being implemented to ensure adequate separation of duties and delegation of powers, resulting in the significant internal control deficiencies identified in the prior year and reoccurring in the current year.

39. Management did not apply consequence management, as no investigations were conducted to address the prior year's findings and no steps were taken to hold staff accountable for transgressing laws and regulations.

40. Leadership did not adequately monitor the implementation of the action plan to address significant internal control deficiencies identified in the prior year, resulting in repeat findings being identified in the current year.

41. Management's lack of detailed review of the financial statements and the underlying records resulted in material misstatements that were not detected by the public entity's internal processes.

Auditor-General

Bloemfontein

31 July 2021

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 financial statements and the procedures performed on reported performance information for the selected measuring impact and on the public entity's compliance with respect to the selected subject matters.

Financial statements

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

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

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

   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes 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 relating to events or conditions that may cast significant doubt on the ability of the Maluti-A-Phofung Industrial Development Zone SOC RF to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern

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

Communication with those charged with governance

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

SPECIAL ECONOMIC ZONE
Maluti-A-Phofung
Free State,South Africa
Growing the Economy

(Registration number 2015/051990/30)

Maluti-A-Phofung IDZ SOC RF Trading as

for the year ended 31 March 2021

These audited annual financial statements were prepared by:
Multi Cedar Consultants (Pty)Ltd

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Maluti-A- Phofung IDZ SOC RF is in the business of Facilitating the creation of an industrial complex, having strategic national economic advantage for targeted investments and industries in the manufacturing sector and tradable services.
Directors	ME Mohlahlo TN Sandlana I Bologo MV Mahlatsi N Yose MV Duma MP Mgemane MDC Motsisi
Registered office	33 Kellner Street Westdene Bloemfontein 9301
Business address	Cnr. Amanda & De Lange Street Tshiame Harrismith 9880
Postal address	P.O. Box 1847 Harrismith 9880
Holding company	Free State Development Corporation incorporated in South Africa
Bankers	ABSA
Secretary	Phatsoane Henny Inc

Contents

Audit Committee Report

The audit committee hereby presents the report for the financial year ended 31 March 2021 in accordance with the Treasury Regulations and the Public Finance Management Act..

1. Audit committee's responsibility

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act of South Africa and Regulation 42 of the Companies Regulation, 2011.

The audit committee reports that it has complied with its responsibilities arising from section 51(1(a) of the PFMA and section 3.1.13; section 27.1.7; and section 27.1.6 to 27.1.13 of Treasury Regulations. Section 51 (1) (a) of the PFMA states that:

The accounting authority must ensure that the public entity has and maintains:

- Effective, efficient and transparent systems of financial and risk management and internal controls;
- A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77;
- An appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective; and
- A system for properly evaluating all major capital projects prior to a financial decision on the project.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Group Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The audit committee reports that it has performed its duties as delegated by the Board and has a majority of non-executive directors who are financially literate as recommended by King IV.

2. External auditor

The committee satisfied itself through enquiry that the external auditor are independent as defined by the Companies Act of South Africa and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Companies Act of South Africa that internal governance processes within the firm support and demonstrate the claim to independence.

The audit committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

Appointment of internal auditors, and review of internal controls

The committee approved the Group internal audit plan for the year. We are satisfied with the cooperation between the internal and external auditors and that the combined assurance addresses all significant risks facing the Entity.

All internal audits were completed independent of management and the reports were presented directly to the GARPC for review, together with management's responses.

We have reviewed the findings of the internal audit work, which was based on the risk assessments conducted in the organization and have noted all weaknesses reported in internal controls. Areas of concern have been raised with management and are monitored for improvements. This report is provided by the audit committee appointed in respect of the 2020/21 financial year of Maluti-A-Phofung IDZ SOC RF.

On behalf of the audit committee

ME Ntshiea
Chairman Audit Committee

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is their responsibility to ensure that the audited annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the audited annual financial statements.

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

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

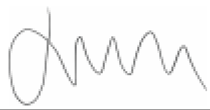
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the audited annual financial statements. However, any system of internal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

The directors have reviewed the company’s cash flow forecast for the year to 31 March 2022 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's audited annual financial statements. The audited annual financial statements have been examined by the company's external auditors and their report is presented on pages 158 to 162.

The audited annual financial statements set out on pages 171 to 196, which have been prepared on the going concern basis, were approved by the Board on 31 May 2021 and were signed on their behalf by:

Approval of financial statements



ZW Ngququ
Chairperson

Monday, 31 May 2021

Directors' Report

The directors have pleasure in submitting their report on the audited annual financial statements of Maluti-A-Phofung Special Economic Zone for the year ended 31 March 2021.

1. Incorporation

The Maluti-A-Phofung Special Economic Zone (MAPSEZ) is a subsidiary of the Free State Development Corporation (FDC). It was designated by the Minister of Trade and Industry on the 18 of September 2015.

The Minister further promulgated the commencement of the Special Economic Zone (SEZ) in terms of section 42 of the SEZ act on 27 January 2016, thus allowing the MAPSEZ to operate as a Special Economic Zone.

The MAPSEZ was granted an operator permit on 25th April 2017 and gazetted on the 2nd of June 2017 as a Special Economic Zone. The Tax incentives for MAPSEZ were gazetted 6th July 2018.

2. Nature of business

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

The objectives of MAPSEZ are:

- To establish manufacturing opportunities and creating regional and international trade environment with added value chain
- To simulate social and economic benefits as well as regional development
- To create a prosperous trade city and functional trade ecosystem
- To encourage beneficiation activities that promote value added benefits

The operating results and state of affairs of the MAPSEZ are fully in the attached financial statements and in our opinion do not require any further explanation. There have been no material changes to the nature of the company's business from the prior year.

3. Directorate

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

Directors	Office	Designation	Changes
ME Mohlahlo	Chairperson	Non-executive	Resigned Monday, 30 November 2020
TN Sandlana	Member	Non-executive	
I Bologo	Member	Non-executive	
MV Mahlatsi	Member	Non-executive	
N Yose	Member	Non-executive	
MV Duma	Member	Non-executive	
MP Mgemane	Member	Executive	
MDC Motsisi	Member	Executive	

The chairperson of the board resigned during November 2020. The FDC chairperson was acting as the chairperson until the end of the financial year. The remaining board of directors were unchanged during the year of assessment.

4. Directors' interests in contracts

During the financial year, no contracts were entered into which any of the directors or officers of the MAPSEZ had any interest in.

Directors' Report

5. Events after the reporting period

IAS 10 Events After The Reporting Period contains requirements for when events after the end of the reporting period should be adjusted in the financial statements. Adjusting events are those providing evidence of conditions existing at the end of the reporting period, whereas non-adjusting events are indicative of conditions arising after the reporting period. The company's reporting period ended 31 March 2021. In South Africa, the first suspected case of Covid-19 tested positive on 5 March 2020, a National State of Disaster was declared on 15 March 2020, confirming that the virus had become a local pandemic.

The challenges that MAPSEZ faces from the Covid-19 pandemic are complex and unpredictable and as such, it is not possible to quantify the financial impact at this time. The impact of Covid-19 on accounting standards that require the use of forwardlooking information (expected credit losses and goodwill impairment) was assessed based on information available as at 31 March 2021.

The Members of the Executive Council has taken a decision on 30 June 2021, to dissolve the Free State Development Corporation (FDC) Board and as a result:

1. Those members who were representing the FDC have eased their MAPSEZ membership as at date of termination from the FDC Board.
2. The remaining Board members are also notified of the termination of their membership as of 30 June 2021.
3. The provisions of the PFMA, SEZ Act and the Memorandum of Incorporation shall continue to apply and guide the processes of the entity.

It is not possible to quantify the financial impact at this time.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

6. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the audited annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

7. Auditors

The Auditor General of South Africa (AGSA) continued in office as auditors for the company for the 2020/21 financial year.

8. Secretary

The company secretary is Phatsoane Henny Inc. The company secretary filed all the required returns on behalf of the company and notices in terms of the Companies Act. All the returns and notices appear to be true, correct, and up to date.

The audited annual financial statements set out on pages 171 to 196, which have been prepared on the going concern basis, were approved by the Board on 31 May 2021, and were signed on its behalf by:

Approval of audited annual financial statements

ZW Ngququ
Acting Chariperson
Monday, 31 May 2021

Statement of Financial Position as at 31 March 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Non-Current Assets			
Property, plant and equipment	3	5,830,673	6,193,276
Intangible assets	4	36,624	23,344
		5,867,297	**6,216,620**
Current Assets			
Trade and other receivables	5	1,694,765	-
Cash and cash equivalents	6	104,509	66,683
		1,799,274	**66,683**
Total Assets		**7,666,571**	**6,283,303**
Equity and Liabilities			
Equity			
Retained income		3,741,600	4,807,403
Liabilities			
Non-Current Liabilities			
Lease liabilities	7	49,404	187,670
Current Liabilities			
Trade and other payables	8	3,666,556	1,040,487
Lease liabilities	7	209,011	247,743
		3,875,567	**1,288,230**
Total Liabilities		**3,924,971**	**1,475,900**
Total Equity and Liabilities		**7,666,571**	**6,283,303**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	2021	2020
Other operating income	9	17,075,314	25,581,585
Employee costs	10	(7,211,266)	(7,996,879)
Rental expenses	11	(8,181,341)	(8,958,015)
Administrative expenditure	11	(1,238,059)	(1,961,175)
Other operating expenses	12	(1,451,585)	(2,535,156)
Operating (loss) profit	11	**(1,006,937)**	**4,130,360**
Finance costs	13	(58,866)	(64,777)
Total comprehensive (loss) income for the year		**(1,065,803)**	**4,065,583**

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 April 2019	**741,820**	**741,820**
Total comprehensive income for the year	**4,065,583**	**4,065,583**
Balance at 01 April 2020	**4,807,403**	**4,807,403**
Total comprehensive Loss for the year	**(1,065,803)**	**(1,065,803)**
Balance at 31 March 2021	**3,741,600**	**3,741,600**

Statement of Cash Flows

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Cash generated from operations	17	547,006	5,570,008
Finance costs		(7,554)	-
Net cash from operating activities		**539,452**	**5,570,008**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(260,469)	(5,660,158)
Sale of property, plant and equipment	3	-	9,885
Purchase of other intangible assets	4	(23,495)	-
Net cash from investing activities		**(283,964)**	**(5,650,273)**
Cash flows from financing activities			
Payment on lease liabilities		(176,998)	(167,636)
Finance costs		(40,664)	(64,777)
Net cash from financing activities		**(217,662)**	**(232,413)**
Total cash movement for the year		**37,826**	**(312,678)**
Cash at the beginning of the year		66,683	379,361
Total cash at end of the year	6	**104,509**	**66,683**

Accounting Policies

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

1.1 Basis of preparation

The audited annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these audited annual financial statements and the Companies Act of South Africa of South Africa, as amended.

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

The audited annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency. All figures are rounded to the nearest Rand. These accounting policies are consistent with the previous period.

1.2 Property, plant and equipment

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

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

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

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

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

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

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	15 to 25 Years
Furniture and fixtures	Straight line	7 Years
Right-of-use asset	Straight line	5 Years
IT equipment	Straight line	1 to 10 Years
Infrastructure assets		10 to 25 Years

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

Accounting Policies

1.2 Property, plant and equipment (continued)

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

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

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

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

1.3 Intangible assets

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

Intangible assets are initially recognised at cost.

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	7 Years

1.4 Financial instruments

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

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

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

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

Accounting Policies

1.4 Financial instruments (continued)

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

Note 19 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Trade and other payables

Classification

Trade and other payables (note 8), including VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 13).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 19 for details of risk exposure and management thereof.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Accounting Policies

1.4 Financial instruments (continued)

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.5 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

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

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

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

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

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

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

1.6 Employee benefits

Short-term employee benefits

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

Accounting Policies

1.7 Other income

Income received relates to income from the Free State Development Corporation.

Government grants:

Government grants are recognised when there is reasonable assurance that:

a) the company will comply with the conditions attaching to them; and
b) the grants will be received.

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

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

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

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.8 Irregular Expenditure

Irregular expenditure is recorded in the notes to the financial statements when confirmed. The amount recorded is equal to the value of the irregular expenditure incurred, unless it is impractical to determine, in which case the reasons therefore are provided in the notes.

Irregular expenditure receivables are measured at the amount that is expected to be recovered and are de-recognised when settled or written off as irrecoverable.

Irregular expenditure must be removed from the balance of the irregular expenditure notes when it is either:

a) Condoned by the relevant authority if no official was found to be liable in law;
b) Recovered from an official liable in law;
c) Written off if it is irrecoverable from an official liable in law; or
d) Written off if it is not condoned and not recoverable.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure that was incurred in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred.

1.9 Related parties

All related party transactions are entered into at arms length.

1.10 Leases

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

Accounting Policies

1.10 Leases (continued)

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

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

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

Accounting Policies

1.10 Leases (continued)

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 11) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

Details of leasing arrangements where the company is a lessee are presented in note 6: Leases liabilities.

Right-of-use assets

Right-of-use assets are presented within property, plant and equipment on the Statement of Financial Position. Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

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

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

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

1.11 Expenditure

Expenses are decrease in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants.

Expenses are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliability. This means, in effect, that the recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets.

The Corporation discloses expenses by function in the Statement of Profit and Loss.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2021 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023.

The company expects to adopt the standard for the first time in the 2024 audited annual financial statements.

It is unlikely that the standard will have a material impact on the company's audited annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2021 or later periods but are not relevant to its operations:

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company expects to adopt the amendment for the first time in the 2022 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company expects to adopt the amendment for the first time in the 2022 audited annual financial statements.

Notes to the Audited Annual Financial Statements

2. New Standards and Interpretations (continued)

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company expects to adopt the amendment for the first time in the 2022 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company expects to adopt the amendment for the first time in the 2022 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4

An insurer applying the temporary exemption from IFRS 9 shall apply the new requirements of IFRS 9 concerning situations where a change in the basis for determining the contractual cash flows of a financial asset or financial liability is required by interest rate benchmark reform.

The effective date of the company is for years beginning on or after 01 January 2021.

The company expects to adopt the amendment for the first time in the 2022 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41

"Taxation" has been removed from the list of cash flows excluded from the fair value determination of biological assets.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the company is for years beginning on or after 01 January 2022.

Notes to the Audited Annual Financial Statements

2. New Standards and Interpretations (continued)

The company expects to adopt the amendment for the first time in the 2023 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the
relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2024 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

Notes to the Audited Annual Financial Statements

2. New Standards and Interpretations (continued)

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 audited annual financial statements.

It is unlikely that the amendment will have a material impact on the company's audited annual financial statements.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

3. Property, plant and equipment

	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Plant and machinery	5,750,156	(455,494)	5,294,662	5,660,156	(168,640)	5,491,516
Furniture and fixtures	482,144	(295,980)	186,164	482,144	(227,101)	255,043
Right-of-use asset	864,585	(654,491)	210,094	864,585	(481,574)	383,011
IT equipment	355,699	(215,946)	139,753	193,253	(129,547)	63,706
Total	**7,452,584**	**(1,621,911)**	**5,830,673**	**7,200,138**	**(1,006,862)**	**6,193,276**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Plant and machinery	5,491,516	90,000	(286,854)	5,294,662
Furniture and fixtures	255,043	-	(68,879)	186,164
Right-of-use asset	383,011	-	(172,917)	210,094
IT equipment	63,706	170,469	(94,422)	139,753
	6,193,276	**260,469**	**(623,072)**	**5,830,673**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Plant and machinery	-	5,660,158	-	(168,642)	5,491,516
Furniture and fixtures	382,399	-	-	(127,356)	255,043
Right-of-use asset	557,124	-	-	(174,113)	383,011
IT equipment	150,442	-	(9,885)	(76,851)	63,706
	1,089,965	**5,660,158**	**(9,885)**	**(546,962)**	**6,193,276**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

4. Intangible assets

	2021			2020		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	50,530	(13,906)	36,624	32,911	(9,567)	23,344

Reconciliation of intangible assets - 2021

	Opening balance	**Additions**	**Other changes, movements**	**Amortisation**	**Total**
Computer software	23,344	23,495	(4,008)	(6,207)	36,624

Reconciliation of intangible assets - 2020

	Opening balance	**Other changes, movements**	**Amortisation**	**Total**
Computer software	28,345	(299)	(4,702)	23,344

5. Trade and other receivables

	2021	2020
Financial instruments:		
Trade receivables	1,694,765	-
Total trade and other receivables	**1,694,765**	**-**

Exposure to credit risk

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

5. Trade and other receivables (continued)

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

The branch measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The branch's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

The trade receivables consists of the reclassification of cash and cash equivalents, hence, no exposure to credit loss.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	549	423
Bank balances	103,960	66,260
	104,509	**66,683**

Credit quality of cash at bank and short term deposits, excluding cash on hand

Public entities bank with major banks with high credit standing. The carrying amount reported in the statement of financial position for cash and cash equivalents approximate fair value.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

7. Lease liabilities

Minimum lease payments due		
- within one year	209,011	247,743
- in second to fifth year inclusive	49,404	187,670
Present value of minimum lease payments	**258,415**	**435,413**
Present value of minimum lease payments due		
- within one year	209,011	247,743
- in second to fifth year inclusive	49,404	187,670
	258,415	**435,413**
Non-current liabilities	49,404	187,670
Current liabilities	209,011	247,743
	258,415	**435,413**

FDC purchased a vehicle with ABSA through a lease transaction. The vehicle is repayable over a period of 5 years and has a monthly payment instalment amount of R18,986. The total cash flow per year amounts to R227,832 (2020: R227,832).

The effective interest rate based on the above is calculated as 11,43%.

MAP SEZ has right to use the asset, which has therefore been accounted for as a lease liability in the annual financial statements of MAP SEZ.

The carrying amount of these vehicles at year-end is R210,094 (2020: R383,011). The depreciation charge for the year for these assets amounted to R172,917 (2020: R174,113). The rental expenses for the year amounted to R217,662 (2020: R227,832). The interest expense incurred for the year amounted to R40,664 (2020: R60,338).

8. Trade and other payables

Financial instruments:		
Trade payables	2,581,239	99,995
Accrued expenses	75,479	176,782
Provisions	1,009,838	763,710
	3,666,556	**1,040,487**

9. Other operating income

Amount received from FDC	17,075,314	25,581,585

During the year under review the FDC received grants from the Provincial Treasury via DESTEA for the MAPSEZ's operations. This funding is released in tranches according to the operational needs of the MAPSEZ operator. Part of the funds is used directly by the FDC on behalf of the MAPSEZ for shared services

Revenue subsidy received from FDC to MAPSEZ for the year end 31 March 2021 amounts to R17 075 314 (2020: R25 581 585)

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

10. Employee costs

Employee costs		
Basic	5,439,353	5,823,305
Leave pay provision	346,641	638,043
Car allowance	924,946	1,161,851
Housing allowance	117,084	111,609
Cellphone allowance	115,187	136,404
Short term benefits - Annual bonusses paid	268,055	125,667
	7,211,266	**7,996,879**

11. Administrative and rental expenses

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

10.1 Administrative expenditure

FDC Audit Fees	937,105	925,230
FDC Cleaning & Gardening Services	8,524	-
Printing and stationery	5,826	21,627
Telephone and fax	37,865	24,763
Consumables	158,700	30,265
Entertainment	15,329	37,328
FDC Trade Exhibitions	-	549,374
Accommodation	36,867	229,051
Transport and freight	37,843	116,438
FDC Advertising	-	4,410
Workshops & conferences	-	22,689
	1,238,059	**1,961,175**

10.2 Rental expenses		
FDC Cleaning & Gardening Rental	1,071,140	710,389
SEZ Maintenance – Rental Properties	813,813	2,361,539
FDC Water and Electricit Rental	9,850	-
Maintenance Fire Equipment Rental Properties	7,266	-
FDC Security Services Rental Property	6,279,271	5,886,087
	8,181,341	8,958,015

12. Other operating expenditure

Operating expenditure		
Amortisation	6,207	4,702
Bank charges	6,378	9,705
Subsistance and travel	50,815	183,239
Depreciation	623,072	546,962
FDC International Trips	-	286,694
Loss on disposal/sale of fixed asset	-	9,885
FDC Subscriptions & Memebership Fees	7,897	9,074
FDC Rent Paid Equipment	-	11,356
Promotions	-	15,199
FDC Maintenance	8,416	17,441
FDC Security Services Own Building	566,517	529,831
FDC Profesional Services	182,283	911,068
	1,451,585	**2,535,156**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

13. Finance costs

Finance costs	58,866	64,777

14. Related parties

Relationships

Holding company	Free State Development Corporation
Other related parties	Free State Economic, Small Business Development, Tourism and Environmental Affairs DESTEA has significant influence over MAP SEZ as the entity also reports to DESTEA through the parent entity, FDC. The group shareholders compact signed by DESTEA also include the affairs of MAP SEZ.
Chief Financial Officer	MDC Motsisi
Chief Executive Officer	MP Mgemane
Directors	Refer to director's report

Related party balances

	2021	2020
Amounts included in Trade receivable (Trade Payable) regarding related parties		
FDC	1,694,765	(100,000)
Advance paid to (received from) related parties		
FDC	(17,075,314)	(25,581,585)

The grant subsidy was paid over to MAP SEZ by FDC, which was ultimately received from DESTEA.

	2021	2020
Compensation to directors and other key management		
FDC directors fees	55,000	11,000

MAPSEZ is a wholly owned subsidiary of the Free state Development Corporation. Therefore, amounts due from/to these entities are subject to the same terms and conditions as normal trade receivables and trade payables.

Unless specifically disclosed ,all transactions are concluded at arms length.

Directors emoluments refer to note 19 for detailed breakdown.

MAPSEZ is currently utilising FDC building as its Head Office in Harrismith at no cost.

15. Irregular expenditure

	2021	2020
Opening Balance	6,870,832	923,533
Irregular expenditure identified in the current financial year	1,040,363	5,947,299
Closing Balance	**7,911,195**	**6,870,832**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

15. Irregular expenditure (continued)

Irregular expenditure was as a result of Supply Chain Management processes not being completely followed in the process of acquiring services . None of the prior year irregular expenditure was condoned.

Contracts with the respective service providers were identified that will be further investigated for potential noncompliance to procurement laws, regulations and supply chain management policy and CIDB regulations .

The full extent of the irregular expenditure is still in the process of being determined.

Management performed preliminary investigations of the above disclosed irregular expenditure. Management is in a process of appointing an independent firm to conduct formal investigations, as MAPSEZ does not have their own intern audit function that can assist with this.

16. Fruitless expenditure

Fruitless and wasteful expenditure incurred - prior year	9,637	201
Fruitless and wasteful expenditure incurred - current year	18,201	9,436
Closing Balance	**27,838**	**9,637**

Fruitless and wasteful expenditure was due to overdue charge on outstanding invoices and air travel expense charge due to change of flights.

Management performed preliminary investigations of the above disclosed fruitless and wasteful expenditure. Management is in a process of appointing an independent firm to conduct formal investigations, as MAPSEZ does not have their own intern audit function that can assist with this.

17. Cash generated from operations

Profit (loss) before taxation	(1,065,803)	4,065,583
Adjustments for:		
Depreciation and amortisation	629,279	551,664
Finance costs	48,218	64,777
Other non-cash items	4,008	-
Changes in working capital:		
Trade and other receivables	(1,694,765)	11,670
Trade and other payables	2,626,069	876,314
	547,006	**5,570,008**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

18. Prior period errors

17.1 Accruals:

The population for expenditure were revisited and it was found that certain of the expenses were incorrectly recognised in the 2020/21 financial year. Subsequently, retrospective adjustments were made to correct the error. The impact is as follows on the comparative figures:

Increase in Trade and other payables	(2,888)
Increase in Other expenditure	2,888

17.2 Property, plant and equipment:

During the prior year, an unsupported adjustment was processed against property, plant and equipment. This adjustment wassubsequently reversed retrospectively. The impact is as follows on the comparative figures:

Increase in PPE - Accumulated Depreciation	(58,867)
Increase in depreciation expense	58,867

The correction of the error(s) results in adjustments as follows:

Statement of Financial Position		
The restatement of accruals has the following impact:		
Increase in accrued expenses	-	(2,888)
Decrease in retained earnings	-	61,755
Decrease in property, plant and equipment	-	(58,867)
Profit or Loss		
The restatement of accruals has the following impact:		
Increase in admin expenses	-	2,888
Increase in depreciation	-	58,867

19. Financial instruments and risk management

Capital risk management

The company manages its retained earnings, which at year end amounted to R3 741 600 (2020: R4 807 403) as capital and were no changes in either its policies or processes for managing capital, or in what it regards as capital, from the prior period

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide benefits to stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain the capital structure, the group receives grants from the Free State Department of Tourism, Environmental and Economic Affairs to invest in SMME development. The company does not pay any dividends and all profits are reinvested in SMME development.

The capital structure and gearing ratio of the company at the reporting date was as follows:

		2021	2020
Lease liabilities	7	258,415	435,413
Trade and other payables	8	3,666,556	1,040,487
Total borrowings		**3,924,971**	**1,475,900**
Cash and cash equivalents	6	(104,509)	(66,683)
Net borrowings		**3,820,462**	**1,409,217**

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

19. Financial instruments and risk management (continued)

Financial risk management

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Trade and other receivables	5	1,694,765	-	1,694,765	-	-	-
Cash and cash equivalents	6	104,509	-	104,509	66,683	-	66,683
		1,799,274	**-**	**1,799,274**	**66,683**	**-**	**66,683**

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 business, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2021

		Less than 1 year	**1 to 5 years**	**Total**	**Carrying amount**
Non-current liabilities					
Lease liabilities	7	-	49,404	49,404	49,404
Current liabilities					
Trade and other payables	7	3,666,556	-	3,666,556	3,666,556
Lease liabilities	7	209,011	-	209,011	209,011
		(3,875,567)	**(49,404)**	**(3,924,971)**	**(3,924,971)**

2020

		Less than 1 year	**1 to 5 years**	**Total**	**Carrying amount**
Non-current liabilities					
Lease liabilities	7	-	187,670	187,670	187,670

Notes to the Audited Annual Financial Statements

Figures in Rand					
				2021	2020

19. Financial instruments and risk management (continued)

Current liabilities					
Trade and other payables	8	1,040,487	-	1,040,487	1,040,487
Lease liabilities	7	247,743	-	247,743	247,743
		(1,288,230)	**(187,670)**	**(1,475,900)**	**(1,475,900)**

20. Directors' emoluments

Executive

2021

Directors' emoluments	**Basic salary**	**Other benefits**	**Pension paid or receivable**	**Total**
Services as director or prescribed officer				
MP Mgemane	1,292,336	826,082	84,240	2,202,658
MDC Motsisi	1,275,522	587,131	-	1,862,653

2020

Directors' emoluments	**Basic salary**	**Other benefits**	**Pension paid or receivable**	**Total**
Services as director or prescribed officer				
MP Mgemane	1,973,141	184,429	62,983	2,220,553
MDC Motsisi	1,750,681	122,563	1,784	1,875,028

21. Comparative figures

An IT equipment account was incorrectly classified under Office equipment. The IT equipment account was subsequently reclassified.The comparative figures have been reclassified.

The effects of the reclassification are as follows:

Statement of Financial Position		
PPE - Office equipment	-	(299)
PPE - IT Equipment	-	299

22. Going concern

We draw attention to the fact that at 31 March 2021, the company had retained income of R 3,741,600 and that the company's total assets exceed its liabilities by R 3,741,600. The total comprehensive loss for the year amounted to R1 065 803. The current liabilities exceed its current assets by R2 076 293. These events may cast doubt on the company's ability to continue as a going concern and it may be unable to realise its assets and discharge its liabilities in the normal course of business. However this risk is mitigated by the fact that DESTEA did allocate R20 000 000 funds to the operations of MAPSEZ for the 2021/22 financial year, which is R3 000 000 more than the current year's allocated amount. Currently, there is also no decision taken or intent to close down the MAPSEZ, by the Executive Authority.

The directors will continue to procure additional funding for the ongoing operations for the company, as well as implementation of cost-saving measures.

Notes to the Audited Annual Financial Statements

Figures in Rand	2021	2020

22. Going concern (continued)

Based on the above, the audited 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.

23. Events after the reporting period

The Members of the Executive Council has taken a decision on 30 June 2021, to dissolve the Free State Development Corporation (FDC) Board and as a result:

1. Those members who were representing the FDC have eased their MAPSEZ membership as at date of termination from the FDC Board.
2. The remaining Board members are also notified of the termination of their membership as of 30 June 2021.
3. The provisions of the PFMA, SEZ Act and the Memorandum of Incorporation shall continue to apply and guide the processes of the entity.

It is not possible to quantify the financial impact at this time.

No other subsequent events were identified.

Detailed Income Statement

Figures in Rand	Note(s)	2021	2020
Other operating income			
Other income		17,075,314	25,581,585
Other operating expenses			
Accommodation		(36,867)	(229,051)
Advertising		-	(4,410)
Amortisation		(6,207)	(4,702)
Auditors remuneration - external auditors	11	(937,105)	(925,230)
Bank charges		(6,378)	(9,705)
Cleaning		(1,079,664)	(710,389)
Consulting and professional fees		(182,283)	(911,068)
Consumables		(158,700)	(30,265)
Depreciation		(623,072)	(546,962)
Donations		-	(15,199)
Employee costs		(7,211,266)	(7,996,879)
Entertainment		(15,329)	(37,328)
Lease rentals on operating lease		-	(11,356)
Loss on sale of fixed assets		-	(9,885)
Printing and stationery		(5,826)	(21,627)
Rental expenses		(7,110,201)	(8,247,626)
Repairs and maintenance		(8,416)	(17,441)
S&T		(50,815)	(183,239)
Security		(566,517)	(529,831)
Subscriptions		(7,897)	(9,074)
Telephone and fax		(37,865)	(24,763)
Trade & Exhibitions		-	(549,374)
Transport and freight		(37,843)	(116,438)
International Trips		-	(286,694)
Workshops & conferences		-	(22,689)
		(18,082,251)	**(21,451,225)**
Operating (loss) profit	11	**(1,006,937)**	**4,130,360**
Finance costs	13	(58,866)	(64,777)
Total comprehensive (loss) income for the year		**(1,065,803)**	**4,065,583**