INTEGRATED ANNUAL REPORT

RESILIENT GROWTH
THROUGH COLLABORATION

MAKING IT HAPPEN TOGETHER

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Ithala
DEVELOPMENT FINANCE CORPORATION LIMITED

VISION, MISSION AND VALUES

VISION
To be the catalyst for growth, socio-economic development and empowerment in the KwaZulu-Natal Province.

MISSION

- Promote investment in development programmes and projects;
- Optimize the property portfolio for tenant retention and attraction, and priority sector development;
- Support SMME's and co-operatives to be sustainable participants in the economy;
- Serve as the preferred implementing agent for economic and infrastructure development projects in the province; and
- Facilitate programmes that drive radical economic transformation.

VALUES
- Passion
- Integrity
- Future-Focused
- Service
- Respect

COMPANY INFORMATION

Group Company Secretary:
LS Mahamba

BANKERS:
ABSA Bank Ltd.

AUDITORS:
Auditor-General (South Africa)

CORPORATE ATTORNEYS:
Approved Panel of Attorneys

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ACRONYMS

APP	Annual Performance Plan
ARC	Audit and Risk Committee
B-BBEE	Broad-Based Black Economic Empowerment
BCIC	Board Credit and Investment Committee
BLC	Banking License Committee
CEO	Chief Executive Officer
CIPC	Companies and Intellectual Properties Commission
CPI	Consumer Price Index
CRMP	Compliance Regulatory Management Plan
CSI	Corporate Social Investment
DMRE	Department of Mineral Resources and Energy
DUT	Durban University of Technology
EAP	Employee Assistance Program
EDTEA	Economic Development, Tourism and Environmental Affairs
EME	Exempted Micro Enterprise
ERM	Enterprise Risk Management
EVP	Employee Value Proposition
EXCO	Executive Committee
FV	Fair Value
GAP	Global Economic Prospects
GDP	Gross Domestic Product
GFCF	Gross Fixed Capital Formation
HR	Human Resources
HRSEC	Human Resource Social and Ethics Committee
ICT	Information Communications Technology
IDFC	Ithala Development Finance Corporation
IFRS	International Financial Reporting Standard
IIRC	International Integrated Reporting Council
IT	Information Technology
KPA	Key Performance Areas
KZN	KwaZulu-Natal
MEC	Member of the Executive Council
MTSF	Medium Term Strategic Framework
NEHAWU	National Education, Health and Allied Workers Union
NGREMCO	Nomination, Governance and Remuneration Committee
NIR	Non-Interest Revenue
OHSE	Occupational Health, Safety and Environment
PFMA	Public Finance Management Act
PSP	Properties Strategic Partnership
PwD	People with Disabilities
QSE	Qualifying Small Enterprise
RAPETT	Rationalisation of Public Entities Task Team
RASET	Radical Agrarian Socio-Economic Transformation
ROI	Return on Investment
SCM	Supply Chain Management
SEDA	Small Enterprise Development Agency
SETAs	Sector Education and Training Authorities
SLA	Service Level Agreement
SOC	State Owned Company
SOE	State Owned Enterprise
SMME	Small, Medium and Micro Enterprise
SFC	Syndication Funding Committee
TIKZN	Trade and Investment KwaZulu-Natal
VPN	Virtual Private Network

SECTION 1


INTEGRATED ANNUAL REPORT
2021
RESILIENT GROWTH
THROUGH COLLABORATION

ABOUT THIS REPORT

The Annual Integrated Report encompasses the Ithala Development Finance Corporation Limited's (IDFC) strategy, material issues and performance for the period **1 April 2020 to 31 March 2021** and our prospects for the future.

Ithala is a state-owned entity and, through this report, sets out to address our material stakeholders, most notably being, our shareholder, regulators, clients, employees and communities, as well as potential investors, with regard to our ongoing viability. In determining the contents of this report, we are bound by the reporting requirements set by the Auditor-General (South Africa) with regard to conveying our performance against our Annual Performance Plan (see pages 55 to 58).

Materiality is determined by the Board of Directors, in line with Ithala's mandate and the information requirements of both its shareholder and regulators, as well as other key stakeholder groups.

We are guided by the International Integrated Reporting Council (IIRC) Integrated Reporting Framework, which was released in December 2013, and the King Code on Corporate Governance for South Africa (2016) (King Code). Further standards applied in defining the contents of this report include the IFRS, the Companies Act, Act No. 71 of 2008 (Companies Act) and the Public Finance Management Act, Act No. 1 of 1999 (PFMA).

FORWARD-LOOKING STATEMENTS

Certain statements in this document are deemed to be forward-looking. These relate to, inter-alia, the plans, objectives, goals, strategies, future operations and performance of Ithala.

Words such as 'anticipates', 'estimates', 'expects', 'projects', 'believes', 'intends', 'plans', 'may', 'will', 'should,' and similar expressions, are typically indicative of forward-looking statements. These statements are not a guarantee of Ithala's future operating, financial or other results and involve certain risks, uncertainties and assumptions. Accordingly, actual results and outcomes may differ materially from those expressed or implied by such statements.

Ithala makes no representation or warranty, express or implied, that the operating, financial or other results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. Ithala undertakes no obligation to update the historical information or forward-looking statements in this document.

The Integrated Annual Report was drafted prior to the civil unrest and property and infrastructure damage which took place in KwaZulu-Natal and Gauteng in July 2021. Thus, the forward-looking statements made in this report do not take into account the property damage, loss of income, and changes in investment demand as a result of these recent events.

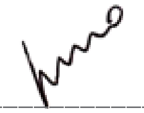
APPROVAL AND ASSURANCE OF OUR REPORT

The Audit and Risk Committee is responsible for reviewing and recommending the Annual Integrated Report and the Annual Financial Statements to the Board of Directors for approval. The Board of Directors has applied its mind to the Integrated Report and believes that it addresses all material issues and fairly presents our performance.

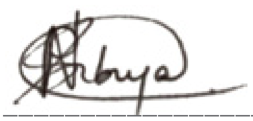
Internal and external audits provide additional assurance on the effectiveness of our risk management of material issues.

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors acknowledges its responsibility to ensure the integrity of the Annual Integrated Report and, in the Board's opinion, it addresses all material issues and presents fairly the company's integrated performance.



Chairman



Audit and Risk Committee

WHO WE ARE

The Ithala Development Finance Corporation Limited (IDFC or Ithala) was established in 1958 as a development finance agency, wholly owned by the province of KwaZulu-Natal, mandated to assist government in promoting economic development and empowerment in the province. In its current form, Ithala functions through the promulgation of the KwaZulu-Natal Ithala Development Finance Corporation Act, 2013 (Act No. 5 of 2013), under the oversight of the Board and reports to the Provincial Department of Economic Development, Tourism and Environmental Affairs (EDTEA). Ithala is listed as a Schedule 3D Provincial Business Enterprise in terms of the Public Finance Management Act (No. 1 of 1999, as amended) (PFMA).

As a development finance institution, Ithala is regarded as one of the key channels through which government funding and other small, medium and micro enterprise (SMME) support interventions reach communities. We are one of the pioneers of SMME development, the first institution to bank unbanked communities, and the first to establish shopping centers in rural areas, stimulating development in the more remote regions of KwaZulu-Natal. We seek to play a role in growing the economy and improving the quality of life for all those who live in the province.

We continue drawing on these core competencies in order to deliver ever more effectively and efficiently on our developmental mandate.

OUR PURPOSE

To achieve the intended impact of sustainable and competitive SMME's and co-operatives contributing meaningfully to radical socio-economic transformation and job creation in KwaZulu-Natal Province.

OUR VISION

To be the catalyst for growth, socio-economic development and empowerment in the KwaZulu-Natal Province.

OUR MISSION

In achieving its vision, the Ithala Development Finance Corporation defines its mission as:

- Promoting investment in development programmes and projects;
- Optimising the property portfolio for tenant retention and attraction, and priority sector development;
- Supporting SMME's and co-operatives to be sustainable participants in the economy;
- Serving as the preferred implementing agent for economic and infrastructure development projects in the province; and
- Facilitating programmes that drive radical economic transformation.

OUR VALUES

- Our **PASSION** for making a difference is what drives us
- We act with **INTEGRITY**
- We strive to be **FUTURE-FOCUSED**
- We lead through **SERVICE**
- We treat everyone with **RESPECT**

As a development finance institution, Ithala is regarded as one of the key channels through which government funding and other small, medium and micro enterprise (SMME) support interventions reach communities. We are one of the pioneers of SMME development, the first institution to bank unbanked communities, and the first to establish shopping centers in rural areas, stimulating development in the more remote regions of KwaZulu-Natal.

MANDATE OF ITHALA

Ithala's mandate is expressed in the KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013, which is concerned with the pivotal role fulfilled by Ithala in the development landscape of the province. The clauses of the Act outlining the service pillars of Ithala are as follows:

- Mobilise financial resources and provide financial and supportive services to persons domiciled, ordinarily resident, or carrying on business within KwaZulu-Natal;
- Plan, execute, finance and monitor the implementation of development projects and programmes in KwaZulu-Natal;
- Promote, assist and encourage the development of the province's human resources and its social, economic, financial and physical infrastructure;
- Promote, encourage and facilitate private sector investment in the province and the participation of the private sector and community organisations in development projects and programmes, and contribute to economic development generally; and
- Act as Government's agent for performing development-related tasks and responsibilities which the Government considers may be more efficiently or effectively performed by a corporate entity.

HOW WE DELIVER ON OUR MANDATE

- We fund business enterprises, SMMEs and co-operatives;
- We provide entrepreneurial support and skills development;
- We develop and manage commercial and industrial properties;
- We provide savings, loans, insurance, home loans and financial services; and
- We strive to meet development goals, while deriving realisable economic opportunities for SMMEs and co-operatives.

Noting that 'green energy' is a growing field of practice, Ithala is committed to learning and adapting in line with industry trends in order to carve a niche in the sector, with a view to increasing the scope of engagement in development practices.

MEC'S FOREWORD

Mr Ravi Pillay, MPL
MEC for Economic Development, Tourism and Environmental Affairs in KwaZulu-Natal

During the year under review, the COVID-19 pandemic had profound implications for South Africa. The lockdown measures, meant to curb the rapid spread of the virus, led to the unintended consequence of the deepening of unemployment and poverty.

In response to these economic challenges, government relied on institutions, such as Ithala Development Finance Corporation (IDFC) to drive socio-economic development. The aim of some of these response interventions is to strengthen the capacity of the provincial economy to grow and create jobs using entrepreneurship as a catalyst.

In response, IDFC deepened its support for emerging entrepreneurs and increased the participation of primary and secondary SMMEs and co-operatives in the mainstream economy. Emphasis was placed on the manufacturing, agriculture, tourism, transport and logistics sectors, which are among the key sectors of the provincial economy.

During the 2020/21 financial year, IDFC processed over 650 funding applications from SMMEs and co-operatives, approving 489 applications to a total value of R164 million. As a result of the economic slowdown caused by the pandemic, 355 of these entities received funding. In total R79,9 million was distributed, creating 1 578 much needed jobs.

Despite this enormous economic challenges currently facing our province, the IDFC remains committed to provide the people of KwaZulu-Natal with tailor-made solutions in ways that are replicable, affordable and transformative, thereby developing and empowering the communities the institution is mandated to serve.

Providing access to finance towards SMME's and co-operatives remains a key goal of our developmental state.

As the provincial government, we have a keen interest in getting historically disadvantaged groups to play an active role in the mainstream economy. This requires the formation of strategic partnerships in order to mobilise financial resources for development purposes, which therefore amplifies the role of the IDFC as a development finance institution.

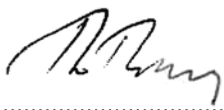
The aim of some of these response interventions is to strengthen the capacity of the provincial economy to grow and create jobs using entrepreneurship as a catalyst.

The IDFC entered into a Memorandum of Understanding with strategic stakeholders such as the Durban University of Technology (DUT) to drive business support and provide Business Management skills training to SMME's and Co-operatives.

The IDFC will continue to improve the support interventions, particularly the development of rural and township economies.

The Imbokodo Iyazenzela socio-economic programme is designed to lift women out of poverty and to improve their standing in society. During the year under review, the IDFC rolled out a 12-month mentorship programme designed to support women in business.

I wish to pay tribute to the Board of Directors for their strategic leadership, and also express gratitude to the Group Chief Executive and her executive management and all categories of staff at the IDFC for their commitment during these tumultuous times.



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Mr Ravi Pillay, MPL

MEC: KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs

CHAIRMAN'S LETTER TO STAKEHOLDERS

Mr Roshan Morar
Chairman of the Board

The economic hardship caused by the COVID-19 pandemic highlights the importance of Ithala as an agent for change. Support for small enterprises, which bore the brunt of this year's economic turmoil, is more critical than ever.

The leadership team of Ithala Development Finance Corporation had to act decisively to successfully navigate these challenges in pursuit of it's mandate. During this time of global and national crisis, the Board and management team put the health and safety of our people, clients and stakeholders first though implementation of our business continuity plans. Unfortunately, COVID-19 hurt us deeply, taking the lives of 2 of our staff members.

In addition to focusing on health and safety, the following are some of the measures that were implemented to ensure the sustainability of the organisation and provide uninterrupted service to our clients:

- Tailor-made interventions, such as payment holidays, rental relief and discounts were granted to qualifying customers who were unable to meet their financial obligations to the IDFC. At the same time, those businesses capable of honouring their commitments were encouraged to do so;
- Maintained organisation wide cost containment measures;
- Adaption of our strategy and Annual Performance Plans; and
- Improved workforce productivity through virtual platforms.

Despite the enormous economic challenges currently facing our country, IDFC continued to make positive strides in developing and empowering previously disadvantaged individuals, through our tailor-made solutions through our Business Finance and Properties portfolio, and our banking services subsidiary Ithala SOC Limited.

The 2020/2021 financial year was year one of implementing the newly approved 2020 – 2025 strategy. The approved strategy has six outcomes which direct the efforts of IDFC:

1. Increased investment in development programmes and projects by strategic partners;
2. Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors;
3. Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation;
4. Increased access to economic opportunities for KZN residents and enterprises from designated groups;
5. Effective implementation of development programmes and projects in the province; and
6. Sustainable and high-performing organisation.

Ithala continues to cater mainly to businesses which are excluded from the mainstream economy. We strive to encourage economic growth in township, peri-urban and rural areas, with an emphasis on job creation. Going forward, it will be imperative that Ithala balance this important work with the need to recover loans and fill rental vacancies. This will require a skilled and nimble team, capable of identifying opportunities within a challenging economy.

In addition to our core services, I am proud that Ithala was entrusted by the Department of Economic Development, Tourism and Environmental Affairs as an implementing agent of catalytic projects. This includes the Operation Vula Co-Operative Grant Funding Programme, through which Ithala is distributing R40 million in grants to SMMEs and co-operatives.

Ithala continues to receive a large number of funding requests from small business and co-operatives, throughout the province. With a view to supporting businesses otherwise excluded from formal financial markets, Ithala approved 489 applications during the year under review and successfully distributed R79,9 million in funding.

In addition to our core services, I am proud that Ithala was entrusted by the Department of Economic Development, Tourism and Environmental Affairs as an implementing agent of catalytic projects. This includes the Operation Vula Co-Operative Grant Funding Programme, through which Ithala is distributing R40 million in grants to SMMEs and co-operatives. IDFC is also supporting the EDTEA with delivery of the Zimele Traders Fund and will establish the KwaMashu Cleaning Detergents Shared Production Facility, a first of its kind initiative in the province.

South Africa faces some of the greatest economic challenges in the post-democratic era. Looking ahead, the IDFC will require focused implementation, strategic collaboration and effective partnerships, both internally and externally, in order to remain a force of economic transformation. IDFC's commitment to empower the people of KwaZulu-Natal remains unwavering, regardless of the many hurdles which stand before us.

In closing, I would like express my appreciation to MEC for Economic Development, Tourism and Environmental Affairs in KwaZulu-Natal, Mr Ravi Pillay, for entrusting us to serve as key agents in the province's economic reconstruction and recovery programme.

Finally, thank you to the driving force behind the organisation, the staff complement of the Ithala Development Finance Corporation, the Group Executive Committee and the Board. It is through your collective and individual contributions that we are able to deliver on our strategic intents.

....

Mr Roshan Morar
Chairman of the Board

SECTION 1

FROM THE GROUP CHIEF EXECUTIVE'S DESK

Ms Pearl Bengu
Group Chief Executive Officer

The role of IDFC is pivotal as the nation grapples with an unemployment and inequality crisis, which threatens the wellbeing and fabric of society. The COVID-19 pandemic has worsened the situation, leaving a trail of devastation from loss of life and livelihoods to the exacerbation of socio-economic challenges, and vast uncertainty for the business community and civil society. As a business, IDFC must pivot in order to find solutions to mitigate the risks posed by the pandemic and find working solutions to assist government, business and civil society through this tumultuous period.

IDFC's developmental mandate seeks to support the provincial government's vision of an equal society by driving economic development, with a strong and deliberate focus on previously disadvantaged individuals, particularly those from rural areas. We take pride in ensuring that the marginalised are a priority in everything we do, and as such, our policies and procedures are geared towards supporting and creating access for this group.

South Africa's macro socio-economic environment has been under pressure for some time, characterised by lower-than-expected growth rates, high structural unemployment, unsustainable poverty levels, and among the highest levels of inequality in the world. This was exacerbated in the first quarter of the 2020/2021 financial year, as COVID-19 spread to South Africa, adding immeasurable pressure to an already fragile economy. In 2020/2021, South Africa saw its GDP shrink, the repo rate slashed by 300 basis points to 3,5 percent, and the unemployment rate increasing to 32,5 percent by the end of 2020, the highest unemployment rate recorded since 2008.

IDFC needed to ensure that the organisation remains financially sustainable, while at the same time remaining resolute on our mission to support SMMEs and co-operatives through lending and other business development services. Despite the tough economic climate, IDFC managed to disburse loans to 335 business enterprises to a total value of R79,9 million during the financial year.

The dire economic situation put tremendous strain on SMMEs' and businesses across all sectors, causing a significant negative effect on the performance of our loan book and increasing the vacancy rate at our properties. Nevertheless, IDFC is committed to supporting all SMMEs and co-operatives, working to ensure that they survive beyond the pandemic. To assist our clients, as part of our COVID-19 relief scheme, we offered payment breaks for both our business finance clients and our tenants who were in good standing at the time of lockdown. We also continued providing pre- and post-investment support to our clients to enable and prepare them for financially viable and sustainable businesses. As one of the largest property portfolio holders in KwaZulu-Natal, with over 1 million square metres of industrial and commercial space, Ithala is ideally placed to service the various business sectors spread throughout the province.

IDFC is mandated to plan, execute, finance and monitor implementation of development projects and programmes in the province of KwaZulu-Natal. The EDTEA has entrusted IDFC as an implementing agent on several projects and we are actively gearing up to fulfill this mandate. Projects implemented by the IDFC include Operation Vula, a R40 million SMME/co-operative grant fund that has supported 34 beneficiaries with R24,4 million in funding as at

31 March 2021. IDFC has also continued with the roll out of development programs which include: the RASET programme; supporting the School Nutrition Programme; and assisting EDTEA with the Bulk Buying Project and Zimele Traders Fund - which directly support spaza shops. During the year, IDFC was appointed by EDTEA to establish the KwaMashu Cleaning Detergents Shared Production Facility which will be first of its kind in the province. This project aims to address many challenges including the barriers to entry faced by SMME's and co-operatives in an industry dominated by big players. The roll-out of these projects is progressing and will continue in the 2021/22 financial year.

IDFC continues to play a fundamental role in contributing towards execution of the Radical Economic Transformation (RET) programme, which is driven by the KwaZulu-Natal Provincial Government, with particular emphasis on empowering women and youth.

IDFC continues to play a fundamental role in contributing towards execution of the Radical Economic Transformation (RET) programme, which is driven by the KwaZulu-Natal Provincial Government, with particular emphasis on empowering women and youth. IDFC has provided funding to 70 women and 193 youth owned businesses during the 2020/21 financial year. Combined funding to women and youth represented approximately 55 percent of total disbursements for the year. IDFC procurement spend on women and youth owned businesses represented 25 percent and 14 percent of total procurement spend for the year, respectively.

IDFC also continues with successful programmes such as the Imbokod'iyazenzela (Women in SMMEs programme) and the Inkunz'isematholeni (Youth in Business Programme), which are aimed at uplifting women and youth. A total of twenty 20 female entrepreneurs are participating in a 12-month mentorship support programme that provides mentorship solutions specifically designed to meet the needs of their businesses. Ithala, together with various stakeholders, engaged in a series of online educational seminars aimed at supporting economic recovery post COVID-19 with a particular focus on SMME and co-operative development.

The onset of the COVID-19 pandemic in March 2020 challenged the status quo and triggered the implementation of our business continuity plan. We prioritised understanding the emerging risks posed by the crisis while ensuring that the health, safety and wellbeing of our people, our customers and other stakeholders remained front of mind. IDFC was quick to respond by providing the necessary tools and other enablers to ensure that we could continue operating in a safe and responsible manner. Our people have demonstrated agility and commitment in embracing a "new normal", with the realisation that the COVID-19 pandemic is not just a passing storm. Our management team was strengthened by key senior appointments, including vital positions in our Information Technology and Properties Divisions.

The impact of COVID-19 and the related lockdown measures on the economy and on IDFC necessitated the revision of the 2020/21 budget and certain targets within the Annual Performance Plan. Cost containment plans were implemented to ensure that the organisation remained financially sustainable while focusing on our immediate core priorities.

I would like to thank the MEC for Economic Development, Tourism and Environmental Affairs, Mr Ravi Pillay, the Board Chairman, Mr. Roshan Morar, the Board, Management, employees and key stakeholders for their contribution during the past financial year. I look forward to continued collaboration and support as we work towards reducing unemployment, poverty and inequality and recovering and growing the economy.

Ms Pearl Bengu
Group Chief Executive Officer

FINANCIAL REVIEW FROM THE GROUP CHIEF FINANCIAL OFFICER'S DESK

Mr Sandile Mnguni
Group Chief Financial Officer

INTRODUCTION

The Group has improved its financial position during the 2020-21 financial year, despite the impact of COVID-19. The Group realised a net profit of R155 million, compared to the budget of R58 million. This improvement is attributed primarily to the fair value adjustment on investment properties, which was higher than expected, and an improvement in IFRS 9 expected credit loss provisions. The investment property fair value adjustment was R180 million against a budget of R87 million, while expected credit losses increased marginally from R445 million in 2019/20 to R448 million in 2020/21.

FINANCIAL PERFORMANCE

In late March 2020, as the government placed South Africa on COVID-19 lockdown (Alert Level 5), the organisation revised its budget to align to these economic difficulties. This led to a reduction in the budgeted income and expenditure, and assisted Ithala in continuing to maintain a sustainable organisation without financial assistance from the shareholder. Difficult decisions and sacrifices made by the organisation during this time led to the Corporations' operating income increasing by 5 percent year-on-year whilst operating expenditure was limited and resulted in a 4% decrease year-on-year.

The Group realised a net profit of R155 million and Corporation R135 million for the year under review.

FINANCIAL POSITION

The Group grew its total assets by approximately 4 percent in 2020/21, primarily due to a 6 percent increase in the value of investment property. This was offset by minor declines in property, plant, and equipment, right of use and intangible assets, as a result of depreciation, amortisation, and impairments.

The Ithala Group did not adopt any new standards in the current year, however there was a change in the accounting policy for long service obligations. The details of this change are included in the Annual Financial Statements.

Figure 1: Financial Performance of the Ithala Group Compared to Budget

Total Income	**10,5%**	▲
Operational costs	**2,2%**	▼
Net Profit*	**165,4%**	▲
Cost to income	**4,9%**	▼
Capital adequacy ratio	**5,1%**	▼

*Net profit includes two exceptional items pertaining to a fair value year-on-year increase in investment property of R180 million and the recognition of grant income of R59 million pertaining to a share capital injection in the wholly owned subsidiary, Ithala SOC Limited.

Difficult decisions and sacrifices made by the organisation during this time led to the Corporations' operating income increasing by 5 percent year-on-year.

The Properties Department recorded a profit of R324 million, representing a year-on-year increase in net profit of 19 percent. This is attributed largely to the increase in fair value adjustment of investment property up by R81 million compared to 2019/20. This was offset by a R54 million increase in the provision for bad debts, with the debtor's book deteriorating by 30 percent compared to the previous year. The main contributor to the increase in bad debt provisions is the impact of the economic downturn on tenants, especially within the restaurant and small business sector.

The Business Finance Department recorded a loss of R33,4 million, mainly due to the impact of expected credit losses and lower than anticipated interest earned. Interest earned was 30 percent less than the previous year, due to lower than anticipated loan advances. As of 31 March 2021, loans advanced amounted to R93 million compared to R275 million in 2019/20. This reflects the current economic conditions, as clients struggle to meet current loan repayments, making it difficult to advance new loans. In addition, an impairment loss of R1,5 million was recorded for a loan granted to a subsidiary company, with poor performance raising doubt regarding repayment of the loan.

The largest subsidiary in the Ithala Group, Ithala SOC Limited, reported a loss of R32,6 million. This is a significant improvement compared to the loss of R75 million reported in the 2019/20 financial year. We are optimistic that this represents a positive step in the roadmap leading to the subsidiary to making profits in the future.

FUTURE OUTLOOK

Management maintains its conviction that the six strategic outcomes set out in the 2020 - 2025 strategy will assist in turning the performance of the organisation, and is on track with regards to implementation.

In addition, IDFC serves as an implementing agent of government and is committed to assisting the shareholder and other KZN government organisations with project implementation, having established a few projects during the financial year. Ithala continues to build capacity to ensure that projects are delivered in line with service level agreements.

IDFC is committed to supporting small businesses and advancing economic development in the province. During the Level 5 lockdown, IDFC offered payment holidays to clients and tenants, under certain conditions. IDFC appreciates that our tenants and customers largely continued to honour their commitments to the organisation, during this difficult time.

The Ithala SOC Limited banking licence exemption was extended until 31 December 2021 and a progress report was submitted to the Prudential Authority during the month of June 2021.

Mr Sandile Mnguni
Group Chief Financial Officer

SECTION 1

OUR LEADERSHIP

BOARD OF DIRECTORS

Appointed
01 June 2017

Roshan Morar
Independent Non-Executive Director (Chairman)

B Com, B Com Honours, Chartered Accountant (SA), Certified Fraud Examiner

Area of Expertise
- Financial Management
- Business Advisory
- Audit
- Accounting
- Forensic Services and Investigations
- Taxation

Other Directorships
- Harith General Partners
- Capital Appreciation Ltd
- Lancaster Group (Pty) Ltd

Appointed
01 June 2017

Siphesihle Mkhize
Independent Non-Executive Director (Deputy Chairman)

B Compt, B Com (Honours) CTA, Auditing Specialised Course (APT), Chartered Accountant (SA), Bachelor of Laws (LLB)

Area of Expertise
- Financial Management
- Audit
- Accounting
- Supply Chain Management
- Strategy Formulation and Management
- Taxation

Other Directorships
- University of Zululand

Appointed
01 June 2017

Sipho C Gina
Independent Non-Executive Director

Social Legal Studies Diploma, Political Economy, Conciliation and Arbitration Certificate, Arbitration Certificate

Area of Expertise
- Human Resources and Labour Specialist
- Social and Ethics Management

Other Directorships
- National Textile Bargaining Council
- Tsogo Sun International - Member of Audit Committee and Chair of Social and Ethics Committee
- Ubuciko Twines and Fabric
- Port Shepstone Quarries (Pty) Ltd
- EduFund
- KZN Economic Council
- Clothing Bargaining Council
- Clothing Bargaining Provident Fund Trustees
- Star Knitting Textile in Mauritius - Non-Executive Director
- Nortex Textile - Non-Executive Director

Appointed 01 June 2017
Resigned 6 May 2020

Inkosi Sbonelo Mkhize
Independent Non-Executive Director

International Baccalaureate (IB) Diploma, B Com, Public Policy Certificate

Area of Expertise

- Financial Management
- Economic Development
- Social and Ethics
- Credit and Investment Management
- Foreign Exchange and Equities
- Strategy Formulation and Management

Other Directorships

- KZN Provincial House of Traditional Leaders
- uThukela House of Traditional Leaders
- KZN Financial Literacy Association
- uThukela Local House of Traditional Leaders Development Trust
- Ithala SOC Ltd

Appointed
01 June 2017

Precious N Sibiya
Independent Non-Executive Director

B Accounting, Post-graduate Diploma in Accounting, Leadership Development Certificate, Chartered Accountant (SA), Advanced short course in Business Rescue Practitioner

Area of Expertise

- Financial Management and Reporting
- Auditing (Internal and External)
- Risk Management
- Financial Planning (Budgets and Forecasts)
- Supply Chain Management
- Credit and Investment Management
- Strategy Formulation and Management
- Business Turn-Around

Other Directorships

- SENTECH SOC Ltd
- AWCA Investment Holdings (AIH)
- Reef Tankers (Pty) Ltd

Appointed
01 June 2017

Sihle L Ndlovu
Independent Non-Executive Director

MBA, Professional Accountant (SAIPA), Advanced Diploma in Management Accounting (CIMA), National Diploma in Cost Management Accounting (CIMA), Business Management on Developing Countries Certificate, Tax Practitioner (CIMA), Post-Graduate Diploma in Accounting and Finance, Professional Accountant Member with Chartered Institute of Management Accountants (CIMA) UK, Doctoral of Business Administration (PhD) degree candidate UKZN

Area of Expertise

- Financial Management
- Economic Development
- Credit and Investment Management
- Agriculture
- Planning (Budgets and Forecasts)
- Client Relationship Management
- Performance Management
- Strategy Formulation and Management
- Project Management
- Social and Ethics Management

Other Directorships

- Built Environment Support Group – Chairman
- Inzalo Group of Companies – Chairman
- BFG Retail Ltd – Non-Executive Director Chairman

SECTION 1

OUR LEADERSHIP (continued)

BOARD OF DIRECTORS

Appointed
01 June 2017

Khulekelwe G Mbonambi
Independent Non-Executive Director

B Accounting, B Com Honours (CTA), Certificate in Board Governance, Certificate in Enterprise Risk Management

Area of Expertise
- Financial Reporting
- Financial Management
- Risk Management and Internal Controls
- Supply Chain Management
- Compliance with Laws and Regulations
- Corporate Governance
- Strategy and Performance Management
- South African Tax Legislation

Other Directorships
- Railway Safety Regulator – Member of Audit and Risk Committee
- Water Research Commission – Non-Executive Director and Chairperson of the Audit and Risk Committee
- Rand Water – Non-Executive Director and Deputy Chairperson of the Board
- Department of Agriculture, Land Reform and Rural Development – Member of the Audit and Risk Committee

Appointed
1 November 2018

Pearl Bengu
Executive Director

Masters' in Public Administration, Financial Services Board Compliance Certificate, Advanced Certificate Programme in Management Development for Municipal Finance, Certificate Programme in Management Development for Municipal Finance, B Com, Licentiate Diploma Part 1

Area of Expertise
- Strategic Leadership Management
- Stakeholder Management
- Public Sector Banking
- Business Acquisition

Other Directorships
- Cowslip Investments SOC Ltd

MANAGEMENT TEAM

Appointed
01 November 2018

Pearl Bengu
GROUP CHIEF EXECUTIVE OFFICER

- Masters' in Public Administration
- Financial Services Board Compliance Certificate
- Advanced Certificate Programme in Management Development for Municipal Finance
- Certificate Programme in Management Development for Municipal Finance
- B Com
- Licentiate Diploma Part 1

Appointed
18 March 2019
Resigned 31 July 2021

Sandile Mnguni
GROUP CHIEF FINANCIAL OFFICER

- MBA
- Chartered Accountant (SA)
- B Com (Honours)

Appointed
18 March 2019

Xolani Mkhize
PROPERTIES EXECUTIVE

- Post-graduate Diploma in Management
- Post-graduate Diploma in Project Management
- BScSc
- Global Executive Development Programme

SECTION 1

OUR LEADERSHIP (continued)

MANAGEMENT TEAM

Appointed
01 February 2021

Khetha Cele
GROUP CHIEF INFORMATION OFFICER

- Diploma in Project Management
- B Com Business Information Systems and Technology
- B Com (Honours) Business Information Systems

Appointed
01 June 2017

Bonginkosi Shangase
BUSINESS FINANCE EXECUTIVE

- MBA (Investments and Portfolio Management)
- Chartered Accountant (SA)
- B Com (Honours)
- B Com (Accounting)
- Diploma in Development of Small Businesses and Industries
- Auditing Specialism Certificate

Appointed
01 July 2020

Manogran Muthusamy
ACTING GROUP CHIEF RISK OFFICER

- MBA
- Postgraduate Diploma in Management Studies
- B Com (Financial Management)
- Diploma in Bank Credit Management
- CAIB (SA) - Associate Diploma in Banking

Appointed
01 June 2020

Tozi Mthethwa
GROUP CORPORATE SUPPORT SERVICES EXECUTIVE

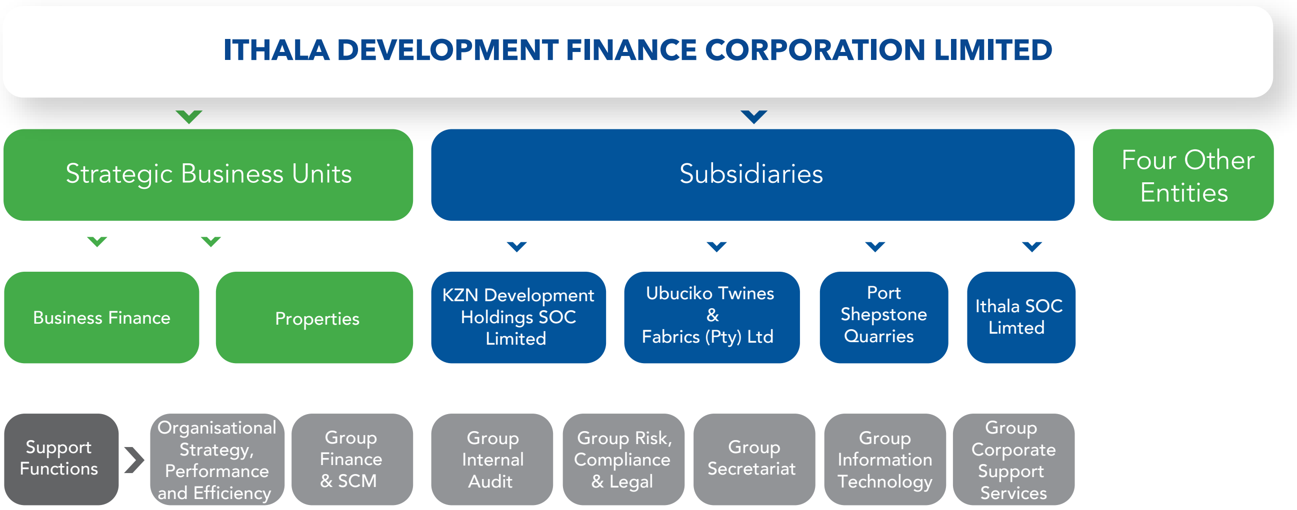
- M Soc Sc
- BA Soc Sc (Hons)
- BA Soc Sc

Umlazi Retail Centre

SECTION 1

ORGANISATIONAL STRUCTURE

Figure 2: IDFC Organisational Structure



PROPERTIES

Our properties business is responsible for the effective management and development of IDFC's property portfolio, which comprises a range of large industrial, retail, light industrial and SMME properties.

Ithala is one of the largest property portfolio holders in KwaZulu-Natal. Details of the Properties Department's performance and prospects are contained on pages 51 to 53.

BUSINESS FINANCE

Ithala's lending activities are delivered through the Business Finance Department, which offers financial services to SMMEs and co-operatives across KwaZulu-Natal. In so doing, we package a range of products and services designed to stimulate entrepreneurship amongst, especially, historically disadvantaged individuals and communities.

Our lending activities focus on sectors highlighted in the Provincial Spatial Economic Development Strategy, as well as meeting our primary mandate, as expressed in the Ithala Act. Details of our business finance performance and prospects may be found on pages 50 to 51.

SUBSIDIARIES

Ithala SOC Limited

Ithala SOC Limited, formally established in 2001 to enhance our service portfolio by providing effective deposit-taking activities, today provides financial services to the people of KwaZulu-Natal especially in areas where such services were previously insufficient.

We offer customers retail financial services, savings and investment products, housing and loan products, as well as insurance products. Ithala SOC Limited functions in terms of a multi-channel distribution network, and services the needs of individuals, groups, businesses, and other public sector entities.

The Ithala SOC Limited Integrated Annual Report provides additional information regarding this wholly owned subsidiary and may be downloaded from the website: www.myithala.co.za.

Ubuciko Twines and Fabrics SOC Limited:

Originally located in Mkondeni, Pietermaritzburg, Ubuciko Twines and Fabrics is a wholly-owned subsidiary of the IDFC and was established in 2006. Previously, the company produced polypropylene twine, woven material and polypropylene bags and sacks.

Since the 2017/18 financial year, the equipment and the property previously occupied by Ubuciko Twines and Fabrics has been leased out to another company. These two rental revenue streams continue to be collected on a monthly basis. The majority of the enterprise's operational staff members, originally employed by Ubuciko Twines & Fabrics, were absorbed into the business by the new operator.

KwaZulu-Natal Property Development Holdings:

In December 2016, the then MEC for Economic Development, Tourism and Environmental Affairs directed the Chairman of Ithala to wind-up KwaZulu-Natal Property Development Holdings, in line with its legal duty as the shareholder of the entity.

In February 2017, Ithala's Board, by written resolution, gave instruction to the Board of KwaZulu-Natal Property Development Holdings to cease continuation of business by the end of March 2017, except to the extent necessary to wind-up the business.

The shareholder further resolved that KwaZulu-Natal Property Development Holdings be deregistered from the register of the Companies and Intellectual Property Commission (CIPC). The winding up process was in progress as at 31 March 2021.

Port Shepstone Quarries (Pty) Limited

Port Shepstone Quarries (Pty) Ltd (PSQ) is a business operation in quarry mining on a leased farm in Port Shepstone.

Ithala initially acquired a 30 percent shareholding in this company when it granted its debt facilities in September 2013. In July 2015 Ithala acquired the remaining 70 percent shareholding, through a settlement agreement entered into with the majority shareholder following the company's failure to service its debt obligations.

In May 2017, the company was placed under business rescue until the end of January 2018. The company had developed and produced a turn-around plan, which explained, in detail, areas upon which it needed to focus and improve into the future.

The quarry operations were temporarily closed. Ithala is currently in discussions with the Department of Mineral Resources and Energy (DMRE), with a view to re-opening operations.

Four Other Entities

IDFC owns four other entities, including Cowslip Investment (Pty) Ltd, Sundumbili Plaza Ltd, Nongoma Plaza Ltd and Durban Wharfside Trust.

ASSOCIATE COMPANY

Ntingwe Tea Estate (Pty) Ltd, located in the Nkandla Local Municipality, was established in 1988. Ithala holds a 38 percent ownership in the estate, while 62 percent is held by the KwaZulu-Natal Department of Agriculture and Rural Development.

Ithala was responsible for providing management support to the enterprise. However, with effect from 2019/20, the operations were moved to the Agribusiness Development Agency in line with the recommendation of KwaZulu-Natal Rationalisation of Public Entities Task Team (RAPETT) as adopted by the Provincial Executive Council, in principle.

SECTION 2

INTEGRATED ANNUAL REPORT 2020 21

RESILIENT GROWTH
THROUGH COLLABORATION

OUR STRATEGY

Ithala develops strategic objectives aligned with the shareholder's expectation and Government's priority areas as per the MTSF (2019-2024). During the 2019/20 financial year, Ithala developed and adopted a new five-year strategy covering the period 2020 to 2025. This Strategy is summarised in the diagram below.

Figure 3: IDFC Mandate and Strategic Objectives

LEGISLATIVE MANDATES | POLICY MANDATES

IDFC MANDATES AND IMPACT STATEMENT

Sustainable and competitive SMME's and co-operatives, optimised property portolio, and effectively implemented development projects, contributing meaningfully to growth, socio-economic transformation and job creation in KwaZulu-Natal

IDFC MANDATES AND IMPACT STATEMENT

The catalyst for growth, socio-economic development and empowerment in KwaZulu-Natal province

IDFC MISSION

In achieving its Vision, Ithala defines its Mission as:

- Promoting investment in development programmes and projects;
- Optimising the property portfolio for tenant retention and attraction, and priority sector development;
- Supporting SMME's and co-operatives to be sustainable participants in the economy;
- Serving as the preferred implementing agent for economic and infrastructure development projects in the province; and
- Facilitating programmes that drive radical economic transformation.

OUR VALUES

1. Passion
2. Intergrity
3. Future Focussed
4. Service
5. Respect

IDFC MISSION - DIRECTED OUTCOME

PROMOTE		SUPPORT	FACILITATE		ADMINISTER
Increased investment in development programme and projects	Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors	SMMEs and Co-ops supported to be sustainable participants in the mainstream economy and socio-economic development of the province	Increased access to economic opportunities for KZN residents and enterprises from designated groups	Effective implementation of development programmes and projects in the province	Sustainable and high-performing organisation

Progress towards achieving Ithala's strategic objectives is monitored through the key performance indicators, set out in the IDFC Annual Performance Plan.

SECTION 2

OVERVIEW OF EXTERNAL ENVIRONMENT

At the time of the strategic review the environment within which Ithala operates was characterised by various economic, political and social dynamics. Key amongst these were the following:

Macro-Economic Environment

Following the devastating health and economic crisis caused by COVID-19, the global economy appears to be emerging from one of its deepest recessions and beginning a subdued recovery. Investment, in particular, collapsed in 2020 in many emerging markets and developing economies, following a decade of persistent weakness.

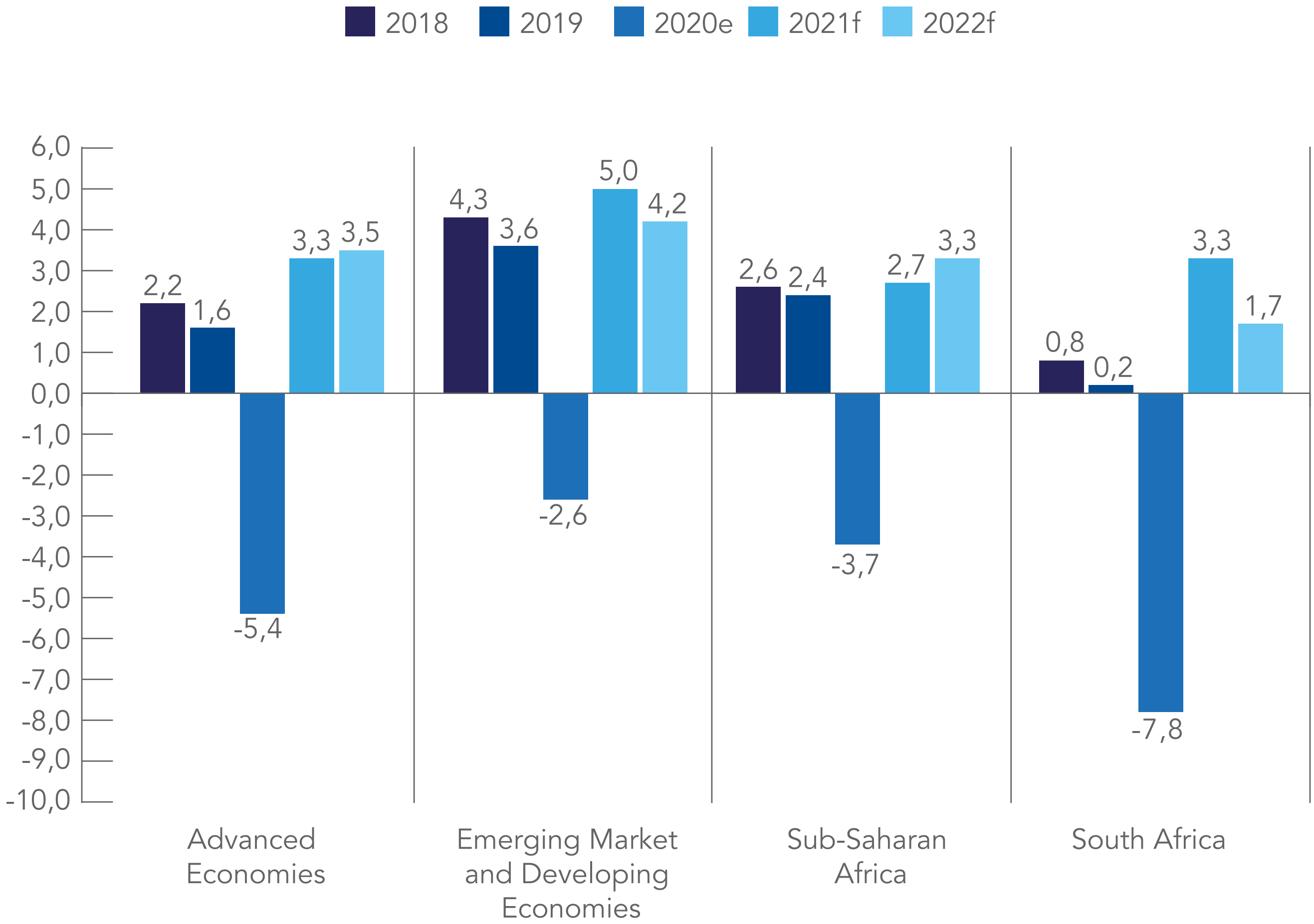
According to the World Bank's Global Economic Prospects (GEP) report, global economic output is expected to expand by 4 percent in 2021, but remain more than 5 percent below pre-pandemic projections. Global growth is projected to moderate at 3,8 percent in 2022, weighed down by the pandemic's lasting damage to potential growth.[1]

Although global economic activity is growing again, it is not likely to return to business as usual for the foreseeable future. In all, the global economy is estimated to have contracted 4,3 percent in 2020, which is 0,9 percentage points less than was expected in the World Bank's June forecast.

Ithala Sundumbili Plaza

1 *www.worldbank.org: Global Economic Prospects January 2021*

Figure 4: Global GDP and Forecasts



e = estimate; f = forecast

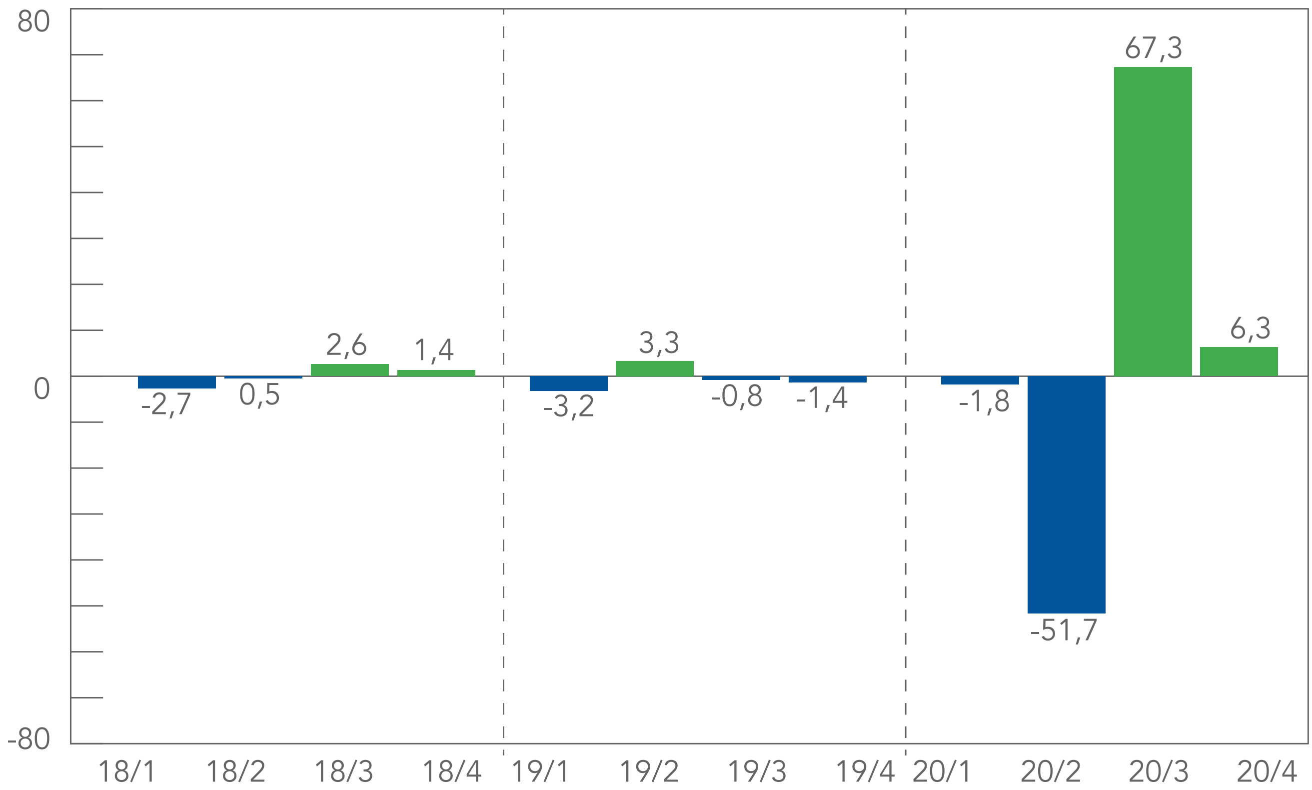
South Africa's economy was technically in a recession prior to the arrival of COVID-19 and subsequent lockdown measures, which began in March 2020. The economy was suffering from lower than anticipated growth, high unemployment and poverty, and sustained inequality. These challenges were only made worse by lockdown restrictions, which are largely responsible for the 7,0 percent decline in GDP in 2020.

In June 2021, the World Bank adjusted its 2021 forecast for South Africa's GDP growth to 3,5 percent from 3,3 percent, and adjusted their 2022 forecast up to 2,1 percent from 1,7 percent. Nevertheless, these forecasts remain well short of the trajectory required by the National Development Plan to reduce unemployment to 6%, eradicate poverty, and sharply reduce inequality by 2030.

Thanks to massive fiscal stimulus measures worldwide, the impact of COVID-19 has been less pronounced than predicted. However, although the short-term impacts of the pandemic prompted policy makers to roll out large fiscal responses, the long- term impacts have received less attention. People at the bottom of the skills and income distribution continue to be disproportionately affected by the pandemic, especially those unable to work remotely.

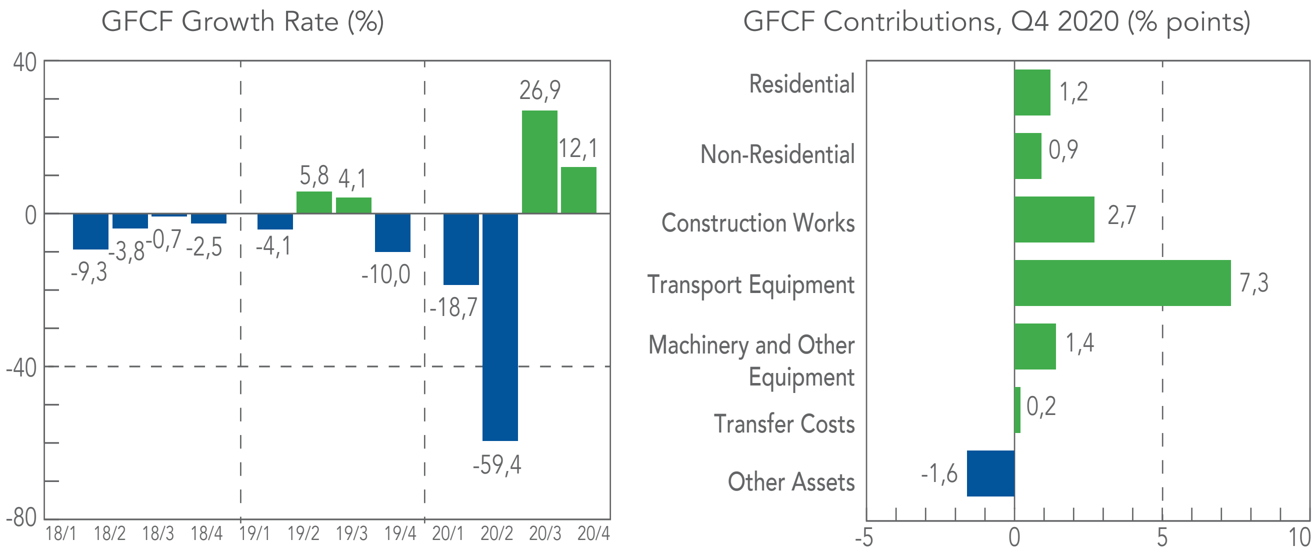
South Africa's real GDP (measured by production) increased at an annualised rate of 6,3 percent in the fourth quarter of 2020, largely as a result of further easing of COVID-19 lockdown restrictions. Figure 2 illustrates South Africa's GDP per quarter from the first quarter of 2018 to the fourth quarter of 2020.

Figure 5: South Africa's GDP (2018 - 2020)



Particular emphasis is placed on Gross Fixed Capital Formation (GFCF), which increased at a rate of 12,1 percent in the fourth quarter of 2020. The main contributors to the increase were the manufacturing of transport equipment, machinery and other equipment, construction works, and transfer costs from the sale of residential buildings.

Figure 6: South Africa's GFCF Rates and Contributions (2018 - 2020)



The pandemic negatively impacted nearly every economic sector, to varying degrees, with the exception of agriculture. Demand for food remained consistent, social distancing regulations had little impact on farm workers, while upstream activities, including the transport and sale of food stuffs, were deemed essential services and largely exempt from lockdown restrictions. In 2020, the agriculture sector expanded production by 13,1 percent.

Figure 7: South Africa's Industry Growth (2020)

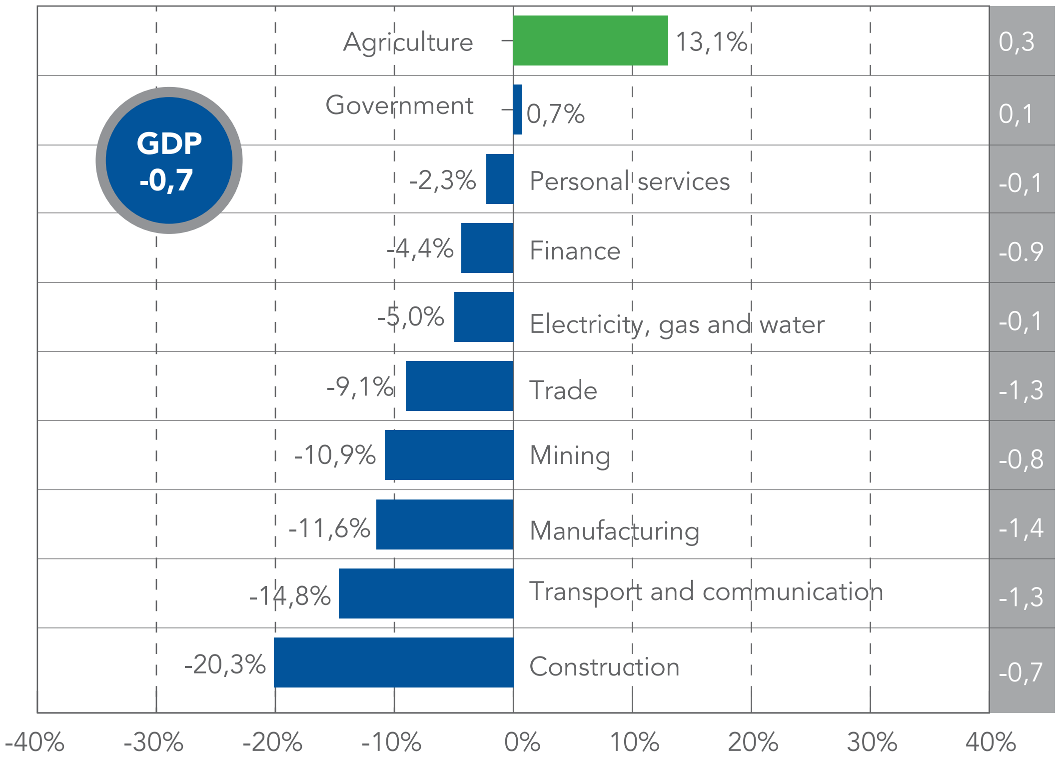


Figure 7 compares the growth in agriculture output to other economic sectors. In 2020, only the agriculture and government service sectors expanded, while all other sectors declined. The construction industry was hardest hit, contracting by 20,3 percent, marking the industry's fourth consecutive year of decline. The transport and communications industries also experienced a significant contraction, fuelled by the collapse in demand for air travel and restrictions placed on the movement of various goods during the Level 5 lockdown.

Despite a strong showing in the fourth quarter, manufacturing production was down for the year overall, falling by 11,6 percent. This was mostly due to work stoppages in the second quarter and a decrease in the demand for steel. Production from South Africa's mining sector was also down 10,9 percent in 2020, owing to work stoppages during the early stages of the lockdown, although mining houses reported strong revenue growth overall. Finally, the retail trade and tourism sector contracted by 9,1 percent, owing to business closures during lockdown and a near complete collapse of the international tourism industry for most of the year.

These sectors – construction, transport, manufacturing, mining, trade and tourism - traditionally absorb the bulk of South Africa's semi-skilled and unskilled labour. Their decline, at a time when South Africa was already grappling with chronic unemployment, is a major cause for concern. Across South Africa, total employment decreased by 552 000 jobs, representing a 5,4 percent year-on-year decline between March 2020 and March 2021. The unemployment rate increased from 30,8 percent in the third quarter of 2020 to 32,5 percent by the end of the year, the highest unemployment rate recorded since the financial crisis in 2008. Specifically, the unemployment rate among youth is of critical concern. As such, the creation of varied and wide-reaching opportunities for young people to enter the job market remains one of the country's most critical challenges.

The South African Reserve Bank (SARB) has lowered the repo rate by a cumulative 300 basis points since January 2020, in an attempt to mitigate the economic impact of the COVID-19 pandemic. The current repo rate of 3,5 percent is not only the lowest level since the inception of the repurchase framework in 1998, but also the lowest overall policy rate since 1973.

On 15 October 2020, President Cyril Ramaphosa presented the South African Economic Reconstruction and Recovery Plan. The Plan's interventions are in pursuit of the National Development Plan goals of reducing unemployment, poverty and inequality. It aims, not only to return the economy to pre-pandemic levels, but to accelerate GDP growth and create new jobs. The estimated impact of the Plan as modelled by National Treasury is about 1,7 percent GDP growth, in addition to the 1,3 percent baseline from a no policy intervention scenario. This brings total forecast growth to an average of 3% per annum over the next ten years.

Implications of Key Macro-Economic Factors on Ithala

The macroeconomic context discussed above has direct implications for the successful execution of Ithala's mandate in terms of its core business of properties and business finance.

Implications of the Macro Environment on Business Finance

The COVID-19 pandemic necessitated a hard lockdown designed to curb the spread of the virus and provide government with time to prepare the healthcare sector. During the hard lockdown economic activity was restricted to essential services, which included agriculture, medical services and suppliers, food retail and transportation. As a result, Business Finance lending operations were severely constrained during the year under review.

The Business Finance Unit adjusted its projected capital expenditure from R330 million to R172 million for the 2020/21 financial year, in anticipation of economic turmoil. As a result, the Unit granted far fewer loans when compared to the previous financial year. While some Business Finance clients were unable to repay loans due to halted operations. This grew the non-performing loan book portfolio to 64,4 percent by the end of the financial year.

Historically, the agricultural portfolio is the largest component in the non-performing loan book, as such its impairments adversely affected the overall portfolio at 72,4 percent. The stage 3 default accounts in the agricultural portfolio were compounded by the moratorium imposed on the liquidation of farms as part of debt recovery processes. The following needs to be considered in planning with respect to the agricultural portfolio:

- Creative ways to stabilise IDFC's exposure to the agriculture sector. This could include exploring opportunities in timber, livestock and dairy, where the economic outlook is more favourable. Also, in line with government policy, the IDFC will place greater focus on agro-processing and value-addition, thus stimulating the secondary and tertiary sectors;
- Increase the focus on providing business support to farmers through debt restructuring and consolidation, as opposed to repossessing farms; and
- Engage other stakeholders in the sector, including the Agricultural Development Agency (ADA) and the KwaZulu-Natal Department of Rural Development to identify mutually beneficial solutions to the challenges associated with the sector.

With inflation expected to average below the midpoint (4,5 percent) of the South African Reserve Bank's inflation target, and given the continued weak growth outlook, the Monetary Policy Committee kept interest rates low. The Repo rate reduced to 3,5 percent, while the prime rate was 7,0 percent. Rates remained constant for the remainder of the year, with small increases expected in 2022. Although there will be some measure of relief to overly-indebted consumers, the domestic economic outlook remains fragile.

Although CPI levels remained relatively low, growth in household consumption expenditure remained muted as consumers suffered from high unemployment, reduced incomes, and fears of contracting COVID-19. The clothing, furniture and passenger car sectors remained muted, thus reducing the demand for Business Finance in these sectors.

The IDFC must balance its developmental mandate with the need to recover loans provided, all within a challenging economic environment. This is vital for financial sustainability and to achieve the organisations desired impact. Ithala needs to consider the following in planning:

- Diversify the loan book through a proactive focus on sectors related to the knowledge economy, while remaining selective in operations within the industrial sector, which remains a government priority due to its job creation capability;
- Improve the provision of proactive business support and recovery to clients, in order to limit and prevent credit impairment; and
- Dilute investments in high-risk sectors and shift towards the less risky secondary or tertiary sectors. This needs to include a proactive strategic focus beyond agriculture production towards agro-processing and related value-add sectors.

Implications of the Slowdown in Manufacturing on the Properties Portfolio

South Africa's embattled manufacturing sector further contracted during the 2020/21 financial year as a result of the COVID-19 pandemic and associated lockdown restrictions, which shuttered businesses and cratered demand for certain goods. In 2020, the manufacturing sector contracted by 11,6 percent, which in turn reduces the demand for industrial accommodation.

IDFC has significant exposure to the industrial property sector, with 839 446 square metres in large industrial assets and 142 231 square metres in light industrial space. Property trends and the anticipated ongoing impact of the pandemic indicate that vacancies in large industrial estates will not be filled by traditional manufacturing companies. Global retail and consumption patterns (i.e. growth in e-commerce), and requirements for more efficient and integrated distribution models have created an increased demand for specialised logistics properties. It is estimated that an additional 130 000 square metres of warehousing space will be required to service e-commerce growth in the next 18 months.

Ithala, however, has significant exposure in the industrial property sector, and needs to consider the following in planning:

- Repurposing industrial properties to meet new and future demands, including revitalising selected industrial parks, establishing digital hubs, catering to e-commerce, and providing for advanced logistics;
- Rezoning of currently least-profitable retail or industrial properties for alternative purposes, such as markets and greenhouse space;
- Transforming selected vacant land into container storage facilities, due to the rising demand in this area;
- Improving security in order to reassure tenants and potential investors;
- Supporting the implementation of master plans developed by government in conjunction with business and labour in strategic manufacturing industries; and
- Supporting key agro-processing value chains, including new market development and the pursuit of import replacement opportunities.

Implications of Constrained Growth in the Retail Sector

The retail and trade sector contracted by 9,1 percent overall, during the 2020/21 financial year. Trade, which encompasses all wholesale, retail and tourism spend, was especially hard hit by business closures, travel restrictions, and a lengthy ban on the sale of alcohol and tobacco.

SECTION 2

IDFC has significant exposure to the retail sector, with 141 667 square metres in retail space. Ithala will therefore need to consider:

- Creating combined manufacturing and retail space for budding entrepreneurs, particularly in the agro-processing, clothing and footwear industries;
- Transforming retail space into low-cost accommodation for families and students (in strategic locations);
- Utilising vacant land or non-revenue generating properties that serve a community purpose, such as ICT centres and incubation hubs;
- Seeking opportunities to reformat rural malls, creating opportunities for local entrepreneurs (i.e. low cost retail space for rural owned businesses, or establishing wholesalers to better localise the rural economy); and
- Finding alternative sources of revenue such as paid parking, digital advertising boards, and making productive use of the dead space in retail centres.

The Importance of "Green" Buildings and Industry

As the effects of climate change become more prevalent there is growing demand among industrial, retail and commercial clients for "green" rental space. Furthermore, a study by the SA Green Building Council found that lower energy usage costs translate to better profitability for companies, while green buildings attract higher rentals and have a greater resale value. South Africa's major banks and leading commercial property companies all include green building compliance as a key component of their sustainability reporting.

Ithala, therefore, should continue to respond to this growing market by reviewing its property strategy to ensure a robust response to the issue of green building compliance.

Flamingo Park

Table 1: Strategic Outcomes and Targets (2020 - 2025)

Outcome	Outcome Indicator	Five-Year Target (to March 2025)
<u>Pillar of Mandate</u> **PROMOTE:** Encourage the participation of the private sector and community organisations in development projects and programmes, and in the development of human resources and social, economic, financial and physical infrastructure in the province.		
Outcome 1: **Increased investment in development programmes and projects by strategic partners**	1.1. Cumulative Rand value of investment attracted into provincial development programmes and projects	Business Finance (matched funding): R500 million Properties (partnership investments in properties): R2 billion
Outcome 2: **Property portfolio optimised for tenant retention and attraction, with a focus on priority sectors**	2.1. Return on Investment in Property Portfolio	>8.8%
	2.2. Vacancy rate of gross lettable space	<10%
	2.3. Percentage growth in the asset value of properties over the five-year period	25% (5% per annum)
	2.4. The number of new developments and industrial hubs revitalised over the five-year period	Five (5)
	2.5. Cumulative number of jobs created through infrastructure developments	7 069 jobs from 2020/21 to 2024/25
<u>Pillar of Mandate</u> **SUPPORT:** Provide financial and non-financial support and assistance to KwaZulu-Natal residents and enterprises, to enable them to best participate in the mainstream economy and in the socio-economic development of the province.		
Outcome 3: **Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation**	3.1. Rand value of loan book	R1,449 billion
	3.2. Survival rate of SMME's supported (Percentage of SMME's supported that are operational two years after receiving financial support from IDFC + IDFC loan performing)	70%
	3.3. Cumulative number of jobs created by supported enterprises	10 000 jobs from 2020/21 to 2024/25
	3.4. Percentage of non-performing loans	<20%
	3.5. Percentage of loans with first disbursement within 30 days after loan approval	90%

Outcome	Outcome Indicator	Five-Year Target (to March 2025)
Strategic Focus Area of Mandate **FACILITATE:** Make it easier to do business and invest, and ensure excellence in the planning, executing, financing and monitoring of the implementation of development projects and programmes in the province.		
Outcome 4: **Increased access to economic opportunities for KZN residents and enterprises from designated groups**	4.1. Rand value of public sector procurement in KwaZulu-Natal accessed by IDFC supported SMME's and co-operatives over the five-year period (facilitating access to markets and localisation)	R500 million
	4.2. Percentage of funding allocated to enterprises owned by designated groups: • Black • Women • Youth • PwD's	1. Black, African in particular - 60% 2. Women - 40% 3. Youth - 35% 4. PwD's - 7%
	4.3. Cumulative number of black manufacturing businesses supported to be sustainable participants in historically monopolised sectors	Six (6)
Outcome 5: **Effective implementation of development programmes and projects in the province**	5.1. Percentage of SLA commitments achieved on assigned projects	90%
Foundation of Mandate **ADMINISTER:** Ensure a capable, ethical and sustainable organisation.		
Outcome 6: **Sustainable and high-performing organisation**	6.1. External audit outcome	Achieve an unqualified audit outcome by 2022/23, and maintain thereafter
	6.2. IDFC cost-to-income ratio	Including grant and FV adjustment: 70% Excluding grant: 75%
	6.3. Percentage customer satisfaction rating (revised methodology)	>90%
	6.4. Percentage overall organisational performance rating	>90%
	6.5. Return on investment of the Ithala Group	5%

BUSINESS FINANCE STRATEGIES

Business Finance Mission
The mission of the Business Finance group is to provide financial and supportive services to persons and businesses carrying on business within KwaZulu-Natal.

Target Market
Ithala's target market is primarily previously disadvantaged individuals seeking to establish and/or grow their small and medium-sized business enterprises.

Table 2: IDFC Portfolio Performance (2016/17 – 2020/21)

PORTFOLIO PERFORMANCE: PAST 5 YEARS	2020/21	2019/20	2018/19	2017/18	2016/17
Loan book ('Rm)	838,2	895,0	888,7	839,9	871,6
Non-performing loans ('Rm)	539,4	414,4	230,5	218,2	201,5
Non-performing loans (% - total)	64,4%	46,3%	25,9%	24,2%	23,1%
Non-performing loans per product type (micro finance %)	44,0%	28,2%	22,2%	15,5%	9,4%
Agri-finance (%)	72,4%	66,1%	29,5%	5,5%	5,1%
Franchise finance (%)	32,1%	20,6%	17,3%	32,9%	18,9%
Procurement finance (%)	65,4%	53,5%	23,7%	77,8%	66,3%
Property finance (%)	52,8%	30,9%	12,6%	27,5%	22,4%
Asset finance (%)	50,6%	34,5%	33,5%	27,0%	32,6%
Structured finance (%)	88,6%	43,4%	29,0%	34,8%	34,7%

PROVINCIAL DEVELOPMENT IMPERATIVES RELATED TO SMME AND CO-OPERATIVE FINANCE

The IDFC allocates finance and other support to SMMEs and co-operatives in KZN, in alignment with the Provincial Growth Development Strategy, which sets out the following imperatives:

- Improve access to finance by KwaZulu-Natal based SMMEs and co-operatives;
- Propel sustainable economic development and job creation;
- Drive and support programmes aimed at reducing poverty and inequality;
- Beneficiation in agriculture and manufacturing;
- Enable the tourism and services sector;
- Institutionalise business support services;
- Rural and township economic development;
- Drive Radical Economic Transformation;
- Improve SMME support interventions;
- Reduce unnecessary red tape;
- Build a culture of service excellence; and
- Drive innovative business solutions.

FOCUS ECONOMIC SECTORS

The IDFC supports economic sectors with the greatest potential to drive economic growth and employment creation in the province. Priority sectors for the 2020/21 financial year are:

- Agriculture and agro-processing;
- Manufacturing;
- Trade and services;
- Commercial property;
- Construction;
- Logistics;
- Mining; and
- Tourism.

KEY CHALLENGES IN BUSINESS FINANCE

Funding

IDFC manages an Enterprise Development Fund on behalf of KwaZulu-Natal's Department of Economic Development, Tourism and Environmental Affairs. The purpose of this Fund is to accelerate development within the province by advancing loans at interest rates below the market. The Development Fund, and consequently the Ithala loan book, have declined in value over the past several years owing to lack of capitalisation and low collection rates. Efforts are underway to mobilise funding through strategic partnerships and borrowing. Ithala has established and conducted initial engagements with identified partners, with the aim of concluding partnerships in the 2021/22 financial year. Ithala is highly dependent on the Fund to advance its on-lending activities and requires re-capitalisation as a matter of urgent priority.

Profitability

The variables affecting profitability are:

- Low interest rates charged on the Development Fund (2% to 7%);
- Reduction in management fees on the Development Fund;
- Payment holidays provided to qualifying clients (R25 million was provided in 2020/21);
- IFRS 9 interest income recognition on stage 3 loans; and
- Increased provisions because of high non-performing loan levels.

A series of portfolio management processes were introduced to manage the profitability risk. These included efforts to increase collections, supported by client visits to review performance and detect early warning signs of possible non-payment.

Lack of Business Support

There is a lack of capacity within Ithala to provide ongoing non-financial business support, which would lead to fewer business failures, optimise levels of SMME success, and translate to the timely repayment of loans disbursed. In the Business Finance value chain, this relates to:

- Pre-investment support (business planning, feasibility studies, etc.); and
- Post-investment support (coaching, mentorship, training, etc.).

The above objectives were addressed through the introduction of a Business Support Programme to be implemented in the 2021/22 financial year. The Programme will be supported by a team of business advisors and an agricultural specialist who will be appointed to assess all agricultural loans and develop turnaround plans to revive non-performing loans that show signs of viability. Legal recoveries will continue for stage 3 loans that are deemed unviable.

During the year under review, partnerships were established with stakeholders to drive the provision of non-financial support. These include a business skills programme with the Durban University of Technology (DUT) and engagements with various SETAs, which were nearing conclusion at the end of the financial year.

Adverse Market Economic Conditions Affecting Small Businesses

Unfavourable trading conditions have a negative bearing on the SMME sector and the likelihood of entrepreneurial success. Access to markets, particularly for businesses operating in historically monopolised sectors and in rural and township areas, remains one of the major challenges facing SMMEs. Ithala has introduced marketing and business development specialists to deliver business support and assist clients with access to market strategies (see Business Support Services below).

Inadequate Secondary Source of Repayments (collateral)

Ithala is specifically oriented to provide loans and other business support to previously disadvantaged South Africans who, largely because of historic inequalities, often have minimal or no collateral to back-up their loan commitments. As a result, there is often no source of recovery available in the event that businesses default on their loans. Business Finance has begun the process of improving security to encourage a thriving entrepreneurial spirit and reduce risk in the lending portfolio.

Human Capital and Information Technology

COVID-19 accelerated trends in digitisation among many organisations, as employee and client engagement shifted to online platforms. Clients have become accustomed to digital solutions and enjoy being served through channels of their choice. Ithala needs to align its digital agenda with this 'new normal' and scale up the introduction of digital tools to promote business continuity and efficiency. During the period under review we embarked on a review of the Business Finance processes in order to improve our service and turnaround times. A business WhatsApp service was also introduced to facilitate and enhance customer interaction.

Table 3: Funding Requirements (2021/22 – 2024/25)

Funding Requirements ('R000)	2021/22	2022/23	2023/24	2024/25
IDFC Fund (internal)	100 000	50 000	13 000	50 000
IDFC Fund (sourced externally)		100 000	100 000	100 000
Development Fund	190 000	102 000	147 750	150 000
Total	**290 000**	**252 000**	**260 750**	**300 000**

Table 4: Developmental Returns (2021/22 – 2024/25)

Developmental Returns	2021/22	2022/23	2023/24	2024/25
Loan Approvals ('R 000)	290 000	252 000	260 750	300 000
Loan Advances ('R 000)	290 000	252 000	260 750	300 000
Collections ('R 000)	259 127	285 040	313 544	344 898
Non-Performing Loans (%)	35%	30%	25%	25%
Number of Jobs Facilitated	1 667	1 667	2 000	2 000
% of Businesses Pre-Supported	75%	80%	85%	90%
% of Business Funded that are Performing (two years after first disbursement)	55%	60%	65%	70%

Table 5: Advances – Per Entrepreneur Category (2021/22 – 2024/25)

Advances - Per Entrepreneur Category (%)	2021/22	2022/23	2023/24	2024/25
Women Owned Businesses Financed	40%	40%	40%	40%
Youth Owned Businesses Financed	35%	35%	35%	35%
PwD Owned Businesses Financed	1%	1%	1%	2%
Other	24%	24%	24%	23%
Total	**100%**	**100%**	**100%**	**100%**

Mthonjaneni Bus Service

BUSINESS SUPPORT SERVICES

Business support refers to the provision of non-financial services, which are intended to nurture, grow and sustain small businesses. The historical performance of Ithala-funded SMMEs indicates that significant non-financial support is required in order to sustain benefits derived from the funding activities carried out by Ithala.

Ithala's business support services will be during the pre- and post-investment phases of the client relationship, leveraging capacity within the organisation combined with an outsourced support model. This approach will provide tailor made support for specific sectors, identified as having both the greatest need and potential. In delivering these services Ithala aims to bolster the activities of the Business Finance Unit, reduce the rate of business failure and non-performing loans, and contribute to SMME development.

At the **pre-investment stage** Ithala aims to:

- Further capacitate the Business Support Division;
- Enable the Business Support Division to deliver effective advisory services;
- Assist clients in accessing grants and incentives;
- Establish a sector specific business support database through SCM; and
- Link clients to small enterprise agencies (e.g. SEDA), and other support agencies capable of delivering business plans, feasibility studies, market research and cash flow projections.

Ithala will also provide **post-investment support** including:

- Access to coaching, training and mentorship (skills development);
- Administrative and compliance support, including assistance with IDFC reporting; and
- Business turn-around solutions, where applicable.

Key Performance Indicators include:

- Increase in number of start-up businesses (pre-funding);
- Increase in success rate of start-up businesses;
- Decrease in business failures;
- Increase in the average life-span of existing businesses; and
- Number of training mentorship programmes implemented for SMMEs.

PROPERTIES STRATEGY: 2020-2025

Background on the Ithala Properties Business:

Large Industrial Portfolio
The portfolio consists of three Industrial estates, Isithebe, Ezakheni and Madadeni, which were funded by the previous Government through infrastructure grants. Various other incentives were provided to industrialists to establish businesses in the former decentralised areas. All grants and subsidies were phased-out after 1990.

Municipal Services
The large industrial portfolio ('estates'), which constitutes 70% of Ithala's property portfolio, were also given the responsibility of providing municipal services to industrialists, such as electricity, water, sewage, refuse removal and roads. Ithala is responsible for maintaining these services and infrastructure.

Retail Portfolio
The retail portfolio was established to accelerate economic activity in peri-urban and rural towns. Most shopping centres in the portfolio are anchored by national retailers. Rental rates were historically below market pricing norms, as these were deemed to be catalytic projects.

Key Challenges in the Ithala Properties Business
The strategic business unit faces five key challenges, summarised as follows:

1. **Condition:** The portfolio is 45 years old and its condition has deteriorated and requires urgent intervention to restore functionality and compliance.

2. **Competition:** The portfolio is facing competition from new developments, resulting in increased vacancies.
3. **Profitability:** Operational expenses are increasing at a rate higher than rental escalations.
4. **Growth:** The portfolio has not grown during the past 15 years as there were no new developments.
5. **Funding:** The portfolio is in need of urgent funding to recapitalise the assets and address the current condition and growth opportunities.

Decline of the Current Industrial Sector Businesses

The industrial sector is in ongoing decline, due largely to the globalisation of the South African economy and the removal of import restrictions. Furthermore, industrial estates have experienced the shut-down and/or relocation of industrialists due to the phasing-out of incentives and subsidies, as well as the effects of global competition. This has precipitated an exodus of skilled labour, away from rural and peri-urban sites towards urban opportunities and overseas job markets. As a result, 70% of Ithala's property portfolio is at risk.

Competitive Forces in the Retail Property Sector

Ithala's retail property portfolio faces competition from private sector-driven developments. Growing demand in peri-urban areas has attracted new players, as evidenced by the entry of private sector developers who establish shopping centres in sites previously dominated by Ithala.

PROPERTIES BUSINESS STRATEGIC OPTIONS

Optimisation of Strategic Partnerships

An opportunity exists for Ithala to pursue strategic partnerships with the private sector and government, and in particular, the Department of Public Works. These partnerships will facilitate a needs analysis on the provision of office space for government departments in the province.

A Properties Strategic Partnerships Policy (PSP) has been approved by the Board and will be implemented over the next five years.

Diversification of Portfolio

Ithala's properties footprint provides for a gross lettable area of 1,2 million square metres and spans the entire province, from Manguzi in the north to Kokstad in the south and inland to Newcastle. The portfolio is highly concentrated in large industrial properties. The strategy of growing the number of retail and commercial properties is aimed at balancing the portfolio.

Table 6: Portfolio by Property Type

Portfolio	Percentage	Square Metres
Industrial	70%	839 446
Light Industrial	12%	142 231
Retail	12%	141 667
SMME	3%	37 840
Commercial	3%	36 007
	100%	1 197 190

Focus on Rental Vacancy Reductions

Ithala recognises that the financial health of the Property Portfolio depends on the ability to attract and retain tenants, reducing the vacancy rate across all property types. Ithala will embark on concentrated marketing initiatives to attract tenants, while at the same time delivering business development strategies and support, to enhance business viability and retention. These efforts will be supported by the addition of a Business Developer role in the organisational structure.

ENTERPRISE RISK MANAGEMENT

ADDRESSING RISK

Defining Risk within the Organisation
Ithala defines risk as any factor that may result in failing to achieve desired business objectives or lead to adverse outcomes. The Enterprise Risk Management System addresses several categories of risk – strategic risk, operational risk and the risk of fraud.

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. It includes processes and systems, regulatory compliance, legal risk and business continuity. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including issues that impact Ithala's day-to-day operations. Fraud risks entail intentional misconduct, designed to evade detection and provide the perpetrator with unlawful gain. Because it requires the collusion of at least two people, poorly defined job descriptions and approval processes present a risk for fraud.

Principles of Risk Management
Risk management at Ithala is guided by the following principles:

- Protect Ithala's reputation through a sound risk culture;
- Compliance with regulatory requirements and principles;
- A strongly defined risk management structure;
- Communication and coordination between the Executive Committee (EXCO) and Executive Management; and
- Communication and coordination between and the Audit and Risk Committee (ARC) and the Board.

Identifying, Monitoring and Managing Risk
Management is responsible for identifying and assessing risks that Ithala may face in the execution of its strategy. These risks include strategic risks, operational risks, and fraud risks in all areas of business. Risks are monitored by the ARC on a quarterly basis through the adoption and implementation of an Enterprise Risk Management (ERM) Framework, enhancing risk management at both a Strategic and Operational Risk levels in the organisation.

The ARC reviews the Enterprise Risk Management framework regularly and oversees the control and enhancement of systems, policies, practices and procedures. The intent is to ensure that all risks, including their key risk indicators, risk appetite, tolerance and avoidance levels, are identified, measured, controlled, monitored and reported. The risk appetite is reviewed on a quarterly basis in line with changing economic conditions. The year under review was particularly challenging as a result of the COVID-19 pandemic and, as a result, the ARC undertook very close monitoring of strategic risks and the risk appetite.

In addition , Business Continuity was a key focus area in the past year, to ensure smooth operations and efficient client service delivery under the COVID-19 conditions. The Business Continuity Framework was reviewed in line with the rapidly changing environment.

Ithala undertakes a range of measures to proactively manage risk. Strategic risks are reviewed annually in alignment with the strategic objectives and direction of the organisation, ensuring that key risk indicators, risk appetite, tolerance and avoidance levels are also updated. Ithala has formally appointed risk champions in all its Business Units, which enables the organisation to improve it's risk maturity level. Ithala has created a strong culture of risk and ethical practices within the organisation, including the management of ethics and fraud risks, which is spearheaded by the Anti-Fraud and Ethics Committee and quarterly reports are submitted to the relevant Board Committees in this regard.

Strategic Risk Register (2020/21)
Management is committed to a robust risk management process that ensures Ithala assets are protected and, where necessary, that risk is mitigated through adequate insurance. An Ithala risk workshop was held in February 2020 whereby the strategic risk register was revised and mapped to Ithala's strategy. In total 18 strategic risks were identified.

Table 7: Strategic Outcomes and Risks

Strategic Outcome	Risk	Mitigating Controls
Outcome 1: Increased investment in development programmes and projects by strategic partners.	Funding risk - Properties	• Property strategy developed and approved. • Strategic Partnership Policy.
Outcome 1: Increased investment in development programmes and projects by strategic partners.	Funding risk - Business Finance	• Post Investment Monitoring monitors the loan portfolio to prevent non-performing loans and assess potential losses. • Committees are in place for the assessment and approval of client loan facilities. The lending thresholds have been revised. • Technical Investment Support Unit performs due diligence financial analysis on new loan applications, to mitigate against potentially high default rates in the high-risk market that Ithala operates in. • Internal processes have been added and the Internal Credit Risk Mitigation Task Team has been formed to assess risks on new loan applications. • Revised debtor management processes. • Implementation of lending policies which includes security requirements for loans. • Enterprise Development Fund policy has been amended in relation to the 5 C's of the credit lending criteria. • Defined processes for pre- and post-business support functions. • Strengthening of due diligence process. • Review of business finance processes completed.
Outcome 1: Increased investment in development programmes and projects by strategic partners.	Business development risk	Brand awareness initiatives.
Outcome 2: Property portfolio optimized for tenant retention and attraction.	Property portfolio investment risk	• Benchmark reports on rentals per portfolio. • Rental valuation exercise to inform rental rates. • Management information reports. • Socio-Economic Profiles - Research conducted to determine the ideal tenant mix and to explore other business opportunities. • Property Management Policy. • Property Strategy implementation. • Customer Services Strategy implementation. • Properties Maintenance Plan implementation.
Outcome 3: Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation.	SMME sustainability risk	• Skills development workshops organised to provide non- financial support to clients. • Business support function is in place to assist in business sustainability and job creation. • EDTEA Steering Committee is in place to ensure alignment with the Provincial Development Plan. • Harnessing alternative funding mechanisms and programme participation through strategic partnerships in the public and private sector. • Ringfencing of funds for SMME's. • Capacitated the business support function. Appointment of staff members completed. • The economic report (which includes GDP, growth, interest rate, impact on Business Finance and Properties) is prepared by Properties and reported to Executive Committee (EXCO), Board Credit and Investment Committee (BCIC) and to the Board on a quarterly basis. • The collection plan for business finance portfolio is in place and is tracked weekly.

Strategic Outcome	Risk	Mitigating Controls
Outcome 4: Increased access to markets and funding for KZN residents and enterprises from designated groups.	Markets, localisation and transformation risk	• SCM preferential procurement process. • B-BBEE Policy. • Enterprise Development Fund and IDFC investment policies. • Rollout of the RASET programme. • Implementation of Operation Vula. • Capacitated the business support function. Appointment of staff members completed. • Identified supplier development programmes within the province.
Outcome 5: Effective implementation of development programmes and projects in the province.	Programme delivery risks	• New project programme to be implemented. • Capacitated the business support function to ensure for programme delivery. • The economic report (which includes GDP, growth, interest rate, impact on Business Finance and Properties) is prepared and reported to EXCO, BCIC and to the Board on a quarterly basis.
Outcome 5: Effective implementation of development programmes and projects in the province.	Market risk	• Budget adjustment in order to meet the minimum cash reserves. • Request for assistance with the shareholder.
Outcome 6: Sustainable and high-performing organisation.	Reputational risk	• Corporate Governance Framework. • Pro-active media monitoring. • The monthly marketing and communications activity plan is in place and is reported quarterly to EXCO, HRSEC and the Board.
Outcome 6: Sustainable and high-performing organisation.	Innovation and ICT	• IT strategy drives the Department's budget, and key IT projects to be delivered. • IT Governance Framework. • Business systems to implement a Return on Investment (ROI) Framework and tool to monitor the effectiveness of system utilisation. • Training plan in place for IT team to keep abreast with the changes.
Outcome 6: Sustainable and high-performing organisation.	Liquidity risk	• On-going robust credit collections management. • Business Finance and Properties collections in line with budget. • Daily cash on hand (cash availability) monitoring by the Group Chief Financial Officer. • Monthly cash flow forecasting submitted to EXCO and Board Sub-Committees. • Weekly available funds confirmed with Finance prior to submitting to the Management Credit and Investment Committee. • Monthly income and expenditure monitoring by Group Finance team. • Strict expenditure control. • Budget adjustments in order to meet the minimum cash reserves.

Strategic Outcome	Risk	Mitigating Controls
Outcome 6: Sustainable and high performing organisation.	Compliance risk	• Annual compliance plan, monitoring and quarterly reporting against the compliance plan. • Monitoring of performance through the use of score cards on a quarterly basis. • Legal compliance function identifies upcoming legislation impacting on Ithala. • Compliance log to track non-compliance with key legislation. • Internal Audit Plan provide assurance on adequacy and effectiveness of controls. • Internal Audit reviews effectiveness of the compliance division. • The balanced scorecard of all employees does include compliance with legislation under operational efficiency, KPA, and adherence thereto.
Outcome 6: Sustainable and high-performing organisation.	Fraud theft and corruption	• Fraud Hotline to report irregular and fraudulent activities. • Anti-fraud and Ethics Policies enhance the mitigation of fraud and the enhancement of the ethics environment. • Forensic Investigation Unit conducts investigation and reporting of irregular and fraudulent activities. • Employees annual declaration of interest as and when required. • Reporting to the ARC on fraudulent and unethical activities. • Ethics Surveys are conducted every three years to assess the employee perception of Ithala's ethical environment. • Continuous monitoring by management on implementation of controls. • Consequence management policies and procedures in place. • Fraud risk register developed and monitored continuously. • Cash threshold and suspicious reporting. • Segregation of duties is driven through delegation of authority. • Governance structures in place to ensure oversight and compliance with policies and procedures.
Outcome 6: Sustainable and high-performing organisation.	Human capital risk	• HR Talent Acquisition, Talent Development and Performance Management Policies and Procedures. • Remuneration and Benefits Policy and Procedures developed to offer employees attraction and retention benefits. • EVP Framework has been developed and implemented to offer employees attraction and retention benefits. • Training and development programs based on identified gaps. • Conduct annual remuneration benchmarking exercise.
Outcome 6: Sustainable and high-performing organisation.	Return on investment (subsidiaries)	• Regular Joint Board Meetings with Ithala SOC Limited. • Quarterly feedback from the subsidiary Boards to the shareholder. • Shareholder compact. • APP for subsidiaries. • Ithala nominates directors to subsidiary boards. • Memorandum of Agreement targets have been included as an annexure to the shareholders compact for Ithala SOC Limited and implementation is being tracked. • APP performance of the subsidiaries is included in the quarterly reports to the shareholder.

Strategic Outcome	Risk	Mitigating Controls
Outcome 6: Sustainable and high-performing organisation.	Cyber security and data protection	• IDFC users are connecting via a secure VPN. • Firewall to prevent intrusions, and weekly monitoring of the firewall intrusion report. • Antivirus to protect computers against malicious software. • IDFC users use Mimecast (enforced email security controls) to connect to their emails. • System in place to continuously and automatically detect vulnerabilities and critical misconfigurations across the Ithala environment, real-time alerts on zero-day vulnerabilities, compromised assets and network irregularities. • Event Log Analyser collects, analyses, and archives in real-time event logs from distributed Windows hosts and Syslogs from distributed Unix hosts, or network devices, to pick up potential threats and vulnerabilities.
Outcome 6: Sustainable and high performing organisation.	Staff wellness	• IDFC offers Employee Assistance Programme (EAP) services to all staff and their families. • Engagement of the EAP is ongoing, with services broadcast to encourage calls from employees in emotional distress. • EAP programme was implemented as per its plan and EAP workshops have been rolled out to managers organisation wide.
Outcome 6: Sustainable and high-performing organisation.	Succession planning	Approved succession plan in place.

COMPLIANCE

Ithala operates in a highly regulated environment and we consider all applicable legislative and regulatory requirements when determining our strategic objectives. Regulatory compliance ensures that Ithala meets its legal and regulatory requirements across the industry. Failure of which could lead to potential litigation.

Compliance is also strategically important in protecting our reputation, minimising our operational risk and setting the standard for a strong compliance culture throughout all our business activities. Legal Compliance has forged partnerships with regulatory bodies to strengthen knowledge and working relationships. Regulatory Compliance ensures assurance with legislation and statutory reporting to relevant third-party regulators and paying of annual levies.

Ithala's strategic objectives are defined in the Ithala Act No. 5 of 2013. The IDFC is a public entity in terms of the Public Finance Management Act No. 1 of 1999 and listed under Schedule 3D of the Act. Ithala is defined as an Accountable Institution in terms of Schedule 1 to the Financial Intelligence Centre Act No. 38 of 2001.

Ithala is also a registered credit and authorised financial services provider in terms of the National Credit Act No. 34 of 2005 (NCA) and Financial Advisory and Intermediary Services (FAIS) Act No. 37 of 2005, respectively. Ithala is the holding company of Ithala SOC Limited, a subsidiary that operated under an exemption notice as a deposit-taking institution and is regulated by the provisions of the Banks Act No. 94 of 1990.

Key controls put in place to mitigate the risk of non-compliance include the development of compliance manuals, policies and procedures and Compliance Regulatory Management Plans (CRMPs). During the past financial year Ithala focused on testing the CRMPs, embedding a compliance culture within the organisation.

Ithala has also adopted a compliance risk management framework that is aligned with the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa, which supports the active management of compliance risk.

The regulatory compliance universe was developed to integrate compliance legislation affecting all business processes. It addresses all legislation with a potential impact on Ithala, identified in consultation with business units.

Table 8: IDFC Key Legislation

IDFC KEY LEGISLATION	
No.	**Legislation**
1.	Financial Intelligence Centre Act, Act No. 38 of 2001 (FICA)
2.	National Credit Act, Act No. 34 of 2005 (NCA)
3.	Public Finance Management Act, 1999
4.	Preferential Procurement Policy Framework Act, Act No. 5 of 2000
5.	Ithala Development Finance Corporation Act, 2013
6.	Protection of Personal Information Act, 2013 (POPI)
7.	Occupational Health and Safety Act, Act No. 85 of 1993
8.	Labour Relations Amendment Act, Act No. 6 of 2014
9.	Consumer Protection Act, Act No. 68 of 2008
10.	Prevention and Combating of Corrupt Activities Act, Act No. 12 of 2004
11.	Electronic Communications and Transactions Act, 2002
12.	Property Practitioners Act of 2019
13.	Security By Means of Movable Property Act, 1993
14.	Superior Courts Act, 2013
15.	Magistrates Court Act of 1944
16.	Prevention of Illegal Eviction from and Unlawful Occupation of Land Act of 1998

The Regulatory Compliance Division monitors levels of compliance with the above legislation, identifying, measuring, aggregating and testing CRMP's, monitoring management actions and reporting the level of compliance thereto.

The Legal Compliance Division endeavours to implement efficient business processes capable of further improving operations within Ithala. The intent is to ensure regulatory compliance through the capacitation of this function as a centre of excellence in regulatory research, thereby effectively addressing evolving regulatory requirements and business needs.

Ithala's Board actively promotes a stakeholder-inclusive approach with regard to the governance of the organisation.

STAKEHOLDER CONTEXT

In determining our strategy to deliver against our developmental mandate, we remain ever mindful of the diverse needs of our stakeholder groups. These groups have either a direct or indirect economic and social interest in Ithala's business activities as they are in a position to affect or be affected by our decisions, actions, objectives and policies.

Table 9 provides a list of stakeholder groups, preferred engagement methods and expectations, as well as Ithala's response to these expectations.

Table 9: Stakeholder Groups and Expectations

Stakeholders Material Issues	Engagement Method	Stakeholder Expectations	Ithala's Response
Provincial Government	• Quarterly performance report • Quarterly meetings • Annual general meeting • Meeting with legislature/Portfolio Committee	• Financial sustainability and viability • Alignment with Government's economic development agenda • Efficient and effective utilisation of allocated funds	• We signed our Shareholder's Compact with the Department of Economic Development, Tourism and Environmental Affairs • Our Annual Performance Plan (APP) is aligned to the Provincial Growth and Development Plan • Quarterly performance reports against the APP are compiled and submitted to the department • Quarterly engagements are held with the department to discuss performance and the achievement of targets
Clients	• Business Finance clients pre-funding interaction • Post-funding interaction • We visit and interact with our properties clients and tenants on an ongoing basis	• Accessible and affordable financial services • Non-financial support service • Well maintained commercial and industrial properties • Affordable rentals • Business premises in prime development nodes	• Pricing for Government Grant funding is less than prime • Post-funding non-financial support is provided through the post-investment monitoring units of Business Finance • Increased allocation for capital and maintenance expenditure • We offer competitive and, in most cases, highly favourable rentals • Industrial and commercial premises are located in growth nodes
Regulators	• Regulatory reporting	• Responsible lending • Fair treatment of clients • Safekeeping of client records • Good corporate governance	• Submission of all regulatory reports in a timely manner • A fully capacitated compliance unit established
Employees	• Quarterly briefings by the Group Chief Executive • Online internal magazine business broadcasts	• Job security • Fair rewards and recognition • Personal growth and development • Healthy working environment	• Stabilising the finances of the organisation to ensure sustainability • Advancing skills development through study loans and other forms of training support • Advancing talent management initiatives
Service Providers	• Ongoing	• Fair and transparent process of selecting service providers • Pay for services rendered in a timely manner • More opportunities for smaller enterprises	• Approved supply chain policies and procedures in line with Government policy • Specific focus on engaging B-BBEE-compliant service providers

SHAREHOLDER/STAKEHOLDER EXPECTATIONS

The shareholder and broader development finance sector have developed a renewed set of expectations for Ithala, expressed in a variety of forums. These expectations are summarised as follows:

- Bolster capacity to execute on commitments, improve governance and advance engagement with community sectors;
- Deliver visible transformational shifts, in line with its mandate, create jobs, capacitate SMMEs and co-operatives and sustain inputs;
- Facilitate economic participation, ownership, access to resources and opportunities for women, youth and persons with disabilities;
- Participate actively in government initiatives aimed at improving inclusive and radical economic transformation, such as the Black Industrialist Programme, Operation Vula, and RASET;
- Participate in spin-off catalytic initiatives that advance economic activities in rural and township environments;
- Demonstrate Ithala's unique relevance, relative to other players involved in development finance; and
- Execute business support with SMMEs and co-operatives at both pre- and post-investment stages.

Stakeholder engagements
at Jozini TOTAL Petrol station

HOW WE CREATE VALUE

Ithala creates value by focusing on activities which optimise developmental outcomes across all supported sectors.

Our value proposition vests in the achievement and sustainability of opportunities which would otherwise be unavailable without our intervention. We fully subscribe to the principles of the International Integrated Reporting Council (IIRC), which seeks to enhance accountability for and stewardship of the broad base of capital, being financial, manufactured, intellectual, human, social, relationship and natural. The IIRC also promotes an understanding of organisational value creation through the active consideration of the relationships between its various operating and functional units and the capitals it uses or affects.

BUSINESS ACTIVITY

Ithala's core business activities are summarised as follows:

- Deliver financial and other support services to SMMEs and co-operatives operating within KwaZulu-Natal;
- Develop and manage large industrial, light industrial, retail and SMME properties;
- Invest in developing and retaining our people in order to execute our strategy and ensure delivery to our customers and clients;
- Invest in our operations, inclusive of information technology systems and infrastructure, in order to improve efficiency and deliver appropriate products and services to our customers and clients;
- Serve as an implementing agent for economic and infrastructure development projects in the province;
- Offer bursaries and internships to top-performing students in KwaZulu-Natal; and
- Provide both public sector banking and corporate and investment banking services to SMMEs and co-operatives, through our subsidiary, Ithala SOC Ltd.

OUR IMPACT

Ithala is mandated to assist government in promoting economic development and empowerment across KZN. We focus on understanding the needs of the public sector environment, creating innovative and relevant solutions to key development challenges. Our activities result in a broad economic impact, by stimulating the private sector, facilitating access to financial services, and supporting the allocation of capital for economic development.

Ithala encourages socio-economic development in formerly disenfranchised markets throughout the province by creating jobs, providing business and income opportunities, and improving living standards. During the past seven years, we have facilitated the creation of 21 620 employment opportunities, generated by way of our lending activities, and have advanced loans valued in excess of R1 billion.

BUSINESS FINANCE

The Business Finance Department at Ithala delivers financial services to SMMEs and co-operatives across the province. During the 2020/21 financial year, the Department processed over 650 applications, of which 489 were approved to the value of R164 million. However, due to slow economic activity as a result of the COVID-19 lockdown, Ithala distributed funds to only 355 approved enterprises in the amount of R79,9 million.

Ithala actively contributed to the organisation's development mandate by directing 96% of funding to Black-owned SMME's, against a target of 60%. Furthermore, of the 355 businesses who received funding, 70 are owned by women and 193 are owned by youth. Businesses funded by Ithala created 1 578 employment opportunities, against a target of 1 084, despite operating in a negative growth environment for much of the financial year.

The Department improved operational efficiency, to ensure excellence in the delivery of the Business Finance mandate. The Department drastically improved the average turnaround time for loan approval to 11 days, against a target of 28 days (where all documentation was in order); and improved the turnaround time for disbursement of the first loan drawdown to 16 days, against a target of 60 days.

The Business Finance Department is strategically focused on improving the sustainability of funded enterprise. During the financial year, 72% of enterprises were still performing two years after receiving their loan against a target of 70%. Through the delivery of pre-support to loan applicants, 95% of those that received support obtained funding against a target of 70%.

Ithala also encourages the success of its clients by entering into MOUs with strategic stakeholders, such as the Durban University of Technology (DUT) and Trade and Investment KZN (TIKZN) to drive business support and acquisition partnerships. With DUT, a group of clients are receiving business skills training, while TIKZN has offered funding to a distressed client who was affected by the lockdown, enabling them to reopen their business.

Ithala also engages in activities designed to support inclusive economic growth more broadly, including a procurement strategy that prioritises local SMMEs and co-operatives. In the 2020/21 financial year, Ithala awarded procurement funding to the value of R52,1 million to such enterprises, against a target of R50 million.

To bring attention to Ithala's business services, the organisation hosted a series of webinars, radio talk programmes and other online campaigns, educating the market about key aspects of IDFC's SMME lending products and why these products are best suited to our local clients. The campaign highlighted Ithala's low interest rates, which are driven by our development mandate, commitment to the success of funded enterprises, and investment in the greater socio-impact impact of funded initiatives.

PROPERTIES

Ithala's Properties Department assumes responsibility for the management of the organisation's large and diverse property portfolio, which currently comprises 1,2 million square meters of gross lettable area located in, primarily, urban and peri-urban areas across KwaZulu-Natal. The Properties Department also undertakes the management of certain projects in which Ithala acts as an implementing agent on behalf of governments' infrastructure programmes.

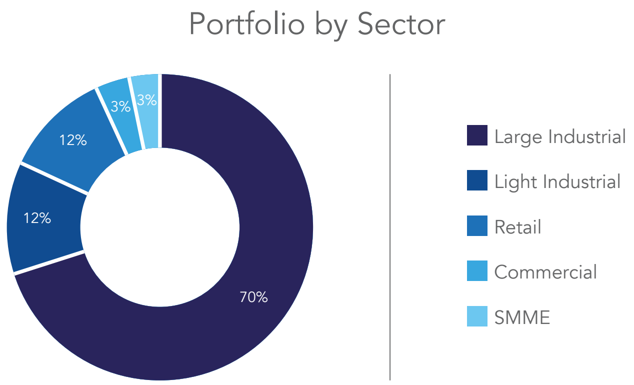
The Properties Department comprises the following main divisions:

1. **Property Management** - Responsible for leasing, ensuring an optimal tenant mix and managing tenants.
2. **Asset Management** - Responsible for long-term, strategic and financial planning to optimise property asset values and realise returns and growth objectives.
3. **Property Development and Project Management** - Responsible for managing construction and refurbishment projects.
4. **Technical Operations** - Comprises two sub-divisions:
    - **Facilities Management:** Responsible for both the planned and reactive maintenance of properties.
    - **Engineering Services:** Responsible for the management of infrastructure and municipal services, such as electricity, water, sewage and solid waste disposal provided to tenants.

Portfolio Overview

The property portfolio serves as a catalyst for economic development in the province. The portfolio comprises mainly large industrial properties (70%), followed by light industrial (12%), retail (12%), commercial (3%) and SMME properties (3%). This distribution within the property portfolio is illustrated in Figure 8.

Figure 8: Property Portfolio by Sector



The large industrial portfolio consists of the three industrial estates, namely Isithebe, Ezakheni and Madadeni, which collectively accommodate 199 large manufacturing and other enterprises.

These businesses provide employment to approximately 20 000 people from communities surrounding the estates.

The light industrial portfolio comprises of nine industrial parks and five stand-alone factories, providing accommodation for 180 businesses. Two of these light industrial parks are co-owned with Growth Point Properties.

The retail portfolio comprises 21 shopping centres, which are currently home to 493 tenants. The retail portfolio caters for both small businesses and national tenants, with shops ranging in size from four-square metres up to 5 158 square metres.

The commercial portfolio consists of 13 properties, inclusive of six office blocks and seven other commercial buildings. Two office blocks are occupied by Ithala, whilst the remainder are let as part of the leasing portfolio, accommodating 74 tenants. Ithala Trade Centre, located in Durban's Point Waterfront Precinct, is the flagship property in this portfolio and serves as Ithala's head office.

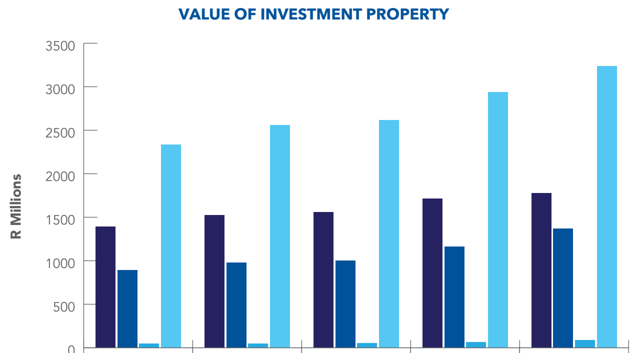
The SMME portfolio consists of 43 small properties, let as small industrial factories, handicraft centres and motor parks.

In terms of vacant land, Ithala currently holds 167 fully serviced sites. These sites are located within our industrial estates, 19 commercial sites and 235 residential sites. A total of 120 of Ithala's vacant sites are illegally occupied.

Investment Overview

Figure 9 illustrates the value of Ithala's property portfolio over the last five years. The total portfolio investment grew by 6.9 percent during the financial year under review. While the industrial , retail and SMME portfolios grew by 0.7 percent, 14.4 percent and 37.9 percent, respectively.

Figure 9: Value of Investment Property



	2016/17	2017/18	2018/19	2019/20	2020/21
Industrial	1391	1526	1560	1766	1778
Retail	896	982	1005	1197	1369
SMME	47	51	53	66	91
Total	2334	2559	2618	3029	3238

Refurbishment Programme

Ithala continued with a refurbishment programme during the year under review, focusing on the physical condition, functionality and compliance requirements of the properties. Over the past five years Ithala has undertaken a major refurbishment of retail and industrial properties to the value of R365 million, with a further R114 million to be expended during the 2021/22 financial year.

During the financial year, Ithala continued with refurbishment of 10 shopping centres, six light industrial parks, one SMME industrial park and one residential building. In addition, a re-roofing and refurbishment project was undertaken at the factories in our industrial estates, although this project experienced setbacks due to the shortage of steel supplies as a result of the COVID-19 lockdowns.

Ithala's property portfolio is relatively old and requires ongoing maintenance and repairs. During the financial year, Ithala conducted an assessment of all properties and has developed a maintenance plan to address identified issues. Ithala will continue to assess the state of our properties on a regular basis.

Investment Opportunities

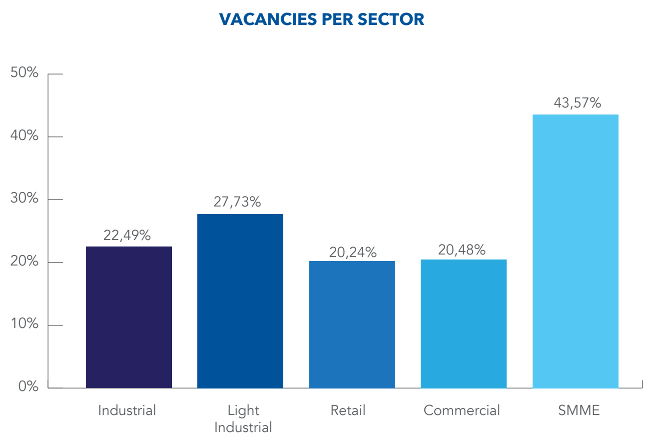
A number of investment opportunities identified during the review period are being pursued:

1. Seven high-yielding retail properties have been identified for major remodelling, at an estimated cost of R2 billion. It is anticipated that these projects will be funded through a combination of own funds, commercial borrowings and contributions from strategic partners.
2. Two new retail property developments are being planned at Mondlo and Ulundi, as part of Ithala's growth strategy. The Mondlo project is located in the central hub and is being touted as a catalytic project, given that no such facilities currently exist in the area. The Ulundi development is aimed at providing a modern and up-market-styled shopping mall, catering for the middle to upper LSM (Living Standards Measure) groups living in Ulundi.

Vacancy Levels

The 2020/21 financial year saw the portfolio's vacancy rate increase from 19.1 percent to 23.5 percent overall. Vacancy is most pronounced in SMME sites, at 43,6 percent. Tenants are not renewing leases as expected and it is difficult to attract new tenants owing to tough economic conditions and the closure of many businesses. Ithala is offering minimum rental and escalation rates in a bid to secure tenants.

Figure 10: Vacancies per Sector



Prospects for 2021/22

The Properties Department is targeting the following objectives for the 2021/22 financial year:

- Grow property revenue by 10 percent;
- Maintain operational expenditure at current levels;
- Reduce property vacancy levels to 18 percent; and
- Improve the value of the investment portfolio.

IMPLEMENTING AGENT

The IDFC seeks to build capacity and regain its position as the preferred implementing agent for economic and social infrastructure development projects in the province. This is in line with the provincial priority to build government's capacity to effectively deliver infrastructure and other projects.

Ithala currently manages a number of social and infrastructure projects on behalf of the KZN Department of Economic Development, Tourism and Environmental Affairs, including:

- Industrial Hubs – Clothing, textiles and leather processing;
- Ndumo Retail Development;
- Proposed refurbishment of the Thokazi Royal Lodge;
- Bulk buying;
- Radical Agrarian Socio-Economic Transformation (RASET);
- KwaMashu Cleaning Detergents Shared Production Facility;
- KwaZulu-Natal Corporative Grant Funding;
- Zimele Traders Fund: Spaza and Township Revitalisation; and
- Government garages/ auto service hubs.

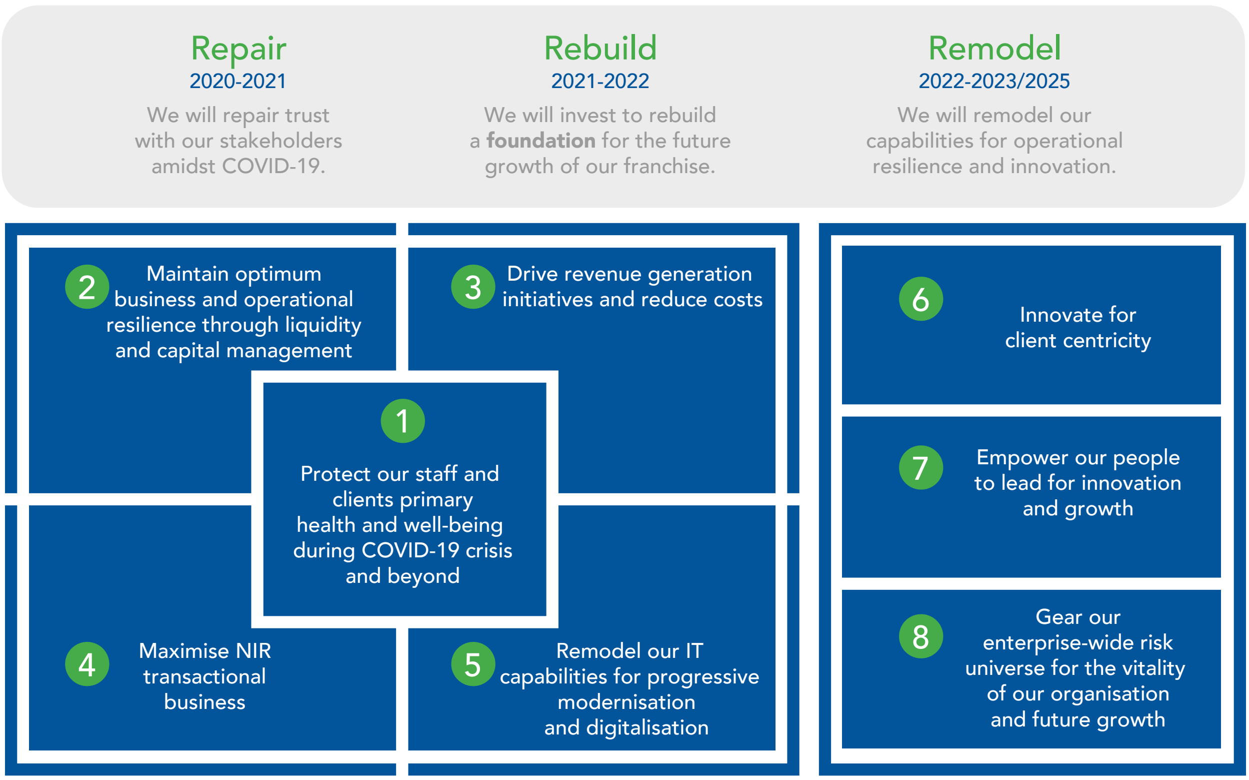
ITHALA SOC LIMITED

Ithala SOC Ltd registered a net loss of R31,6 million in the 2020/21 financial year, compared to a loss of R75,4 million in 2019/20. The 58 percent year-on-year reduction in net losses is attributed to a R26 million release of credit impairments, R10 million release of impairments relative to the Land Bank investment, and a R7 million release of leave pay provisions.

In September 2020, Ithala SOC Ltd appointed Dr Thulani Vilakazi as CEO, and embarked on a number of strategy conversations with key stakeholders. These conversations culminated in the adoption of the Repair, Rebuild and Remodel Strategy by the Board on 26 November 2020.

The Repair, Rebuild and Remodel Roadmap is aligned to a five-year timeframe and underpinned by eight (8) strategic objectives, illustrated in Figure 11.

Figure 11: The Repair, Rebuild and Remodel Roadmap



Ithala SOC Ltd continues to engage with its shareholder and stakeholders regarding its future structure. The future structure will determine how Ithala may be funded going forward through various recapitalisation initiatives, subject to the Provincial and National authorities' consent.

The 2020/21 Ithala SOC Ltd Annual Performance Plan (APP) identified the output indicators and targets the institution aimed to achieve during the financial year. These are summarised in Table 10, accompanied by comments from Management.

Table 10: The IDFC APP - Outputs and Indicators

Output Indicators	2020/21 Annual Targets	Annual Actual Output	Management Comments
Outcome 1 **Increased investment in development programmes and projects**			
Rand value of matched funding secured per annum	R100 million (current approved Borrowing Plan)	Nil	Due to COVID-19 and its impact on cash flow, the Borrowing Plan for 2020-21 was deferred.
Outcome 2 **Property portfolio optimised for tenant retention and attraction**			
Rand value of capital expenditure on property developments, expansions and remodelling	R51 million	R16,9 million	Expenditure not incurred mainly due to the COVID-19 lockdown and resultant shortage in steel supplies which affected two re-roofing projects at industrial sites.
Number of jobs created through the Capital Development Programme	205	68	
Number of new leases concluded with tenants	175	110	Leasing activity hampered by COVID-19. Tenants are not renewing leases as expected and vacancies are difficult to fill owing to economic challenges.
Repairs and maintenance percentage over the asset base	2,7%	1,3%	Maintenance and Capex budgets not spent due to the COVID-19 lockdown. Only emergency work was carried out in Q1 of the 2020/21 financial year. Maintenance and refurbishment budgets were reduced but still could not be achieved primarily due to the steel shortage.
Return on investment in property portfolio	10,98%	9,2%	The target was not achieved due to COVID-19 which has created uncertainties in terms of projections.
Outcome 3 **Increased contribution of supported SMME's and co-operatives to socio-economic transformation and job creation**			
Average turnaround time for approval of loans from date of valid application (once all documentation is in order)	Within 28 working days	11 days	Target achieved
Percentage of the total loan book disbursed per annum	15%	10%	67% of target achieved. Target not met due to the COVID-19 lockdown and reduced economic activity, 164 million in loans were approved versus a budget of R172 million. Disbursements were R79,9 million against a budget of R156,9 million.
Average turnaround time for disbursement of first drawdown of loans (high-value)	Average 60 working days from approval date	16 days	Target achieved
Average percentage of stage 3 loans per annum	<=45%	64%	Failure of many clients to service their debts despite implementation of debt recovery strategies and enforcement of credit management policies.

SECTION 2

Output Indicators	2020/21 Annual Targets	Annual Actual Output	Management Comments
Percentage of funded businesses who received pre-support	70%	94,5%	Target achieved
Percentage of start-up businesses funded that are performing two years after first disbursement	70%	72%	Target achieved
Number of jobs created through SMME's and co-operatives that received funding from IDFC	1 084	1 578	Target achieved
Outcome 4 Increased access to economic opportunities for KZN residents and enterprises from designated groups			
Percentage of preferential procurement spend on enterprises that are: Black-owned	Black- 60%	78%	Target achieved
Percentage of preferential procurement spend on enterprises that are: Women-owned	Women - 40%	25%	62% of target achieved. Majority of suppliers include women in the ownership structure at less than 51% of the total shareholding.
Percentage of preferential procurement spend on enterprises that are: Youth-owned	Youth - 35%	14%	40% of target achieved. Majority of suppliers include youth in the ownership structure at less than 51% of the total shareholding.
Percentage preferential procurement spend on enterprises that are: People with Disabilities (PwDs)-owned	People with Disabilities - 7%	0%	We were not able to attract companies owned by PwDs through our tender process. During the year we engaged with the association of businesses owned by PwDs and encouraged them to participate in our procurement system.
Percentage of funding allocated to designated groups per annum: Black, African in particular	Black, African in particular: 60%	96%	Target achieved
Percentage of funding allocated to designated groups per annum: Women	Women: 40%	22%	40% of target achieved. COVID-19 continued to affect the deal flow.
Percentage of funding allocated to designated groups per annum: Youth	Youth: 35%	33%	94% of target achieved. COVID-19 continued to affect the deal flow.
Percentage of funding allocated to designated groups per annum: PwD's	PwD's: 7%	0%	COVID-19 continued to affect the deal flow.
Rand value of IDFC supported SMME's and co-operatives benefiting from Provincial Government procurement spend	R50 million	R52,1 million	Target achieved
Number of SMME's and co-operatives supported to supply the KZN government with prioritised commodities	1	22	Target achieved

Output Indicators	2020/21 Annual Targets	Annual Actual Output	Management Comments
Outcome 5 Effective implementation of development programmes and projects in the province			
Percentage of projects assigned to the IDFC that have achieved at least 90% of SLA milestones (deliverables)	>=90% achievement of agreed project milestones	95%	Target achieved
Average percentage achievement of agreed infrastructure development project milestones	>=90% achievement of agreed project milestones	97%	Target achieved
Outcome 6 Sustainable and high-performing organisation			
External audit outcome on previous year financial statements	Unqualified, with no material findings	Unqualified, with no material findings	Target achieved
Number of material findings on the external audit of performance objectives	Zero material findings	Zero material findings	Target achieved
Number of material findings on the external audit of non-compliance with legislation	Not more than one material finding	There was one material finding with SCM	Target achieved
Gross collections (cumulative)	R702 million	R953,9 million	Target achieved
Net profit (cumulative)	R94,6 million	R164 million	Target achieved
Cost-to-income ratio	Including grants and FV adjustment: 74,2% Excluding grants: 80,5%	Including grants and FV adjustment: 65.9% Excluding grants: 70.8%	Target achieved
Number of days cash on hand	>40 days cash on hand	69 days	Target achieved
Turnaround time for resolving customer complaints	Customer complaints to be acknowledged within 24 hours and resolved within six weeks	14 weeks	Target not met due to operational challenges brought on by COVID-19 lockdown measures and lack of customer service training.
Percentage utilisation of all ICT systems	75%	80,9%	Target achieved
Percentage employee satisfaction rating	Conduct survey to establish baseline	Survey conducted and baseline established	Target achieved

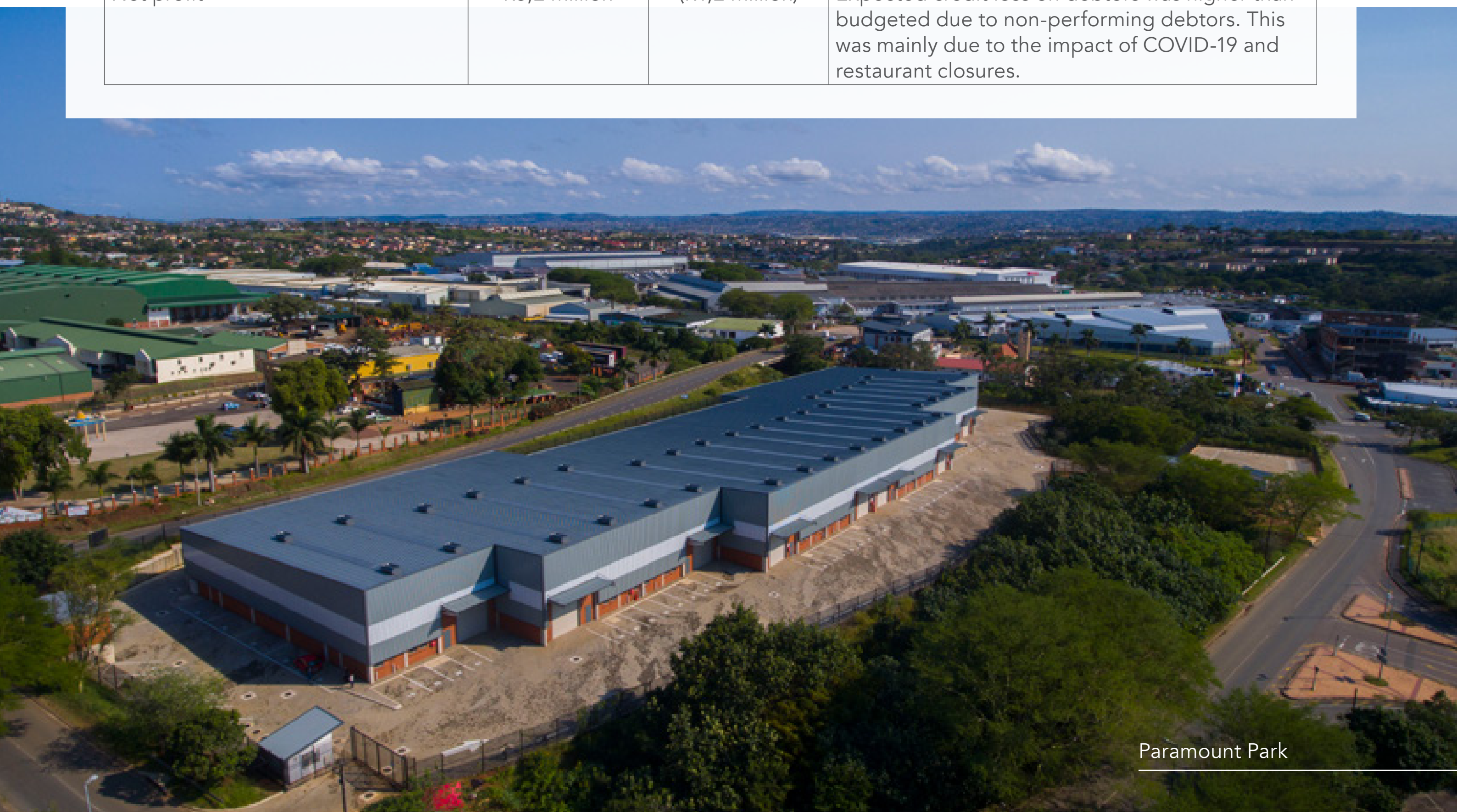
SECTION 2

SUBSIDIARY PERFORMANCE

The following table presents the performance information for IDFC wholly owned subsidiaries that are operational. The performance of Ithala SOC Limited is described in their Integrated Annual Report which can be downloaded from the website: www.myithala.co.za.

Table 11: IDFC Subsidiaries KPIs

Key Performance Indicators	2020/21 Annual Target	Annual Actual Output	Management Comment
UBUCIKO TWINES & FABRIC SOC LTD			
To collect all rentals from the lessee	R1,053 million	R1,053 million	Target achieved
NONGOMA PLAZA LIMITED			
Gross collections	R17,3 million	R17,8 million	Target achieved
Net profit	R10,1 million	R13 million	Target achieved
SUNDUMBILI PLAZA LIMITED			
Gross collections	R16,1 million	R24,3 million	Target achieved
Net profit	R10,2 million	R12 million	Target achieved
DURBAN WHARFSIDE TRUST			
Gross collections	R3,7 million	R4,9 million	Target achieved
Net profit	R5,2 million	(R1,2 million)	Expected credit loss on debtors was higher than budgeted due to non-performing debtors. This was mainly due to the impact of COVID-19 and restaurant closures.



Paramount Park

HUMAN CAPITAL

Ithala's Human Capital function aims to be a key resource in driving the strategic imperatives of the organisation, by way of providing professional human resource management services.

Ithala sets out to provide a human capital base that is capable, motivated and challenged/stimulated enough to ensure that Ithala drives economic development and empowerment. At the same time, the human capital function must also promote the financial sustainability of the organisation and ensure that it continues to remain relevant as a development finance institution.

The Human Capital Strategy must also support the business's human capital initiatives. Ensuring that Ithala is properly staffed with resources that possess the requisite skills and competencies to deliver on the organisation's mandate, despite challenges posed by the COVID-19 pandemic. This is achieved by:

- Inculcating a high-performance orientated organisational culture;
- Supporting business units to achieve their business objectives;
- Implementing human resources processes aimed at transformational activity and service delivery;
- Implementing an effective talent management process; and
- Implementing the Integrated Employee Value Proposition as a retention mechanism.

STAFF PROFILE

The table below depicts the IDFC's employee profile as at **31 March 2021**, per salary band.

Ithala employed a total of 305 permanent employees at the end of the financial year, which is 13 fewer than were employed the previous year, despite appointments in several key positions. This is attributed in part to a moratorium on hiring put in place during the early stages of the COVID-19 lockdown. The consistent decrease in employee numbers from 2018/19 onwards may have implications for operations, such as an increase in resignations as a result of overwork.

During the reporting period, IDFC employed only one (1) disabled person. To remedy this, the IDFC has developed an Employment Equity Plan, which is effective from 1 October 2019 to 30 September 2022. The Plan seeks to address issues of equity in the workplace, including the recruitment of people with disabilities and the equitable representation of women in the management echelons.

Unfortunately, the situation could not improve in the 2020/21 financial year due to the moratorium on hiring.

HUMAN CAPITAL (CONTINUED)

Table 12: Staff Profile as of 31 March 2021

Grade	DESIGNATED											Foreign Nationals			Non-Designated		Grand Total	Disabled
	African			Indian			Coloured			White								
	F	M	TOT	F	M	TOT	F	M	TOT	F	TOT	F	M	TOT	M	TOT		
FU	1		1			0			0		0			0		0	1	
FL	1	4	5			0			0		0			0		0	5	
EU	1		1			0			0		0			0		0	1	
EL	2	3	5	2	1	3			0		0			0		0	8	
D4	2	14	16	2	3	5			0		0			0	4	4	25	
D3	3		3		2	2			0		0			0		0	5	
D2	5	7	12			0			0		0			0		0	12	
D1	7	10	17	3	1	4	1	1	2	1	1	1		1		0	25	
C5	8	6	14	2		2	1	1	2		0			0		0	18	
C4	37	17	54	2	2	4	1	1	2		0	1		1		0	61	1
C3	8	6	14	1		1			0		0			0		0	15	
C2	6	2	8			0			0		0			0		0	8	
C1	19	13	32	1		1	1		1	3	3			0		0	37	
B4	4	11	15			0			0		0			0		0	15	
B3	7	11	18			0			0		0			0		0	18	
B2		6	6			0			0		0			0		0	6	
B1	1	11	12			0			0		0			0		0	12	
A3		3	3			0			0		0			0		0	3	
A2	5	25	30			0			0		0			0		0	30	
Total Permanent	**117**	**149**	**266**	**13**	**9**	**22**	**4**	**3**	**7**	**4**	**4**	**2**	**0**	**2**	**4**	**4**	**305**	**1**
Fixed Term Contract	2	17	19			0			0		0			0	1	0	19	
Graduate Trainee	25	19	44	1		1			0		0			0		0	45	
Non-Permanent	**27**	**36**	**63**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**64**	**0**
Grand Total	**144**	**185**	**329**	**14**	**9**	**23**	**4**	**3**	**7**	**4**	**4**	**2**	**0**	**2**	**4**	**4**	**369**	**1**

Figure 12 illustrates the gender and racial representation of Ithala staff as of 31 March 2021. As reflected below, 46,6 percent of IDFC staff are female and 53,4 percent are male, with an increase the female compliment of 1,3 percent compared to previous reporting period. Further effort is required to retain and recruit female employees to achieve the 50,5 percent target for female representation as per the IDFC 2019-2022 Employment Equity Plan.

Figure 12: Gender and Racial Representation as of 31 March 2021

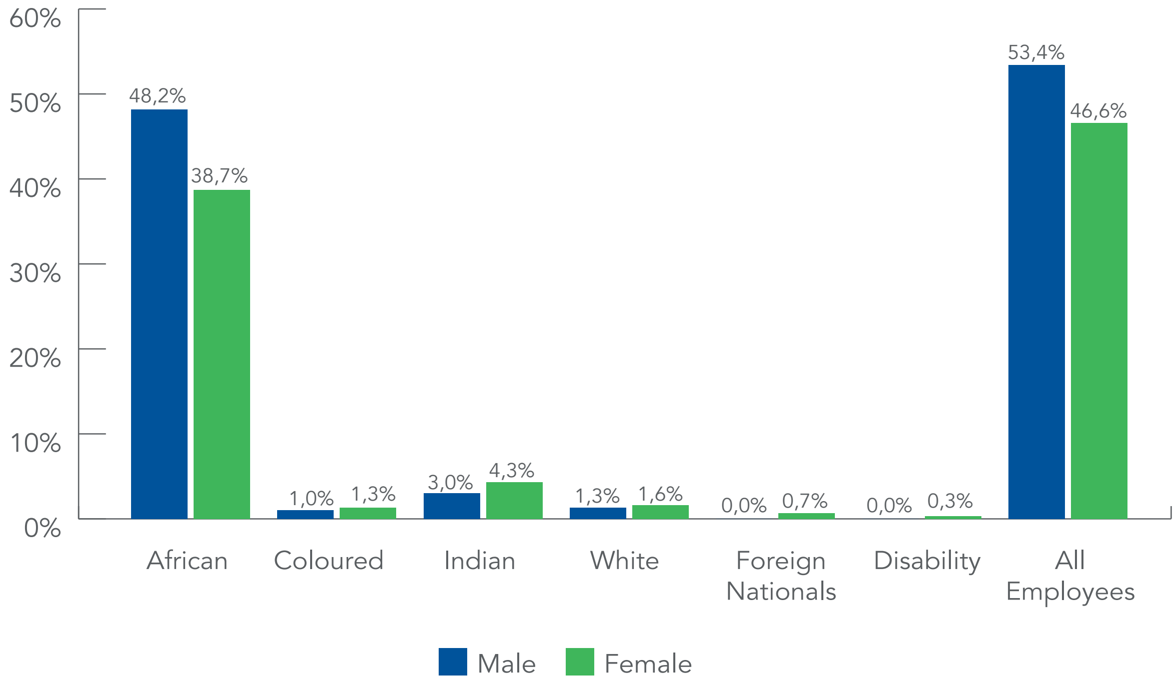


Figure 13 reflects the age bell curve of IDFC employees during the reporting period. Representation by age changed slightly from the previous reporting period, with 1,1% of employees moving from the 18-35 age group into the 36-45 age group. Nevertheless, Ithala boasts a healthy age profile for long-term institutional knowledge, as only 15 percent of employees are due for retirement in less than 10 years.

The majority of employees aged 56 and above are in the Properties Department, with 51,1 percent of employees in this Department over the age of 55. This suggests that the Department needs to focus on building a succession pipeline, particularly given that the Properties Department is the backbone of IDFC's financial income. The newly approved Succession Policy will assist the Department in identifying critical skills to assist in these efforts.

Figure 13: Employee Age Profile as of 31 March 2021

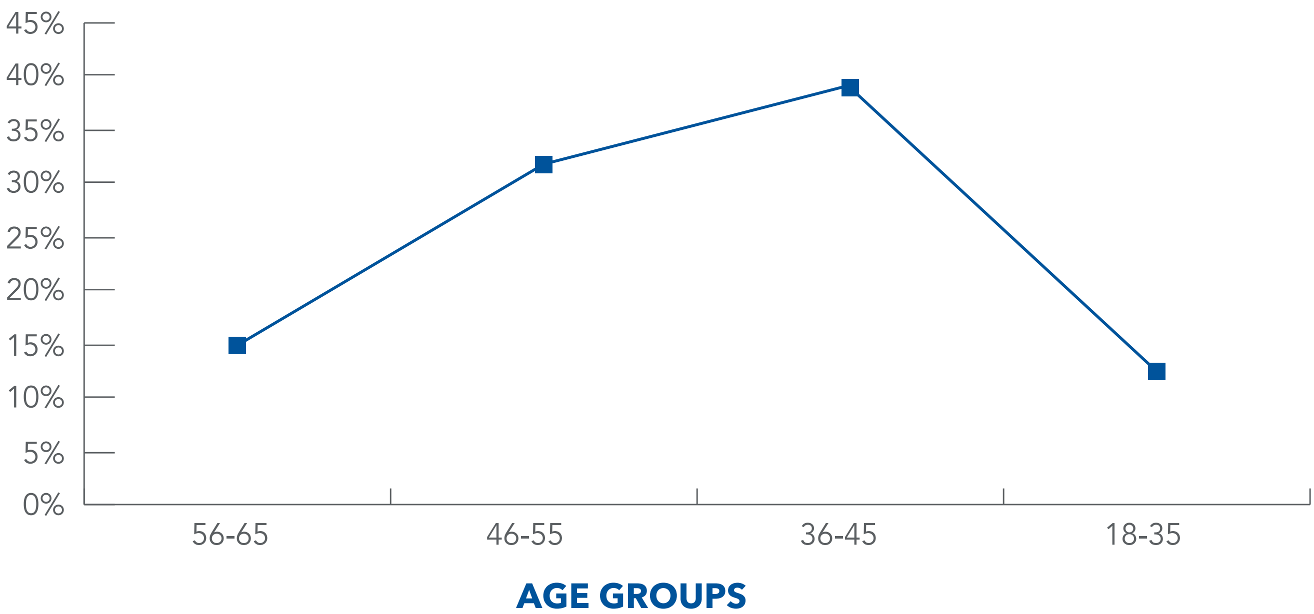
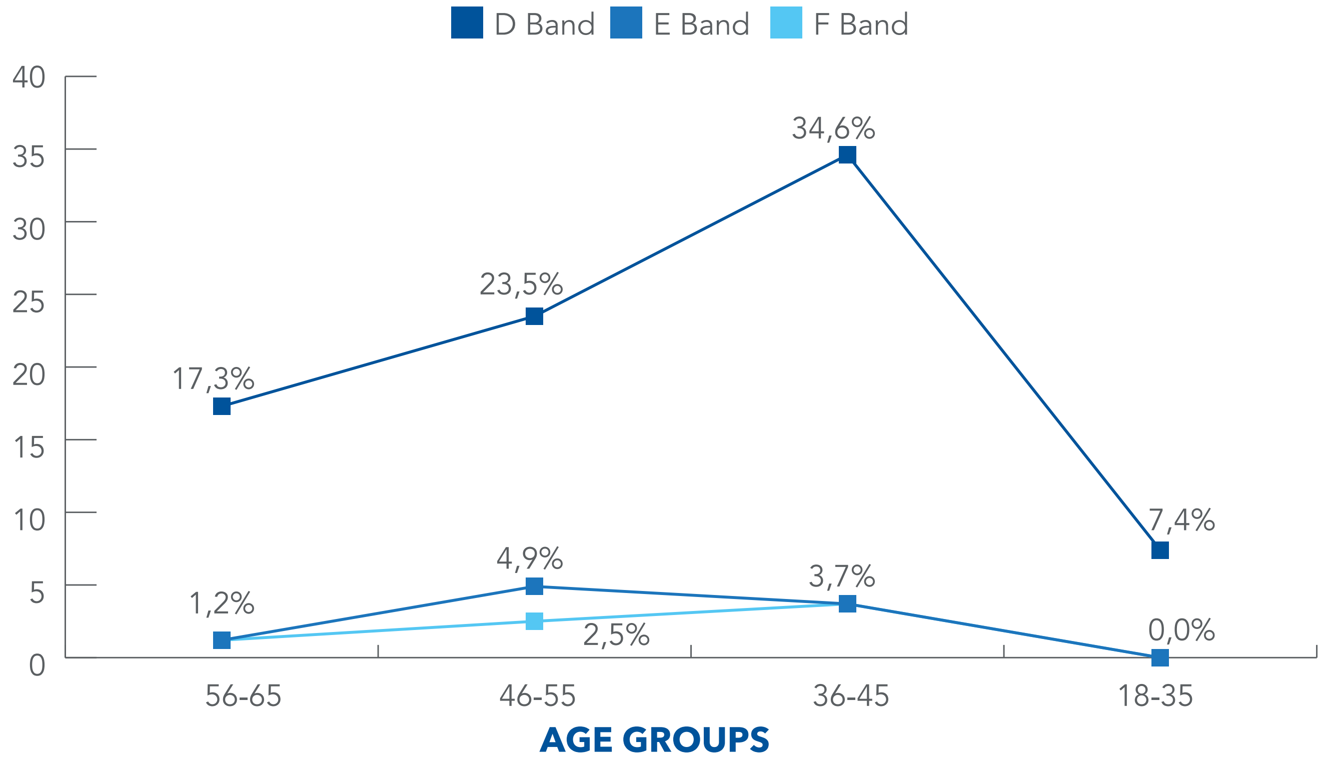


Figure 14 depicts the distribution of each age group among Ithala's managerial staff, with the F Band representing the most senior employees in the organisation. It shows that the IDFC needs to attract more youth (35 years and below) into the E and F salary band levels, provided they meet the requirements of the position.

Figure 14: Employees at Managerial Levels as of 31 March 2021



Total staff turnover for the year was at 6,4 percent, which is far below a benchmark of 10 percent. Nevertheless, turnover is up from 2,6 percent the previous year, due primarily to a high number of deaths and retirements. In the main there were 20 exits, which are broken down as follows:

- 7 resignations;
- 4 deceased employees;
- 2 dismissals;
- 1 retrenchment; and
- 6 retirements.

TRAINING AND DEVELOPMENT

The IDFC has implemented a Training and Development Programme to assist youth in gaining experience and employment skills in an attempt to address the provinces high unemployment rate. During the financial year, IDFC had 45 interns and graduate trainees in the system, and appointed two interns to permanent positions.

Employee training is viewed as an important investment in human capital at the IDFC. However, as a result of the cost containment measures adopted due to COVID-19 implications, training was suspended for most of year. Nevertheless, the IDFC still spent R238 304 on virtual training for a total of 236 beneficiaries, and was able to develop and submit the statutory Workplace Skills Plan.

TALENT MANAGEMENT AND SUCCESSION PLANNING

At Ithala, we firmly believe that our employees are our organisation's most valuable asset and, accordingly, we constantly seek to identify and develop talented people who have the skills, potential and ability to take the organisation to the next level. IDFC has approved the Succession Planning Strategy which is meant to improve the Employee Value Proposition by developing employees to be ready for senior positions. This, in turn, will create a pool of employees who may assume senior roles, thus promoting retention and increasing employee satisfaction.

EFFECTIVE AND EFFICIENT EMPLOYEE RELATIONS

Our approach to employee relations ensures that we recognise our employees' rights to fair and equitable employment practices.
Ithala continues to apply a zero-tolerance policy with regards to unwarranted misdemeanours by employees. During the financial year, the organisation reviewed the Disciplinary Code and the Code of Conduct, which were forwarded for approval in the 2021/22 financial year. In keeping with good governance and consequence management within IDFC, nine (9) employees were disciplined for various acts of misconduct of which five (5) are part-heard matters, whilst two (2) cases are at the appeals stage.

The entity maintains a Recognition Agreement with its Union NEHAWU. Currently, NEHAWU enjoys 71,6 percent membership of Ithala's workforce, who are within the bargaining unit of the A to C salary bands. The Local Labour Forum has a schedule of meetings wherein the NEHAWU and IDFC Management meet to discuss matters of mutual interest. Special meetings were held during the reporting year, as per the request of either party.

The collective bargaining process on salary negotiations for the year under review went smoothly. This, despite the fact that negotiations resumed only in the last quarter, which resulted in the agreement that for 2020/21 financial year, employees were to receive their cost of living increase effective from 1 April 2020. The organisation is pleased to report that it did not experience any industrial action during the 2020/21 financial year, despite the moratorium put in place at the beginning of the year with respect to wage negotiations.

RECOGNITION OF EXCELLENCE

We continue to cultivate a high-performance culture and recognise excellence through various recognition and reward programmes, designed to make our employees feel valued and appreciated. Ithala has implemented an automated recognition and reward platform to make this possible. This programme plays a crucial role in improving morale and keeping our employees engaged.

EMPLOYEE WELLNESS

We have a commitment to ensure that the wellbeing of our employees is given high priority. To this end, a proactive and comprehensive Employee Assistance Programme was put in place to ensure the wellbeing of our people. The programme encompasses four pillars that cater for the emotional wellbeing, physical wellbeing, financial wellbeing and the legal support for all employees.

Ithala supports our employees though chronic management programmes administered by our medical aid schemes, while our Healthy Company continues to support all employees during the COVID-19 pandemic.

CHANGE MANAGEMENT

Ithala employs a structured change management strategy for the delivery and facilitation of change within the organisation. This strategy has assisted in assessing the organisations change maturity and understanding whether we are effectively looking after the interests of our people, as well as ensuring the involvement and ownership of our employees during times of change.

IDFC approved the revised organisational structure to best support the strategic intent of the organisation, which warranted that a process of change management be implemented. Various structures were consulted during this period with an intention of implementing the revised structure in the next financial year.

SOCIO-ECONOMIC TRANSFORMATION

Ithala believes in and contributes towards the national socio-economic transformation agenda, placing special emphasis on Broad-Based Black Economic Empowerment (B-BBEE) and related community-based initiatives.

As a Public Entity, Ithala is subject to the Public Finance Management Act (PFMA) and B-BBEE principles.

Central to our mission is the requirement to incorporate previously disadvantaged and marginalised black people into the mainstream economy. In giving effect to this need, we set out to conduct business activities which are designed to contribute appreciably to B-BBEE, inclusive of corporate social investment, poverty alleviation, bursary schemes, sponsorships, skills development, employment equity, the application of preferential procurement ideals, female and youth empowerment workshops and the approval of loans to Black-owned co-operatives and SMME business enterprises.

We adhere to the PFMA, which promotes the objective of good financial management in order to maximise service delivery through the effective and efficient use of limited resources. In terms of the PFMA, and in line with Section 217 of the Constitution, an appropriate procurement and provisioning system must be maintained, which aims to be fair, equitable, transparent, competitive and cost-effective.

Ithala is a Level 7 B-BBEE contributor and is classified as a value-adding supplier, a benefit that accrues to those who utilise Ithala as a supplier. Our procurement spend in the 2020/21 financial year amounted to R140,5 million compared to R228,6 million during the prior year. In addition, our weighted procurement spend from B-BBEE suppliers totaled R R180,6 million, compared to R280 million the previous year.

The above excludes spend of R402,2 million paid to other government institutions such as Eskom, municipalities, government departments, SOEs, universities, colleges, professional bodies, and the Auditor-General (South Africa).

In an effort to align Ithala with the Provincial Government's mandate to catalyse radical economic transformation, Ithala continued to enforce fundamental change through the robust implementation of preferential procurement in favour of African Exempted Micro-Enterprise (EMEs) and Qualifying Small Enterprises (QSEs), together with businesses owned by women, youth and people with disabilities.

CORPORATE SOCIAL INVESTMENT ACTIVITIES

Ithala's Corporate Social Investment (CSI) programmes resonate with our organisation's brand message 'Enabling Dreams', and create hope, access and opportunity for the people of KwaZulu-Natal.

Our flagship CSI programmes are focused on:

- Skills Development;
- Job Creation and Entrepreneurship; and
- Financial Wellness.

In the 2020/21 financial year our CSI activities consisted of enterprise development programmes, with a specific focus on women empowerment. Launched in 2015, the Imbokodo Iyazenzela Women in SMMEs initiative supports the development and empowerment of women in rural and township areas. The focus is on providing advice, direction and opportunities for women who are in business or who want to get into business.

The programme theme is aligned to the following key priority areas:

- Rural Development;
- Township Revival; and
- Youth and Women Empowerment.

A total of twenty (20) female entrepreneurs are participating in a 12-month mentorship support programme that provides mentorship solutions specifically designed to meet individual needs of their business.

The mentorship programme will go a long way in resolving some of the issues faced by women in business, which often prevent them from being able to access finance. The programme offers guidance and advisory services on the following:

- Business plans and cash flow management;
- Tax compliance;
- Marketing and sales;
- Companies and Intellectual Property Commission (CIPC); and
- Opportunities to access markets in order to grow their business.

THE IMPACT OF COVID-19

The COVID-19 crisis has made it necessary for many businesses to quickly shift their business models. Adopting technology has become a necessity for the growth and sustainability of business during the pandemic, and in the 21st century more broadly.

The importance of technology is even more evident as the COVID-19 pandemic has changed the way businesses interact with their clients and suppliers, with all communication transitioning towards digital platforms.

With economic gaps worsened by the pandemic, SMMEs continue to forge creative pathways to income generation. Approaches include pivoting to new business models, developing cost-effective methods to sustain businesses, and utilising e-commerce to bring services and products to market.

Ithala CSI engaged with various stakeholders in a series of online educational seminars aimed at supporting economic recovery post COVID-19, with a particular focus on SMME and co-operatives development. The seminars addressed the following topics:

- Young Women Innovators - Pivoting your business during COVID-19 pandemic;
- Adapting digital platforms in everyday business; and
- Best practice and compliance for SMMEs and co-operatives.

Imbokodo Iyazenzela Mentorship Programme

INFORMATION TECHNOLOGY

Information and Communication Technology (ICT) plays a crucially important role in enabling Ithala's business units to meet their respective mandates, by delivering cost-effective business solutions and services by way of people, processes and technology.

The role played by our ICT Department includes the provision of IT Governance, the automation of business processes, the provision of robust ICT infrastructure, IT strategic planning and architecture, information security and IT risk management, application design, development and implementation, application support and maintenance, and data and information management.

During the 2020/21 financial year, our ICT Department achieved a number of outcomes, including:

- Successful testing of the Disaster Recovery Plan
- Award and appointment of service providers for:
    - WAN Replacement
    - Multifunction Devices (MFD Printers) roll-out
    - Implementation of WhatsApp for Business
    - Business Finance enquiry form
    - HALO SRM call centre
- Successful completion of the Business Intelligence QlikView dashboard for Business Finance, reporting to the Board Credit and Investment Committee covering the following sections:
    - Investment Portfolio Overview
    - Debtors Overview

The ICT Department maintained exceptional service uptime throughout the financial year. The average availability of Ithala's ICT infrastructure was 97 percent, as of the third quarter. This meant that operations facilitated by information technology remained reliable and available, which was critical during lockdown periods. The service uptime was, however, affected in the fourth quarter due to a cyber-attack that occurred on 19 February 2021.

The ICT Department maintained commendable user satisfaction throughout the year. A customer satisfaction Index of 98% was achieved up to the third quarter of the review period, based on the number of satisfaction ratings provided by users after calls were serviced by the ICT support team. Ratings for the fourth quarter are unavailable due to the cyber-attack that affected Microsoft Exchange and the customer rating system. The ICT team continues to address all issues from the cyber-attack and works to ensure customers remain satisfied with the services provided by the support team.

The cyber security breach, which occurred on 19 February 2021, infiltrated the IDFC Data Centre and affected IDFC and SOC applications. The ICT Department responded swiftly by isolating the infection, blocking administrator accounts and updating the anti-virus security. Most applications have been recovered and the Department is currently working on strengthening network security and infrastructure to prevent any future attacks.

The ICT Department continues to make tools available to enable users to work remotely during the COVID-19 lockdown period. Personnel that perform critical functions were issued with laptops, 3G cards and virtual private network (VPN). By the time the lockdown was moved to Level 1, plans were firmly in place to ensure staff can work fully remote or on rotation.

HEALTH, SAFETY AND ENVIRONMENT

Health, safety and the environment are areas of great concern to Ithala and, consequently, are accorded the priority status they deserve. It is for this reason that continuous awareness is promoted across the organisation.

Our Health, Safety and Environment strategy centers around a combination of risk management, policy setting, employee awareness and a culture which seeks to promote the desired health, safety and environment behaviors, the implementation of management systems, and the promotion of staff health and well-being, along with compliance.

Ithala seeks compliance with legal requirements pertaining to the protection of health, safety and the environment. This is done through:

- Identifying, controlling, eliminating or reducing both health and safety risks and significant environmental impacts;
- Prevention of pollution and accidents, or ill-health, while delivering continuous improvement;
- Training and informing all members of staff, so as to ensure they are equipped with adequate knowledge regarding health, safety and environment activities, and to inculcate across the organisation a positive health, safety and environment culture; and
- Making appropriate resources available, thus ensuring effective compliance with our Health, Safety and Environment policies and procedures.

On a periodic basis, we assess our levels of compliance, inclusive of assurance processes. Such checks are undertaken as a means to provide assurance to the relevant authorities that our operations and business units do, in fact, comply with policies and all legislative requirements. In this regard, we have made good progress towards the development and implementation of improvement plans.

HEALTH

Ithala remains wholly committed to ensuring the health of members of staff, achieved through the implementation of continuous medical surveillance and other monitoring programmes. This is executed through a combined effort between the Occupational Health and Safety Business Unit and the Wellness Business Unit. The health of our staff is a priority as they are our most important resource.

In response to the unprecedented COVID-19 pandemic, Ithala put several measures in place to contain the spread of the virus. These include employee rotation, working from home, sanitizing the building, limiting the floor capacity usage to 50 percent and daily screening of employees and guests. It is with great sadness that we report the passing of two members of our staff from COVID-19 during the financial year.

SAFETY

Occupational Health, Safety and Environment (OHSE) training, awareness campaigns, inspections and audits are regularly undertaken as a means of maintaining the health and safety of our members of staff in the workplace. OHSE Committee meetings are held on a quarterly basis, as per the minimum requirement contained in the Occupational Health and Safety Act. One (1) reportable safety incident took place during the 2020/21 financial year at Ezakheni Industrial Estate and it was reported in line with the regulatory requirements.

ENVIRONMENT

Ithala recognises and understands the importance of the environment and that non-compliance impacts both the environment and sustainability of the organisation. We continue to strive to ensure that the environment is not adversely affected by any of our business activities, so as to create a sustainable and profitable business, together with the provision of professional and reliable services to our tenants.

There were no reportable environmental incidents during the 2020/21 financial year. We continue working with the relevant authorities towards ensuring a harm-free environment. We have valid permits in place that were issued for waste management at our industrial estates and we vigilantly continue monitoring the performance of landfill sites, in line with legal requirements.

GOVERNANCE

INTRODUCTION

Ithala's Board of Directors subscribes to the highest standards of corporate governance and expects the implementation of such standards across all the organisation's business operations.

The Board is ultimately accountable for putting corporate governance structures and policies in place so as to ensure that all internal stakeholders take responsibility for ethical behaviour and adhere to the Ithala Code of Conduct. The Board values long-term and ethical client relationships and has well-established governance processes in place to safeguard the balance between achieving business growth and meeting the reasonable expectations of stakeholders. The Board has expressed a position of zero tolerance to any form of fraud, theft or corruption.

The Group Chief Executive is the only member of the management team who is an ex-officio member of the Board. Therefore, the balance between non-executive and executive directors is not at the level recommended by the King Report. This is mitigated by the appointment of executives as members of certain Board Committees.

The Board of Directors believes that in all material aspects relevant to its business, Ithala complied with the recommendations contained in the King IV Report during the year under review.

BOARD COMPOSITION

The Board is appointed by the responsible Member of the Executive Council of the Province of KwaZulu-Natal. In terms of Section 6 (1)(a) of the Ithala Act, the Board must comprise at least seven, but no more than 13 members. The term of office of the Board was renewed for a further three years ending 31 May 2021. After the resignation of Mr. Inkosi Mkhize with effect from 6 May 2020 the Board comprised six non-executive directors and the Group Chief Executive, who is an ex-officio member of the Board.

BOARD EFFECTIVENESS

A skills gap analysis is undertaken annually against the minimum skills as stipulated in Ithala Act, as well as those skills the Board considers essential for the achievement of the strategic goals of Ithala.

The results of the skills gap analysis indicated that the Board needed to bolster its Information Technology and Legal skills. Legal specialists were co-opted onto the Audit and Risk Committee, with effect from 1 April 2020, in terms of Section 16 (1) of the Ithala Act. An IT specialist appointed to the ICT Governance Committee during the previous financial year resigned as member of the Committee during the year under review and the Board appointed one of their own to bolster the skills and meet the quorum requirements of the Committee.

The Board Committees were evaluated during the year under review in terms of the Board performance evaluation framework.

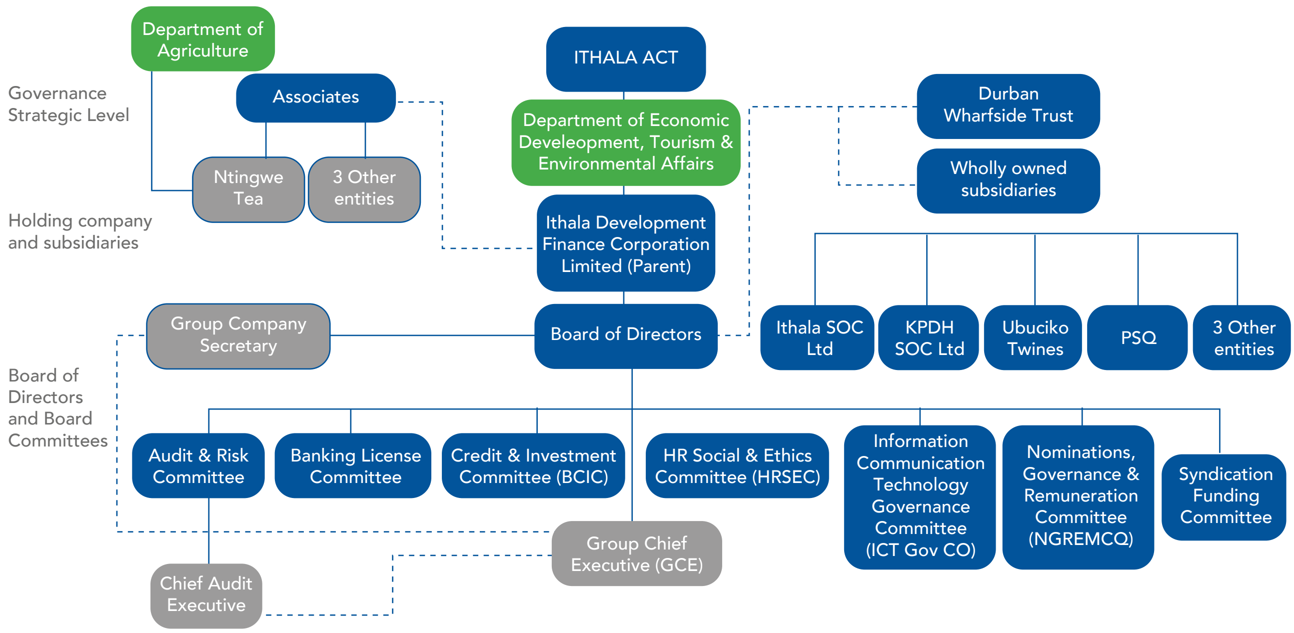
The implementation of the board training plan, which was approved during the previous year, was put on hold due to the financial constraints arising from the COVID-19 pandemic.

During the year under review the Board monitored the risks that emerged with the advent of COVID-19, while encouraging management to seize the opportunities arising from the pandemic.

GOVERNANCE STRUCTURE

The IDFC has established a group corporate governance structure in keeping with the requirements of the Ithala Act (Figure 15).

Figure 15: IDFC Group Corporate Governance Structure



Board Committees have been established in terms of Section 15 (1) of the Ithala Act to assist the Board to discharge its responsibility of reviewing operational performance and monitoring risk management. Allocation of members to the Committee is based on skills and every effort is made to distribute Committee membership evenly among all non-executive directors. The Board approved the terms of reference and delegated powers of authority for the Committees.

Each Board Committee has a work plan which serves as a mechanism to ensure that meetings are structured in such a manner that the King Report on Corporate Governance recommendations, Public Finance Management Act (PFMA) and Companies Act requirements are addressed. The Board Committee Chairpersons make reports on the activities of their respective Committees to the Board at every meeting, highlighting emergent risks and recommending strategies as they deem appropriate, to enable the Board to monitor, among others, key risk areas that are relevant to the organisation. The Board Committees have the right to obtain independent outside professional advice to assist with the execution of their duties, at company's cost, subject to a Board approved process.

Tables 14 and 15 provide the Board and Committee membership registrar for the 2020/21 financial year, and the attendance list for Committee meetings during this same period.

Table 13: Board and Committee Membership (2020/21)

Name	Board of Directors	Audit and Risk Committee (ARC)	Board Credit & Investment Committee (BCIC)	Info, Tech Governance Committee (ICTG Co)	Human Resources, Social & Ethics (HRSEC)	Nomination, Governance & Remuneration (NGREMCO)	Banking Licence Committee (BLC)	Syndication Funding Committee (SFC)
Mr R Morar (Chairman)	✓					✓	✓	✓
Mr S Mkhize (Deputy Chairman)	✓	✓	✓			✓	✓	✓
Mr C Gina	✓		✓ (Appointed May 2020)	✓ (Appointed August 2020)	✓			
Ms K Mbonambi	✓	✓		✓	✓	✓		
Inkosi S Mkhize (Resigned on 6 May 2020)	✓		✓			✓	✓	
Mr S Ndlovu	✓	✓	✓		✓	✓		✓
Ms P Sibiya	✓	✓	✓	✓		✓	✓	✓
Ms P Bengu (GCE)	✓		✓		✓		✓	✓
Mr S Mnguni (GCFO)			✓					
Ms Y Ngwane (Co-opted from 1 April 2020)		✓						

Table 14: Board and Committees' Meeting Attendance (2020/21)

Director		Board of Directors		Audit and Risk Committee (ARC)		Banking Licence Committee (BLC)		Credit and Investment Committee (BCIC)		Nominations & Governance Committee (NGREMCO)		Human Resources, Social and Ethics Committee (HRSEC)		Info, Tech & Coms Governance Committee (ITCGC)		Syndication Funding Committee (SFC)	
Name	Date of App	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings	Scheduled Meetings	Attended Meetings
Mr R Morar (Chairman)	01/06/17	28	28	n/a	n/a	4	4	n/a	n/a	5	5	n/a	n/a	n/a	n/a	2	2
Mr S Mkhize (Deputy Chairman)	01/06/17	28	26	8	8	4	4	10	10	5	5	n/a	n/a	n/a	n/a	2	2
Ms P Sibiya	01/06/17	28	27	8	8	4	4	10	10	5	5	n/a	n/a	4	4	2	2
*Inkosi S Mkhize	01/06/17	26	2					10	1								
Ms K Mbonambi	01/06/17	28	26	8	8	n/a	n/a	n/a	n/a	5	5	4 2- W/shp	4 2	4	4 2	n/a	n/a
Mr S Ndlovu	01/06/17	28	28	8	8	n/a	n/a	10	10	5	5	4 2- W/shp	4 2	n/a	n/a	2	2
Mr C Gina	01/06/17	28	28	n/a	n/a	n/a	n/a	10	9	n/a	n/a	4 2- W/shp	4 2	4	4	n/a	n/a
Ms Y Ngwane (Co-opted Member)	01/04/20	n/a	n/a	8	8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ms PS Bengu GCE	01/11/18	28	28	8	8	4	4	10	9	5	5	4 2- W/shp	4 2	4	4	2	2

Date of App = Date of appointment
w/shp = Workshop
n/a = Director is not a member of the Committee or Board in the case of co-opted members. Co-opted members are appointed for a one-year term.
*Inkosi S Mkhize resigned with effect from 6 May 2020

AUDIT AND RISK COMMITTEE

The primary purpose of the Audit and Risk Committee is to ensure the integrity of financial statements and to oversee the effectiveness of the internal financial controls and the external and internal audit functions.

The Audit and Risk Committee also reviews significant risks and related mitigations and reports back to the Board after each meeting. Each business area is responsible for identifying, assessing and managing the risks in their respective areas. Annual risk workshops are held and identified strategic risks are documented in a risk register and assessed on the basis of likelihood of occurrence and potential impact on Ithala (risk exposure). Ithala continuously seeks to improve and enhance its risk management processes, whilst simultaneously maintaining a practical and business-minded approach.

The Audit and Risk Committee also focuses on occupational health, safety and environmental risk. Efficient health and safety at the workplace not only ensures that employees are happy and productive, but can also assist in reducing both human and business costs and unnecessary lawsuits. This was closely monitored as a result of COVID-19 exposures.

The organisation has a regulatory universe applicable to its operations and constantly monitors compliance with applicable laws and regulations, with annual review and quarterly reports being submitted to the Audit and Risk Committee indicating the compliance status.

During the year under review, the Audit and Risk Committee focused on the group's financial performance and performance against the Annual Performance Plan, as agreed upon with the Department of Economic Affairs, Tourism and Environmental Affairs, and the Provincial Treasury in March 2020.

The areas of attention paid by the Audit and Risk Committee include:

- The internal and external audit findings, to which management continuously attends. The resolution of the audit findings is monitored and reported to the Committee by Internal Audit and the Chief Financial Officer also monitors the external audit findings;
- Non-adherence to the supply chain management processes, resulting in instances of irregular and/or fruitless and wasteful expenditure continues to be a key focus of the Committee. The Committee has taken a position that there must be consequence management for all those responsible for irregular and/wasteful expenditure;
- Development and approval of strategic risk register highlighting the key risks facing the organisation and monitors adherence to set risk appetite and tolerance levels;
- The areas of non-compliance to legislative requirements identified which were not addressed timeously; and
- The impact of COVID-19 on the loan book and businesses.

During the 2020/21 reporting period, the Audit and Risk Committee reviewed and recommended, amongst others, the following to the Board for approval:

- Committee's Terms of Reference;
- Corporate Business Plan and Annual Performance Plan for 2021/22;
- Budget for 2021/22;
- Strategic Risk Register for 2021/22;
- Integrated Annual Report 2019/20;
- Risk Appetite and Tolerance Level Work Paper for 2021/22;
- COVID-19 Sustainability and Risk Management Report;
- Group Security Policy;
- Audit Strategy and Engagement Letter for 2019/20 audit;
- Protection of Personal Information Act Policy; and
- Enterprise Risk Management (ERM) Framework.

The Committee also continued monitoring fraud and corruption trends within the organisation and ensured implementation of consequence management. In this regard, management has developed a consequence management matrix providing guideline and ensuring consistent application of consequence management.

BANKING LICENCE COMMITTEE

The Banking Licence Committee continued focusing attention on the regularisation of Ithala SOC Limited's banking activities, with special emphasis on the shareholding structure for the proposed bank and the capital requirements for a fully-fledged bank.

The Committee considered the bank structure in preparation for the application for a banking licence for Ithala SOC Limited, which is under consideration by the Executive Authority at the recommendation of the combined Boards of IDFC and Ithala SOC Limited.

The Committee continued to explore digitisation of the banking system as Ithala SOC Limited gears towards modern-day banking.

CREDIT AND INVESTMENT COMMITTEE

The Credit and Investment Committee continued its focus on the performance of the loan book and, particularly, high-value matters which have a material impact on the levels of non-performing loans which was exacerbated since the onset of the COVID-19 pandemic. Given the deterioration in the performance of the loan book, due to, among others, the state of the South African economy, management was requested to present a plan for reducing non-performing loans.

The Committee continued to monitor the progress of the turn-around plan for Port Shepstone Quarries (Pty) Ltd (PSQ). The committee undertook to source a way forward on the future of Ubuciko Twines and Fabric SOC Ltd.

During this reporting period, the Committee reviewed and recommended to the IDFC Board the following:

- The Properties Strategic Partnership Rollout Plan; and
- Intercompany Loans and Transactions.

In addition, during the year under review, the Committee was delegated to approve business finance loans of R10 million and above.

HUMAN RESOURCES, SOCIAL AND ETHICS COMMITTEE

The Board resolved to approve the Macrostructure for the organisation and in August 2020, the Board approved the Microstructure for the organisation The Board also approved the Transition Framework which defines the process for completing the transition from the current structure to the fully functioning "to-be" IDFC structure.

On a quarterly basis the Committee tracked the progress made towards the implementation of the Employee Wellness Strategy that was approved by the Board in February 2019 and noted that employee participation was constantly growing.

The approved Employee Wellness Strategy aimed to achieve the following goals and objectives:

- Reduce health care costs;
- Reduce high rate of absenteeism;
- Increase employee productivity and performance; and
- Improve employee morale, engagement and retention.

The COVID-19 pandemic has necessitated that Ithala increases its internal communication activities to ensure that staff stay abreast of measures put in place to ensure their safety during the pandemic. These efforts have yielded minimum COVID-19 infections in the organisation.

In addition to human resources related matters, the Committee tracked the progress of all marketing initiatives conducted by Ithala. During the 2020/21 financial year a new Communication Plan, drafted in response to the COVID-19 pandemic, was developed. The following key deliverables were identified to support businesses:

- Introduce new communication initiatives to drive stakeholder engagement;
- Increase participation with stakeholders and drive leads generation activities for income generating units;
- Lead the business in managing customer service levels; and
- Support the business in driving the IDFC developmental mandate.

To ensure the successful roll-out and implementation of the new Communication Plan, Group Marketing and Communications reported its monthly activities to the Executive Team to create awareness and lobby support.

ITC GOVERNANCE COMMITTEE

In line with the King Codes guidelines, the Board takes responsibility for Information Technology (IT) governance and has delegated the oversight role of IT risk and governance to the ITC Governance Committee by way of:

- Delegated powers of authority, as set out in the approved Terms of Reference of the ITC Governance Committee, which terms specifically include responsibilities for IT, communication and IT governance;
- Ensuring that the Group Chief Executive appointed a suitably-qualified and experienced Group Chief Information Officer, responsible for IT management; and
- Ensuring that IT governance is integrated into the Ithala group's operations and governance practices and frameworks, which are reviewed as part of the annual internal audit plan.

The ITC Governance Committee reports to the Board on a quarterly basis with regard to its oversight responsibilities, inclusive of IT governance. In terms of IT governance, key deliberations of the Committee focused on the Information Technology Strategy, Disaster Recovery Planning and testing, as well as business continuity.

NOMINATIONS, GOVERNANCE AND REMUNERATION COMMITTEE

The Committee utilised a skills matrix to review the range and relevance of the Directors' skills and interests in terms of the business of the organisation. The intent was to determine whether the current skills mix enables to the Board to bring independent judgement to Board deliberations and decision-making. The exercise confirmed the Board was lacking in legal expertise, resulting in the appointment of a legal specialist, as a co-opted member, to the Audit and Risk Committee.

The Board believes that establishing and implementing good governance practices is one of the most useful activities to create a higher-functioning Board, whilst building the correct foundation for achieving Ithala's Vision and Mission. The Board has mandated the Nominations, Governance and Remuneration Committee with responsibility for ensuring that the organisation follows good governance practices.

With regard to remuneration practices, Ithala offers its employees a performance-based remuneration package, a system which drives a culture of high performance and accountability within the organisation.

SYNDICATION FUNDING COMMITTEE

With the realisation that there was limited government funding to undertake major projects that would have meaningful development impact in the KZN Province, the Board constituted the Syndication Funding Committee in June 2020 to assist in exploring possible collaboration between entities within the KwaZulu-Natal Province to undertake syndicated funding as a means of facilitating development activity.

Whereas there are regulatory limitations on fund raising for public entities, the Board is of the view that if done collectively, inroads could be made in this area.

GROUP EXECUTIVE COMMITTEE

The Group Executive Committee is appointed under the leadership of the Group Chief Executive to provide day-to-day leadership for the activities of Ithala.

It enjoys overall responsibility for developing and delivering against Ithala's corporate and business plans. The Committee is the highest management operational committee and functions to assist the Group Chief Executive in carrying out her executive duties, as delegated by the Board.

The Committee comprises the Group Chief Executive, as Chairperson, the entire executive team and the Group Company Secretary.

The Chief Audit Executive and the Programme Manager: Group Chief Executive's Office are standing invitees to meetings of the Group Executive Committee.

Committee members are prescribed officers, as defined in the Companies Act and are obliged to act in terms of the roles and responsibilities, as required of a prescribed officer. The Committee holds sufficient scheduled meetings to effectively discharge its duties, as set out in its Terms of Reference, with a minimum of one meeting per month.


INTEGRATED
ANNUAL
REPORT
20
21
RESILIENT GROWTH
THROUGH COLLABORATION

ANNUAL FINANCIAL STATEMENTS

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The Annual Financial Statements are audited by the Auditor-General (South Africa), as an independent auditor, in terms of the Public Finance Management Act (Act No. 1 of 1999).

The Annual Financial Statement preparation has been supervised by Mr Sandile Mnguni, the Group Chief Financial Officer of Ithala Development Finance Corporation.

REPORT OF THE AUDIT AND RISK COMMITTEE

The Report of the Audit and Risk Committee of the Board in terms of regulation 27.1.10(B) and (c) of the Treasury regulations and in terms of sections 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act of 1999 as amended and the requirements of the King IV code of corporate governance.

BACKGROUND

The Board's Audit and Risk Committee, in addition to having specific statutory responsibilities in terms of the Companies Act, assists the Board in fulfilling its oversight responsibilities with regard to the evaluation of the adequacy and effectiveness of accounting policies, internal controls, risk management and financial reporting processes of the Corporation and the Group.

In addition, the Audit and Risk Committee assesses the effectiveness of the internal auditors and the independence and effectiveness of the external auditors.

TERMS OF REFERENCE

The Audit and Risk Committee has adopted formal Terms of Reference that have been approved by the Board and has executed its duties during the past financial year in accordance with such Terms of Reference.

COMPOSITION

The Audit and Risk Committee comprises four Independent Non-Executive Directors and as at 31 March 2021 the Audit and Risk Committee comprised:

- Ms PN Sibiya, (Chairperson), Chartered Accountant (SA);
- Ms K Mbonambi, B. Com Honours;
- Mr S Mkhize, Chartered Accountant (SA), LLB;
- Mr S Ndlovu, PA (SA), ACMA, CGMA, MBA; and
- Ms Y Ngwane, BA, B. Philosophy, LLB, Master of Laws - Tax (Co-opted member from 01/04/2020)

For detailed qualifications of the afore-mentioned Audit and Risk Committee members, please refer to pages 18 to 20 of the Integrated Annual Report.

The Group Chief Executive, the Group Chief Financial Officer, Group Chief Risk Officer, Chief Audit Executive, other executives and representatives from external audit attend committee meetings by invitation only.

The internal and external auditors have unrestricted access to the Audit and Risk Committee.

MEETINGS

The Audit and Risk Committee held eight meetings during the period under review.

Meeting attendance is reflected in the following table:

	14/05/20	26/05/20	27/07/20	18/08/20	29/09/20	10/11/20	20/11/20	15/02/21
Ms P Sibiya	√	√	√	√	√	√	√	√
Mr S Ndlovu	√	√	√	√	√	√	√	√
Mr S Mkhize	√	√	√	√	√	√	√	√
Ms K Mbonambi	√	√	√	√	√	√	√	√
Ms Y Ngwane (Co-opted from 01/04/2020)	√	√	√	√	√	√	√	√

√ = Present

REPORT OF THE AUDIT AND RISK COMMITTEE

STATUTORY DUTIES

In the execution of its statutory duties during the 2020/21 financial year, the Audit and Risk Committee:

- Understood that the appointment of the Auditor-General South Africa (AGSA), as an auditor, complies with the relevant provisions of the Companies Act and Public Finance Management Act;
- Determined the fees to be paid to the AGSA, as disclosed in Note 36 of the Annual Financial Statements;
- Determined the terms of engagement of the AGSA;
- Reviewed the integrated annual report and annual financial statements;
- Reviewed and approved the Internal Audit three year rolling plan;
- Oversaw the implementation of an effective policy and plan for risk management;
- Considered the internal and external audit process and the accounting principles and policies;
- Strengthened the independence of the internal and external audit functions to ensure their effectiveness;
- Ensured compliance and adherence to applicable legal, regulatory and accounting requirements; and
- Contributed to a climate of discipline and control to mitigate against fraud.

INTERNAL CONTROLS

The Audit and Risk Committee has:

- Reviewed the effectiveness of Ithala's system of internal controls, including receiving assurance from management, internal audit and external audit;
- Reviewed significant issues raised by the internal and external audit processes;
- Reviewed policies and procedures for preventing and detecting fraud; and
- Reviewed significant cases of misconduct, or fraud, or any other unethical activity by employees of Ithala.

Based on the processes and assurances obtained, we believe that significant internal controls are generally adequate.

REGULATORY COMPLIANCE

The Audit and Risk Committee: reviewed the effectiveness of the system for monitoring compliance with laws and regulations and is satisfied with the expertise and adequacy of resources within the compliance function.

Based on the processes and assurances obtained, we believe that Ithala generally complies with regulatory requirements.

EXTERNAL AUDIT

The Audit and Risk Committee has reviewed the external audit scope to ensure that critical areas of the business are being addressed, and reviewed the external auditor's report, including issues arising out of the audit report.

Based on processes followed and assurances received, nothing has come to our attention with regard to the external auditor's independence.

INTERNAL AUDIT

The Audit and Risk Committee believes that the Chief Audit Executive possesses the appropriate expertise and experience to meet her responsibilities in this position. The Audit and Risk Committee has:

- Reviewed and approved the internal audit charter;
- Evaluated the independence, effectiveness and performance of the internal audit function and compliance with its mandate;
- Satisfied itself that the internal audit function has the necessary resources, budget and standing authority within the Corporation to enable it to discharge its functions;
- Reviewed internal audit reports, including the response of management to issues raised therein;
- Approved the three-year rolling internal audit plan, which included the annual internal audit plan; and
- Encouraged co-operation between external and internal audit.

Based on processes followed and assurances received, nothing has come to our attention with regard to the internal auditor's independence and objectivity.

REPORT OF THE AUDIT AND RISK COMMITTEE

FINANCE FUNCTION

The Audit and Risk Committee

- Believes that the Group Chief Financial Officer possesses the appropriate expertise and experience to meet his responsibilities in this position;
- Is satisfied with the expertise and adequacy of resources within the finance function; and
- Is satisfied with the quality of the quarterly management reporting to both the Board and the Shareholder, the Department of Economic Development, Tourism and Environmental Affairs.

Based on the processes and assurances obtained, we believe that the accounting practices are generally adequate.

RISK MANAGEMENT FUNCTION

The Audit and Risk Committee believes that the Acting Group Chief Risk Officer possesses the appropriate expertise and experience to meet his responsibilities in this position.

The Committee participated in the identification of the strategic risks and considered the strategic risk register, has adopted the Enterprise Risk Management Framework. The risk appetite and tolerance levels were developed and are reviewed and monitored on a quarterly basis by the Committee in line with changing economic conditions.

Based on the processes and assurances obtained, we believe that risk management practices are generally adequate.

COMBINED ASSURANCE MODEL

In compliance with King IV on Corporate Governance, the Audit and Risk Committee continues to monitor a combined assurance model to provide a co-ordinated approach to all assurance activities and address significant risks facing the company.
During the financial year under review, the Audit and Risk Committee reviewed reports on the overall assurance on the adequacy and effectiveness of controls on strategic risks for the organisation in line with combined assurance principles. Amongst others, combined assurance provides assurance to the Audit and Risk Committee that significant risks, including strategic risks and controls to mitigate the risks are assessed by different assurance providers. In line with King IV, assurance providers reviewed organisational external reports to provide assurance on the accuracy, validity and completeness of the reports.

With combined assurance, the Audit and Risk Committee is able to fulfil its oversight function much more effectively and efficiently.

EXTERNAL AUDIT'S REPORT

The Audit and Risk Committee reviewed the progress made by Management in the implementation plan of the external audit findings raised in the prior year. The Committee has, on a quarterly basis, reviewed Ithala's implementation plan of audit findings raised in the previous financial years and it is satisfied that the matters have been adequately addressed.

The Committee further met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings raised by the AGSA will continue to be monitored by the Committee on a quarterly basis. The Committee concurs and accepts the conclusions of the AGSA on the Annual Financial Statements and believes that the audited Annual Financial Statements must be accepted and read together with the report of the AGSA.

IMPACT OF COVID-19

The Committee is satisfied that organisation has adapted to the changing operational environment brought about by COVID-19. It is envisaged that the impact of COVID -19 will remain a risk for the foreseeable future. The Committee will continue to monitor the response plans and mitigations thereof.

On behalf of the Audit and Risk Committee

____

Ms Precious Sibiya
Chairperson: Audit and Risk Committee

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The financial statements have been prepared in accordance with International Finance Reporting Standards.

In preparing the annual financial statements, the following have been adhered to:

- The KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013;
- The Public Finance Management Act (PFMA), Act No. 1 of 1999; and
- The International Finance Reporting Standards (IFRS).

The Directors are responsible for establishing and implementing a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements.

Nothing has come to the attention of the Directors from management or the internal and external auditors to indicate any breakdown in the functions of these controls during the year under review, which resulted in any material loss to the Corporation and Group.

All employees are required to maintain the highest ethical standards in ensuring that the Corporation and the Group's business practices are concluded in a manner which, in all reasonable circumstances, is above reproach.

IDFC and Group Annual Financial Statements have been prepared on the going concern basis. This basis of accounting has been adopted by the Board after having made enquiries of management and given due consideration to information presented to the Board. Accordingly, the Directors have no reason to believe that IDFC and Group will not continue as a going concern in the year ahead.

The Auditor-General (South Africa) was appointed, as independent auditor, in terms of the Public Audit Act, Act No. 25 of 2004, and the Public Finance Management Act, Act No. 1 of 1999, and has audited the Corporation Annual Financial Statements and the Group Annual Financial Statements.

Their report is presented on pages 82 to 85.

The Annual Financial Statements which appear on pages 89 to 209 were approved by the Board of Directors on 27 August 2021 and are signed on its behalf by:

....
Mr R Morar
Chairman

....
Ms Pearl Bengu
Group Chief Executive

GROUP COMPANY SECRETARY'S CERTIFICATION

The Group Company Secretary certifies that Ithala Development Finance Corporation Limited has lodged with the appropriate regulatory authority all returns, as are required, in terms of the KwaZulu-Natal Ithala Development Finance Corporation Act, Act No. 5 of 2013. All such returns are correct and up-to-date.

....
Ms LS Mahamba
Group Company Secretary

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on Ithala Development Finance Corporation Limited and its subsidiaries

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Ithala Development Finance Corporation Limited ('the entity') and its subsidiaries (the group) set out on pages 89 to 209, 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, statement of cash flows, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the group 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 of South Africa, 1999 (Act No.1 of 1999) (PFMA).

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 consolidated and separate financial statements section of my report.

4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

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

Emphasis of matter

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

Loans and advances - impairment losses

7. As disclosed in note 2 to the consolidated and separate financial statements, the group reported material impairments of R 448,81 million (2019-20: R 444,54 million) on non-performing loans and advances.

Events after reporting date

8. I draw attention to note 46 in the consolidated and separate financial statements, relating to subsequent events on the possible financial effects of the damage caused by the July 2021 civil unrest in KwaZulu-Natal on the group. An assessment to determine the financial impact is currently being performed.

Restatement of corresponding figures

9. As disclosed in note 48 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 group at, and for the year ended, 31 March 2021.

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

10. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the PFMA and 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.

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on Ithala Development Finance Corporation Limited and its subsidiaries

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the 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 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.

16. 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 strategic goal 2: property portfolio optimised for tenant retention and attraction, presented in the entity's annual performance report for the year ended 31 March 2021.

17. I performed procedures to determine whether the reported performance information 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.

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic goal.

Other matter

19. I draw attention to the matter below.

Achievement of planned targets

20. The annual performance report on pages 55 to 58 includes the information on the achievement of planned targets for the year.

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on Ithala Development Finance Corporation Limited and its subsidiaries

Report on the audit of compliance with legislation

Introduction and scope

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

22. The material finding on compliance with specific matters in key legislation is as follows:

Annual Financial Statements

23. The annual 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 investment property and prior period error note disclosure identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information

24. 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 strategic goal presented in the annual performance report that has been specifically reported in this auditor's report.

25. 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.

26. 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 strategic goal presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

27. 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

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

29. Management did not perform timely reviews of the annual consolidated and separate financial statements to ensure that they complied with the financial reporting framework.

Other reports

30. I draw attention to the following engagements which had, or could have, an impact on the matters reported in the group's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements, report on performance information or findings on compliance with legislation.

31. The group's internal audit and risk assurance services completed five investigations during the period 1 April 2020 to 31 March 2021. A case has been opened with the Saps and disciplinary action is yet to be taken against the implicated employees. There are currently 17 cases still under investigation by the group's

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature on Ithala Development Finance Corporation Limited and its subsidiaries

internal audit and risk assurance services. The investigations were initiated based on the allegations of irregularities arising from deviation from internal controls on supply chain management and human resources processes, the outcomes of which were communicated and are currently being attended by management.

32. A subsidiary of the group, Ithala SOC Limited, engaged the services of a forensic specialist at the request of the South African Reserve Bank to conduct an investigation into alleged irregularities in relation to the procurement of the online banking solution, as well as the lending and governance processes. The investigation was finalised and report issued in February 2021. The findings are currently being attended to by management.

Auditor-General

Pietermaritzburg
13 August 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 consolidated and separate financial statements and the procedures performed on reported performance information for the selected strategic goal and on the entity's compliance with respect to the selected subject matters.

Financial statements

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group'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 Ithala Development Finance Corporation and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the 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 the group 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
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2021

The Directors have pleasure in presenting this report as part of the Annual Financial Statements (AFS) of Ithala Development Finance Corporation Limited (The Corporation) and the consolidated financial statements of the Corporation and its subsidiaries (referred to as The Group) for the financial year ended 31 March 2021.

A. Legal Form and Domicile

The Corporation is a provincial development finance institution, wholly owned by the KwaZulu-Natal Government Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and operating in terms of the Ithala Development Finance Corporation Act No.5 of 2013.

The Corporation operates within the legal framework of the Public Finance Management Act, No.1 of 1999 (PFMA); as a listed public entity under Schedule 3: Part D.

The Corporation is domiciled in South Africa. The address of its registered office and principal place of business is number 29 Canal Quay Road, Point Waterfront, Durban 4001.

B. Nature of Operations

Ithala Development Finance Corporation manages fully integrated business activities that provide a range of financial and property services throughout KwaZulu-Natal.

The Corporation makes equity investments in various subsidiaries and associated companies located in the KwaZulu-Natal province in keeping with its legislated development mandate. These are outlined in Notes 9, 15 and 30 of the AFS.

C. Financial Results

The results of the Corporation and the Group for the year ended 31 March 2021 are disclosed in the annual financial statements set out on pages 89 to 209.

For more details on the financial results of the Subsidiaries and Associated Companies refer to the separate annual financial statements of these companies and see Note 9, 15 and 30 of the Group Financial Statements for summary financial information between the Corporation and these companies.

D. Policy Directives

No policy directives were received from the MEC: Economic Development, Tourism and Environmental Affairs during the financial year ended 31 March 2021.

E. Events Subsequent to the Date of Statement of Financial Position

Subsequent to year end, there were unrests in KwaZulu-Natal which resulted in some of the Corporation's properties being vandalized and burnt. The Corporation is in the process of assessing the impact of the unrest. Please refer to note 46 for details on these events.

F. Fair value of investments

The fair value of investment property as disclosed in Note 3 is R3.2 billion at year end (2020: R3.0 billion). The other fair valued investments are investments held with SA Real Estate Corporation valued at R7.2 million (2020: R4.2 million) and investment in Cell Captives, valued at R45.9 million (2020: R41.1 million). Please refer to note 13 for further details on these investments.

G. Ordinary Share Capital

The Share Capital of the Corporation has remained unchanged during the financial year under review. The authorised and issued share capital of the company is R1 billion (2020: R1 billion).

H. Dividends

No dividends were declared or payable to the shareholder (EDTEA) as retained income attributable to the ordinary shareholder is reinvested in projects that promote economic development.

I. Interests in Contracts

There were no contracts entered into in which Directors and Officers of the Corporation had an interest. Refer to note 30 for details on related party transactions.

J. Sources of Funding

The Corporation did not raise any new long-term borrowings during the year under review (2020: R nil). Refer to note 21 for details on existing borrowings.

During the year under review, the Corporation received government grants of R151.7 million (2020: R164.5 million) from EDTEA for various projects. Refer to note 24 and 26 for details of grants and funds held on behalf of other entities.

K. Going Concern Basis of Accounting

- **Corporation**

The Corporation's business activities, together with the factors likely to affect its future development, performance, and position as at 31 March 2021, have been assessed by the Directors. The financial position of the Corporation, its cash flows, liquidity position and borrowing facilities are described in the relevant sections of the financial statements. In addition, note 31 to the financial statements includes the company's policies, processes for managing its capital, details of its financial instruments and its exposures to credit and liquidity risk.

As highlighted in notes 16 and 31 to the financial statements, the Corporation meets its day to day working capital requirements from its own cash resources and has open unutilised lines of credit of R100 million from major financial banking institutions.

The Group posted a profit of R161.5 million for the year ended 31 March 2021 (2020: R11.6 million) as disclosed in the annual financial statements. The Group is solvent and liquid - refer to the Chief Financial Officer's report on pages 16 to 17 for details.

The directors have a reasonable expectation that the Corporation and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the annual financial statements have been prepared on a going concern basis.

- **Subsidiaries**

The going concern ability of the Corporation's subsidiary companies has been assessed by the Directors at year end. The following subsidiaries' Annual Financial Statements were prepared on a liquidation basis:

  - Ubuciko Fabrics and Twines (Pty) Ltd;
  - Port Shepstone Quarries (Pty) Ltd;
  - Sundumbili Plaza Limited;
  - Nongoma Plaza Limited;
  - Durban Wharf Side Trust;
  - Sibaya Conservation Projects (Pty) Ltd; and
  - KwaZulu-Natal Property Development Holding SOC Limited.

The above subsidiaries are under voluntary liquidation and its annual financial statements have been prepared on the liquidation basis. Refer to the subsidiary's individual Annual Financial Statements for details on the reporting basis adopted.

- **Banking License exemption of Ithala SOC Limited**

The Minister of Finance extended the banking licence exemption Ithala SOC Limited to the end of December 2021 subject to the entity fulfilling certain conditions. Management is relatively confident, based on previous exemption notice extensions having been issued to the Company, that the SARB will grant an extension to provide the entity with the opportunity to meet the exemption notice regulatory conditions.

L. Board of Directors

Information pertaining to Board Members and Committees is covered from page 18 to 20 of the annual report.

Please refer to note 44 for details on any changes in the Board of Directors.

M. Company Secretariat

The Group Company Secretary is Ms. LS Mahamba, B Comm, Post-Graduate Diploma in Business Management, whose address is the Corporation's registered office (see section A above).

N. Information disclosed in terms of Section 55(2)(b) of the PFMA

- Particulars of irregular expenditure and fruitless and wasteful expenditure incurred are disclosed in Notes 40 and 41 of the AFS.
- In the ordinary course of business and in accordance with prevailing business rules, the Group wrote-off bad loans of R9,8 million (2020: R14,3 million), comprising a capital portion of R7 million (2020: R12,2 million) and non-realisable revenue (NRR) of R2,4 million (2020: R2,1 million)

Despite the write-off of these bad debts, the company continues to pursue these defaulters and no effort is spared in trying to recover monies owed to the Group. During the year under review a total of R2,3 million (2020: R5,9 million) was recovered from bad debts previously written off.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

		Group			Company		
		2021	2020 RESTATED	2019 RESTATED	2021	2020 RESTATED	2019 RESTATED
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
ASSETS							
NON-CURRENT ASSETS							
Loans and advances	2	2 139 332	1 790 329	1 856 557	344 655	209 880	269 718
Investment property	3	3 198 870	3 013 524	2 832 551	2 873 459	2 709 996	2 565 595
Property, plant and equipment	4	284 672	298 314	319 830	256 643	267 034	277 920
Intangible assets	5	11 301	22 216	30 193	7 522	9 833	17 177
Right-of-use assets	6	32 945	38 870	-	4 600	5 373	-
Straightlining of operating leases income	7	28 636	47 563	62 354	27 730	45 282	54 467
Deferred tax asset and liability	8	-	-	3 503	-	-	-
Investments in subsidiaries	9	-	-	-	495 726	466 275	455 384
Prepayment-land	10	8 166	8 166	8 166	8 166	8 166	8 166
Goodwill	11	320	317	312	320	317	312
Investments in joint ventures	15	-	-	2 796	-	-	2 796
Finance lease receivables	12	-	-	1 989	-	-	-
Investments measured at fair value through profit or loss	13	7 174	4 222	13 601	7 174	4 222	13 601
Investment in cell captives	14	45 910	41 122	31 873	45 910	41 122	31 873
Investments in associates	15	31	31	31	31	31	31
		5 757 357	**5 264 674**	**5 163 756**	**4 071 936**	**3 767 531**	**3 697 040**
CURRENT ASSETS							
Loans and advances	2	240 671	518 720	530 268	74 561	319 803	383 618
Straightlining of operating leases income	7	4 546	7 519	1 521	3 651	7 043	398
Straightlining of operating lease expenditure		-	-	956	-	-	-
Cash and cash equivalents	16	1 527 861	1 529 209	1 351 977	635 118	508 881	475 777
Statutory liquid asset	16	244 990	183 565	188 389	-	-	-
Trade and other receivables	17	109 867	97 998	103 020	150 652	144 580	142 407
Finance lease receivables	12	1 137	1 989	752	-	-	-
Inventories	18	7 245	6 487	5 388	4 511	5 373	4 038
		2 136 317	**2 345 487**	**2 182 271**	**868 493**	**985 680**	**1 006 238**
Non-current assets held for sale	19	8 935	2 834	3 647	8 365	380	37
Total Assets		**7 902 609**	**7 612 995**	**7 349 674**	**4 948 794**	**4 753 591**	**4 703 315**

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021 (Continued)

		Group			Company		
		2021	2020 RESTATED	2019 RESTATED	2021	2020 RESTATED	2019 RESTATED
	Note(s)	R '000	R '000	R '000	R '000	R '000	R '000
EQUITY AND LIABILITIES							
EQUITY							
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT							
Share capital	20	1 008 582	1 008 582	1 008 582	1 008 582	1 008 582	1 008 582
Actuarial reserves	23	19 071	25 126	1 336	7 876	12 665	(2 519)
Retained income		3 390 541	3 234 756	3 159 745	3 226 799	3 086 477	3 037 569
Non-controlling interest	20	(426)	(47)	(154)	-	-	-
		4 417 768	**4 268 417**	**4 169 509**	**4 243 257**	**4 107 724**	**4 043 632**
LIABILITIES							
NON-CURRENT LIABILITIES							
Borrowings	21	29 765	37 785	40 517	27 709	35 726	38 458
Deposits due to customers	22	2 511 352	2 437 875	2 292 157	-	-	-
Retirement benefit obligation	23	98 772	87 339	105 787	63 074	55 879	68 634
Long service obligations	23	20 576	25 298	29 170	17 243	13 181	15 039
Government grants	24	87 777	60 396	212 920	78 473	51 092	201 032
Operating lease liability straightlining	6	-	-	14 611	-	-	2 039
Deferred tax liability	8	45 496	36 874	31 399	-	-	-
Provisions	25	13 643	12 388	11 716	10 771	10 712	10 106
Lease Liabilities	34	42 917	44 237	-	12 194	12 370	-
		2 850 298	**2 742 192**	**2 738 277**	**209 464**	**178 960**	**335 308**
CURRENT LIABILITIES							
Borrowings	21	7 814	6 861	13 841	7 814	6 861	13 841
Retirement benefit obligation	23	6 872	6 921	6 519	5 193	5 218	5 058
Long service obligations	23	3 072	1 546	3 683	1 308	749	2 430
Provisions	25	12 011	15 456	9 500	5 632	7 505	4 686
Trade and other payables	26	593 370	557 318	408 348	475 860	445 562	298 286
Operating lease liability straightlining	6	-	-	-	-	-	74
Lease Liabilities	34	11 404	14 284	-	266	1 012	-
		634 543	**602 386**	**441 891**	**496 073**	**466 907**	**324 375**
Total Liabilities		**3 484 841**	**3 344 578**	**3 180 168**	**705 537**	**645 867**	**659 683**
Total Equity and Liabilities		**7 902 609**	**7 612 995**	**7 349 677**	**4 948 794**	**4 753 591**	**4 703 315**

Refer to note 48 for a narrative disclosure of the impact of prior period errors on investment property, property, plant and equipment and government grants.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2021

		Group		Company	
		2021	2020	2021	2020
	Note(s)	R '000	R '000	R '000	R '000
Interest income	37	253 377	354 956	51 504	76 484
Interest expenditure	38	(86 770)	(111 604)	(13 200)	(14 838)
Net interest income before credit impairment charges		**166 607**	**243 352**	**38 304**	**61 646**
		80 586	198 978	98 167	149 775
Net losses on derecognition of loans and advances	2	(9 814)	(14 317)	-	(8 803)
Expected credit loss-loans and advances	2	4 275	171 108	30 034	119 296
Expected credit loss-trade and other receivables	17	86 125	42 187	68 133	39 282
Net interest income after credit impairment charges		**86 021**	**44 374**	**(59 863)**	**(88 129)**
Other operating income	35	1 189 901	1 165 480	961 357	947 432
Operating income		**1 275 922**	**1 209 854**	**901 494**	**859 303**
Operating expenditure					
Other operating expenses	36	(1 054 508)	(1 086 987)	(695 831)	(745 311)
Impairment of non-current assets held for sale	19	225	1 333	-	1 166
Depreciation and amortisation	36	(47 944)	(49 010)	(18 055)	(25 408)
Impairments of plant and subsidiaries	36	-	(15 203)	(1 736)	(8 912)
Impairment of investments and investments in joint ventures	36	-	(3 647)	(31 646)	(82 423)
Impairment of investment in deposits with banks	36	10 256	(28 931)	-	-
Straightlining of operating lease income	7	(14 692)	(2 021)	(13 904)	(2 022)
Profit (loss) before taxation		**169 259**	**25 388**	**140 322**	**(3 607)**
Taxation	39	(7 798)	(14 239)	-	-
Profit (loss) for the year		**161 461**	**11 149**	**140 322**	**(3 607)**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial (losses) / gains	23	(6 055)	23 790	(4 789)	15 184
Actuarial (losses) / gains		**(6 055)**	**23 790**	**(4 789)**	**15 184**
Total comprehensive income for the year		**155 406**	**34 939**	**135 533**	**11 577**
Profit (loss) attributable to:					
Owners of the parent		161 840	11 042	140 322	(3 607)
Non-controlling interest		(379)	107	-	-
		161 461	**11 149**	**140 322**	**(3 607)**
Total comprehensive income attributable to:					
Owners of the parent		155 785	34 832	135 533	11 577
Non-controlling interest		(379)	107	-	-
		155 406	**34 939**	**135 533**	**11 577**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Other Comprehensive Income	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000
Group						
Opening balance as previously reported	1 008 582	(6 352)	2 940 903	3 943 133	(166)	3 942 967
Adjustments						
Profit for the year	-	-	227 398	227 398	12	227 410
Other comprehensive income	-	7 688	-	7 688	-	7 688
Prior period error	-	-	(8 556)	(8 556)	-	(8 556)
Balance at 01 April 2019 as restated	**1 008 582**	**1 336**	**3 159 745**	**4 169 663**	**(154)**	**4 169 509**
Prior period error	-	-	63 969	63 969	-	63 969
Profit for the year	-	-	11 042	11 042	107	11 149
Other comprehensive income	-	23 790	-	23 790	-	23 790
Total comprehensive income for the year	**-**	**23 790**	**75 011**	**98 801**	**107**	**98 908**
Balance at 01 April 2020	**1 008 582**	**25 126**	**3 234 756**	**4 268 464**	**(47)**	**4 268 417**
Prior period error	-	-	(6 055)	(6 055)	-	(6 055)
Profit for the year	-	-	161 840	161 840	(379)	161 461
Other comprehensive income	-	(6 055)	-	(6 055)	-	(6 055)
Total comprehensive income for the year	**-**	**(6 055)**	**155 785**	**149 730**	**(379)**	**149 351**
Balance at 31 March 2021	**1 008 582**	**19 071**	**3 390 541**	**4 418 194**	**(426)**	**4 417 768**
Note(s)	20					
Company						
Opening balance as previously reported	1 008 582	(6 049)	2 821 235	3 823 768	-	3 823 768
Adjustments						
Profit for the year	-	-	248 304	248 304	-	248 304
Other comprehensive income	-	3 530	-	3 530	-	3 530
Prior period error	-	-	(31 970)	(31 970)	-	(31 970)
Balance at 01 April 2019 as restated	**1 008 582**	**(2 519)**	**3 037 569**	**4 043 632**	**-**	**4 043 632**
Loss for the year	-	-	(3 607)	(3 607)	-	(3 607)
Prior period error	-	-	52 515	52 515	-	52 515
Other comprehensive income	-	15 184	-	15 184	-	15 184
Total comprehensive Loss for the year	**-**	**15 184**	**48 908**	**64 092**	**-**	**64 092**
Balance at 01 April 2020	**1 008 582**	**12 665**	**3 086 477**	**4 107 724**	**-**	**4 107 724**
Profit for the year	-	-	140 322	140 322	-	140 322
Other comprehensive income	-	(4 789)	-	(4 789)	-	(4 789)
Total comprehensive income for the year	**-**	**(4 789)**	**140 322**	**135 533**	**-**	**135 533**
Balance at 31 March 2021	**1 008 582**	**7 876**	**3 226 799**	**4 243 257**	**-**	**4 243 257**
Note(s)	20					

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

		Group		Company	
		2021	2020	2021	2020
	Note(s)	R '000	R '000	R '000	R '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	27	109 583	167 206	117 346	117 678
(Increase) / Decrease in working capital	27	(27 713)	51 204	(10 166)	44 021
Interest paid	27	(7 153)	(11 382)	(3 493)	(5 374)
Tax paid	28	(9 606)	(1 884)	-	-
Net cash generated from operating activities		**65 111**	**205 144**	**103 687**	**156 325**
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment to promote economic development in KwaZulu-Natal:					
Loans and advances					
- granted		(535 838)	(676 852)	(81 396)	(284 941)
- repaid		424 670	577 476	130 178	279 424
Additions to property, plant and equipment		(7 968)	(11 843)	(2 251)	(7 942)
Proceeds from sale of property, plant and equipment	4	179	2 968	179	2 964
Purchase of investment property	3	(10 763)	(45 815)	(9 583)	(42 906)
Purchase of other intangible assets	5	(894)	(6 709)	7	(3 508)
Proceeds on disposal of non-current assets held for sale		2 120	1 156	11	-
Increase in goodwill		-	(5)	-	(5)
(Increase) / Decrease in liquid assets		(61 425)	4 824	-	-
Decrease / (Increase) in investment balances with other banks		10 256	(28 931)	-	-
(Increase) in subsidiaries, associated companies and joint ventures		-	(849)	(62 583)	(90 516)
Net cash (utilised) by investing activities		**(179 663)**	**(184 580)**	**(25 438)**	**(147 430)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of borrowings*		(4 558)	(5 829)	(4 793)	(5 645)
Movement in deposits due to customers	22	73 477	145 718	-	-
Payment on lease liabilities	34	(4 201)	(11 256)	(923)	(1 010)
Post retirement medical paid	23	(7 320)	(6 824)	(5 518)	(5 294)
Net government grant received**	24	57 416	38 688	60 000	38 688
Long service obligations paid	23	(1 609)	(3 831)	(777)	(2 530)
Net cash generated by financing activities		**113 205**	**156 666**	**47 989**	**24 209**
Net (decrease) / increase in cash and cash equivalents		**(1 347)**	**177 230**	**126 238**	**33 104**
Cash at the beginning of the year		1 529 209	1 351 977	508 881	475 777
Cash and cash equivalents at end of year	16	**1 527 862**	**1 529 207**	**635 119**	**508 881**

Included in the Group cash flow above is interest received of R253 million (2020: R355 million) and interest paid of R87 million (2020: R112 million).

*Repayment of borrowings relates to the capital payment on the borrowing which is the movement net of interest paid.
**Net government grants received relates to the net movement on grants that were not reclassified.

ACCOUNTING POLICIES

Corporate information

Ithala Development Finance Corporation is a company incorporated and domiciled in Republic of South Africa. The address of its registered offices and principal place of business is 29 Canal Quay Road, Point Waterfront, Durban. The Group is a public entity that provides property, banking and other financial services. The consolidated financial statements of Ithala Development Finance Corporation (IDFC) for the year ended 31 March 2021 comprise of IDFC and its subsidiaries, together referred to as the Group and individually, referred to as the Company. The words "Group" and "Ithala" are used interchangeably throughout the Annual Financial Statements.

The subsidiaries comprise of the following entities:
- Ithala SOC Limited (referred to as SOC)
- Nongoma Plaza (Pty) Ltd (referred to as Nongoma)
- Sundumbili Plaza (Pty) Ltd (referred to as Sundumbili)
- Wilsons Wharfside Trust (referred to as Wharfside)
- Ubuciko Fabrics and Twines (Pty) Ltd (referred to as Ubuciko)
- Portshepstone Quarries (Pty) Ltd (referred to as PSQ)
- Sibaya Conservation Project (Pty) Ltd (referred to as Sibaya)
- KwaZulu Natal Property Development Holdings (SOC) Ltd (referred to as KPDH)

The consolidated and separate financial statements for the year ended 31 March 2021 were authorised for issue on 27 August 2021 in accordance with a resolution of the directors.

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) on a going concern basis utilising the historical cost concept except for the following:
- Post-retirement medical and defined benefit obligations are measured at actuarial values
- Listed Equity investments are measured at fair value.
- Investment properties are measured at fair value
- Non current assets held for sale are measured at the lower of fair value less costs to sell and carrying value
- Cell captives are measured at fair value through profit and loss

Functional and presentation currency

The consolidated financial statements are presented in South African Rands, which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand, unless otherwise stated.

Except as described otherwise, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

1.2 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of asset, liabilities, income and expenses. These also concern the future and will thus affect the reported amounts of assets and liabilities within the next financial year. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected by the revisions.

ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year relate to the following:

Going Concern

Management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management has taken into account the impact of COVID-19 on its assessment of going concern and is satisfied that although the COVID-19 has impacted on financial performance the Group will still continue for the foreseeable future. In addition management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Measurement of the expected credit loss allowance

The measurements of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Fair value note , which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Measurement of leased asset and leased liability - IFRS 16

Extension and termination options

Some property leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Factors such as the importance of the underlying assets to our operations, undertaking of significant leasehold improvements and our past practice were taken into account to determine reasonable certainty. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Discount Rate

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate. The Company determines its incremental borrowing rate by applying it's judgements and determining a suitable and observable risk -free rate that are denominated in the same currency of the lease. A credit spread is then added to the observable risk free rate to reflect the lessee's creditworthiness.

Measurement of post-retirement obligations and long service awards

The cost of the defined benefit and defined contribution pension plans are determined using actuarial valuations. The actuarial valuations involves assumptions on discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Refer to the Post retirement obligations note 23 for the assumptions used.

ACCOUNTING POLICIES

Fair value measurements

Fair values for investments properties and properties in possession are determined by Independent valuators. The valuations are performed using various methods including:

- The comparable sales method which entails comparing the subject property's valueforming attributes with those of the comparable properties that have recently exchanged hands in similar transactions. The process uses one of several techniques to adjust the prices of the comparable transactions according to the presence, absence or similarity degree of characteristics influencing value.

- The capitalisation method which takes into account net rental income which is then capitalised using an appropriate capitalisation rate. The capitalisation rate is used to indicate the rate of return that is expected to be generated on the investment property. Refer to note 32 for fair value information for assumptions used.

Asset lives and residual values

Property, plant and equipment as well as intangible assets are depreciated or amortised over their estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets and residual values are assessed annually.

SIGNIFICANT ACCOUNTING POLICIES

Except as described otherwise, the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

1) BASIS OF CONSOLIDATION

The consolidated financial statements include assets, liabilities and results of operations of the company, its subsidiaries, associates and joint ventures. The financial statements of the subsidiaries, associates and joint ventures are prepared for the same reporting year as the company, using consistent accounting policies.

(a) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All inter-group transactions, balances, income and expenses are eliminated in full on consolidation. Goodwill arising from the excess of the purchase consideration paid over the fair value of the net identifiable assets on acquisition is not amortised and is tested for impairment annually. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of original business combination and the non-controlling interest's share of changes in equity since the date of the business combination. Losses applicable to the non-controlling interest, in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and the financial ability to cover such losses.

Investments in subsidiaries are recognised at cost, in the holding accounts, and are reviewed annually and written down for impairment where considered necessary.

(b) Cell captives

The cell captives do not meet the criteria to be classified as a separate entity. As a result, the Group has not consolidated the cell captives and has accounted for its interest as investments at fair value through profit or loss in terms of IFRS 9 Financial Instruments. Information about the Group's cell captive activities is set out in the Cell Captives note 14.

ACCOUNTING POLICIES

(c) Associates and joint arrangements

Associates are those entities in which the Group has significant influence, but not control over financial and operating policies of an entity, generally comprising a shareholding of at least 20% of the voting rights. Where the Group holds less than 20% of an entity's issued share capital and is able to exert significant influence and it can be clearly demonstrated that significant influence exists, the Group classifies such entities as associates. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investments, after adjustments to align the accounting policies with those of the Group where applicable, from the date that significant influence commences until that significant influence ceases.

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Joint ventures are accounted for in the same manner as Associates using the Equity method after initially being recognised at cost.

1.3 INVESTMENT PROPERTY

Investment property is initially recognised at cost including transaction costs and subsequently measured at fair value.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains and losses arising from retirement or disposal of investment property are recognised in profit or loss in the period of the retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up will be recognised in profit or loss when the compensation becomes receivable.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

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

Property interests are accounted for as investment property when the property is subleased.

Measurement of property interest

On initial recognition of the property interest it is measured at the lower of the fair value of the property interest and the present value of the minimum lease payments. The lease is treated as a finance lease, hence a lease liability will be accounted for on initial recognition for the property interest at an amount equivalent to the property interest cost determined above. Subsequent to initial measurement, the property interest is measured as part of investment property measured at fair value.

1.4 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

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

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

ACCOUNTING POLICIES

Subsequent measurement

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and 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 the straight line method. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Where buildings are erected on leasehold land or land held under a permission to occupy certificate with a finite life, the buildings are depreciated over the duration of the lease or permission to occupy certificate. 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 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 component 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.

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

Item	Depreciation method	Average useful life
Infrastructure and buildings	Straight line	50 years
Plant and equipment	Straight line	5-25 years
Vehicles	Straight line	4 years
Right of use of asset	Straight line	Over the lease term or expected useful life of the asset (which ever comes first)

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.

1.5 LANDFILL RESTORATION AND DISMANTLING COST

The Holding company holds a landfill site close to its industrial estate that it uses to dispose of garbage. The Holding company has an obligation to restore the land fill site land in terms of the Group's policy as well as the applicable legislation requirements. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of land includes the initial estimate of the costs of restoring the site on which the waste is being dumped.

The changes in the liability are added to, or deducted from, the cost of the land in the current period limited to the carrying amount of the land if there are changes to the future estimate of the liability. Where a decrease in the liability exceeds the carrying amount of the land, the excess is recognised immediately in profit or loss. If the adjustment results in an addition to the cost of land, the entity considers whether this is an indication that the new carrying amount of the land may not be fully recoverable and is therefore tested for impairment by estimating its recoverable amount. Any impairment loss is recognised in profit or loss.

ACCOUNTING POLICIES

1.6 INTANGIBLE ASSETS

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition.

Intangible assets with a definite useful life are amortised using the straight-line method over their useful economic life, generally not exceeding 20 years. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount.

a) Computer Software and Licences

Acquired computer software and licences are capitalized as assets on the basis of the costs incurred to acquire and bring the specific software into use. Capitalised computer software is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight–line method to write-down the cost of intangible assets to their residual values over their estimated useful lives from the date it is available.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

Costs associated with maintaining computer software programmes are recognised as an expense, as and when incurred.

Direct software development costs that enhance the benefits of computer software programmes and are clearly associated with an identifiable and unique software system, which will be controlled by the Group and has a probable benefit exceeding one year, are recognised as intangible assets. These costs are initially capitalised as work-in-progress up to the date of completion of projects after which the asset is transferred to computer software and accounted for as per the computer software and licences policy. Management reviews the carrying value of capitalised work-in-progress on an annual basis, irrespective of whether there is an indication of impairment.

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

b) System Development Costs

Development costs are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

c) Retirement and disposals

An intangible asset shall be derecognised on disposal; or when no future economic benefits are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset, It shall be recognised in profit or loss when the asset is derecognised. Gains shall not be reclassified as revenue.

1.7 IMPAIRMENT OF NON - FINANCIAL ASSETS

The carrying amounts of the Group's non -financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An

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impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro-rata basis.

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

The increased carrying amount of an asset/cash generating unit 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 or cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.8 FINANCIAL INSTRUMENTS

a) Initial recognition and measurement

Financial instruments are recognised when the group becomes a party to the contractual provisions of the financial instrument. All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).

b) Financial assets classification and subsequent measurement

The group classifies its financial assets into the following measurement categories based on the group's assessment of the business model:
Amortised Cost which consists of the following classes:

- cash and cash equivalents;
- Loans and advances to customers;
- Loans to subsidiaries, joint ventures and associates;
- Deposits due to customers;
- Trade and other receivables; and
- Statutory liquid assets

Fair value through profit or loss (FVTPL) which consists of the below items:

- Investment in cell captives
- Investment in SA Corp Real Estate

Business Model

The business model reflects how the group managed the asset in order to generate cash flows. That is whether the group's objective is solely to collect the contractual cash flow from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), the financial assets are classified as part of "other" business and measured at FVTPL. Factors considered by the group in determining the business model for a group of assets include past experience on how the cash flows for these assets are collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows, the group assesses whether the financial assets' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the group

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considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration of time value of money, credit risk, other basic lending risks and a profit margin consistent with a basic lending arrangement. Based on these factors, the group classifies its debt into the amortised cost category.

The group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity Instruments (**)

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The group subsequently measures all equity investments at fair value through profit or loss, except where the group's management has elected, at initial recognition, to irrevocably designate any equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit and loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair value. Dividends, which are a return on such investments, continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

c) Amortised Cost

Assets that are held for collection of contractual cash flows where those cash flows represented solely payments of principal and interest ('SPPI') and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured in terms of the group's expected credit loss policy. A gain or loss from a financial asset that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income in profit or loss using the effective interest rate method.

d) Effective interest rate method

The effective interest rate is the rate that discounts estimated future cash receipts or payments over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial instrument. The effective interest rate method considers all contractual terms of the financial instrument and includes any fees or incremental costs which are directly attributable to the instrument and is an integral part of the effective interest rate, but not future credit losses.

In calculating interest income on stage 1 and stage 2 financial assets, the effective interest rate is applied to the gross carrying amount of the asset. However for stage 3 financial assets that have become credit impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the net carrying amount of the financial asset. If the financial asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

The carrying amount of the financial instrument is adjusted if the group revises its estimate of receipts or payments. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

For purchased or originated credit-impaired financial assets, the group applies the credit adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

In applying the effective interest method, the group identifies fees that are an integral part of the effective interest rate of loans granted. Fees that are an integral part of the effective interest rate of a financial instrument are treated as an adjustment to the effective interest rate. These include origination fees received by the group relating to the creation or acquisition of loans such as compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the

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instrument, preparing and processing documents and closing the transaction.

e) Impairment of financial assets

The group assesses on a forward-looking basis the expected credit losses ("ECL") associated with financial assets carried at amortised cost and FVOCI (**) and with the exposures arising from loan commitments and financial guarantee contracts.

The group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The group recognises a loss allowance at an amount equal to the lifetime ECL, except for financial assets on which credit risk has not increased significantly since their initial recognition. The loss allowance on financial assets on which credit risk has not increased significantly since their initial recognition are at an amount equal to the 12 month ECL.

The loss allowance on trade receivables are always measured at an amount equal to the lifetime ECL. (**)

f) Significant increase in credit risk

The group assesses at each reporting date, whether the credit risk of a financial instrument has increased significantly since initial recognition. This is based on the comparison of the risk of default occurring on the financial instrument as at each reporting date to initial recognition over the expected life of the financial instrument. It considers available reasonable and supportable forward-looking information.

A backstop is applied and the financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days due on its contractual payments.

g) Impairment of financial assets: Definition of default

The group defines a default consistent to the internal risk internal credit risk management purposes for the relevant financial instruments and considers qualitative factors when appropriate.

The group's criteria in the determination of impairment of a financial asset or group of assets include observable data that comes to the attention of the holder of the asset about the following loss events:

- Significant financial difficulty of the customer or borrower;
- A breach of contract, such as default or delinquency in interest or principal payments;
- It becomes probable that the lender is over indebted; and
- Observable data indicates that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets that may have arisen from global economic conditions that correlate with defaults on the assets because of adverse changes in the financial services sector, which has impacted on borrowers.

A backstop is applied and the financial instrument is considered to be in default if the borrower is more than 90 day due on its contractual payments.

h) Financial assets subject to renegotiated terms

The group sometimes renegotiates or otherwise modifies the contractual cash flow of loans to customers. When this happens, the group assesses whether the new terms are substantially different to the original term.

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. These loans are not considered to be past due. These loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Restructuring activities include extended payment arrangements, and deferral of payments, amongst others.

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Following restructuring, a previously overdue advance is managed together with other similar accounts once the customer demonstrates the ability to make contractual payments for a specific period. Restructuring policies and procedures are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue.

If the terms are substantially different, the group derecognises the original asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the financial asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the group also assesses whether the new financial asset recognised is deemed to be credit impaired at initial recognition, especially in where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

i) Write off of financial assets

The group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

j) Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. The initial fair value is amortised over the life of the loan commitment.

Loan commitments are subsequently measured at the lower of the following:
(a) The amount of the loss allowance; and
(b) The amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The difference between the carrying amount of a financial liability and the consideration paid, including any non-cash transferred or liabilities assumed, shall be recognised in profit or loss.

k) Derecognition of financial assets

When the group transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset:

- If the group transfers substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognised and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.
- If the group retains substantially all the risks and rewards of ownership of the financial asset, the financial asset continues to be recognised.
- If the group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the group determines whether it has retained control of the financial asset:
- If the group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.
- If the group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset(measured at the date of derecognition) and any consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

If the transfer does not result in derecognition because the group has retained substantially all the risks and rewards of ownership of the transferred asset, the group continues to recognise a financial liability for the consideration received. In subsequent periods, the group recognises any income on the transferred asset and any expense incurred on the financial liability.

l) Financial liabilities

Classification and measurement

Financial liabilities are initially measured at fair value including transaction costs and subsequently classified and measured at amortised cost.

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The group's financial liabilities at amortised costs included customer deposits, trade and other payables and loan accounts with Nedbank and Khula Enterprise Finance Ltd.

Derecognition of financial liabilties

Financial liabilities are derecognised when the financial liabilities' obligation is extinguished,that is, when the obligation is discharged, cancelled or expires.

m) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

1.9 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the Group has complied with the conditions attached to the grant and that the grant has been received.

Government grants whose primary condition is that the Group should purchase, construct or acquire non-current assets are deducted in arriving at the carrying amount of the assets. The grants are recognised as income over the periods necessary to match the grant with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred with no future related cost are recognised in profit or loss in the period in which they are received. Government grants received for specific loans and advances programmes are recognised as income when all the conditions of the grant have been fulfilled and there is reasonable assurance that the grant will be received.

1.10 TAXATION

Current tax assets and liabilities

Ithala Development Finance Corporation is exempt from normal tax in terms of Section 10(1) (cA) (i) of the Income Tax Act. Consequently, all wholly owned subsidiaries of the Corporation are exempt from normal tax in terms of Section 10(1) (cA)(ii) of the Income Tax Act. Subsidiaries that are wholly owned are not subject to normal taxation except for Sundumbili, Nongoma, Wharfside and Sibaya.

Tax expense for subsidiaries that are not wholly owned comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax assets and liabilities

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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1.11 RIGHT OF USE ASSETS AND LEASE LIABILITIES

Operating leases - lessor

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

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

Income for leases is disclosed under revenue in profit or loss.

Right of use assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and.
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision making rights that are most relevant to changing how and for what purpose the asset is used.

The Group recognises a right-of-use asset and a lease liability at the initial application date an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. The right-of-use asset is initially measured at cost, which comprises:

a) the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date
b) plus any initial direct costs incurred by the lessee
c) and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right -of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of -use asset is assessed for impairment, where there is an indicator of impairment, and if the asset if found to be impaired, the carrying value of the right of use asset is reduced by impairment losses, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Lease payments included in the measurement of the lease liability comprise the following:

a) fixed payments (including substance fixed payments), less any lease incentives receivable
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
c) amounts expected to be payable by the lessee under residual value guarantees
d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease liability shall be subsequently measured by:

a) increasing the carrying amount to reflect interest on the lease liability;

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b) reducing the carrying amount to reflect the lease payments made;
c) remeasuring the carrying amount to reflect any reassessment or lease modifications

Lease modifications and rental concessions due to COVID-19

The Group assessed whether any rental concessions received were as a direct consequence of the COVID-19 pandemic constituted lease modifications. In assessing whether concessions received are lease modifications, the below factors would need to be considered:

- whether or not the concessions resulted in a change to the scope of the lease i.e. if there had been changed in the right of use conveyed to the company as lessee
- whether or not there has been a change in the consideration for the lease, considering the overall effect of any change in the lease payments
- whether or not the practical expedient as per IFRS 16 could be applied i.e. if the concessions did not extend beyond June 2022, it would not need to be accounted for as a lease modification, provided that the concession did not result in a change either to the scope or consideration for the lease.

The Group received a reduction in lease payments and going forward, the yearly escalation rates will be applied on the reduced lease payments. As this has resulted in a change to the consideration for the lease, it has been accounted for as a lease modification. Refer to the right of use and finance lease liability notes, where the impact of the modification on the right of use asset and lease liability has been quantified. However, these reductions in payments were not as as a result of the COVID-19 pandemic. Lease payments were renegotiated with the landlords as the subsidiary company had ceased operations.

Finance leases - lessor

The Group recognises finance lease receivables in the statement of financial position.

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

1.12 LEASES (COMPARATIVES UNDER IAS 17)

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

- Fulfilment of the arrangement is dependent on the use of a specific asset or assets; and/or
- The arrangement conveys a right to use the asset.

Leased assets are classified as operating leases where the lessor effectively retains the risks and benefits of ownership. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Finance leases - lessor

The group recognises finance lease receivables in the statement of financial position.

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

1.13 INVENTORIES

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 comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the weighted average cost formula.

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1.14 EMPLOYEE BENEFITS

a) Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as wages and salaries, annual leave, sick leave, bonuses, contributions to retirement funds, car allowance, housing subsidy, cell phone allowance and medical aid), 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.

The expected cost of 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.

b) Defined contribution plans

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

- as a liability, after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, an entity shall recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense.

c) Post-retirement medical aid benefit

The group operates a post-retirement medical aid benefit. The scheme is unfunded.

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 the post-retirement medical aid fund.

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 as the valuations are normally performed just before year end.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss 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.

For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

d) Pension and Provident Fund

The group previously had a defined benefit provident fund and a defined benefit pension fund which was funded. The defined benefit plans were closed off and employees were transferred to the Old Mutual defined contribution plans. However, the defined benefit plans still have pensioners who have not yet been transferred to Old Mutual as the group is still waiting for the trustees and FSB to give the go ahead to transfer the pensioners. Plan assets pertaining to the pensioners are therefore still currently held as at year end.

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 as the valuations are normally performed just before year end.

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 the liability that is outstanding as at year end for the pensioners as well as the plan assets.

When the projected unit credit method calculation results in a potential asset being recognised the net defined benefit asset shall be measured at the fair value of the plan assets less the present value of the defined benefit obligation limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As at year end

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the potential asset has not been recognised as the plan assets have not been allocated to the group by the FSB as yet for use in the reduction of future contributions or as a refund.

For the post-retirement medical aid benefits, actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income. The net interest expense is determined on the net defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Net interest expense is recognised in profit or loss.

e) Long service award

For the long service award the group pays out the employee a certain percentage of the total cost to group or a fixed amount. The payment is made based on the number of years the employee has rendered service to the group, which should be a minimum of 5 years. The payment of the award is the cost of providing the benefits which is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for the long service award.

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 as the valuations are normally performed just before year end.

Current service costs, past service costs, any gain or loss on settlement and interest on the defined benefit liability are recognised immediately in profit or loss 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.

For the long service award actuarial gains and losses are recognised in the year in which they arise in profit or loss. The interest expense is determined on the defined benefit liability by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period taking into consideration any changes that were made due to contributions and benefit payments made. Interest expense is recognised in profit or loss.

f) Termination benefits

If the termination benefits include post-employment benefits, these shall be accounted for as detailed above under post-employment benefits, otherwise termination benefits payable within 12 months after the end of the reporting period they are measured in accordance with the requirements of short term benefits. If termination benefits are payable beyond 12 months after the end of the reporting period they are measured in accordance with the requirements of other long term benefits. The group is demonstrably committed to curtailment or settlement.

1.15 NON-CURRENT ASSETS HELD FOR SALE

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

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

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

An impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell shall be recognised in profit or loss. A gain shall be recognised resulting from the subsequent increase in fair value less cost to sell of an asset, not in excess of the cumulative impairment loss that has been recognised.

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

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1.16 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.

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.

1.17 SHARE CAPITAL AND EQUITY

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

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the group in which they are declared.

1.18 PROVISIONS AND CONTINGENCIES

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provision is measured as the best estimate of the expenditure expected to be required to settle the obligation at the end of the reporting period.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Gains from the expected disposal of assets shall not be taken into account in measuring a provision. Provisions are not recognised for future operating losses.

Contingent liabilities, which include certain guarantees other than financial guarantees, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events, not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Sectoral analysis				
Housing and commercial property	1 635 736	1 557 213	-	-
Micro finance - secured	405 835	331 615	-	-
Micro finance - unsecured	18 950	23 723	18 414	20 977
Agri Finance	305 152	313 580	305 152	313 580
Franchise finance	57 214	64 648	57 214	64 648
Procurement finance	56 700	54 737	56 700	54 737
Commercial property finance	124 860	145 238	124 860	145 238
Asset finance	145 983	160 852	145 983	160 852
Structured Finance	130 696	134 948	130 696	134 948
Gross carrying amount	**2 881 126**	**2 786 554**	**839 019**	**894 980**
Interest recognised on net basis	(53 128)	(32 969)	(53 128)	(28 664)
Credit impairment for loans and advances	(446 357)	(442 786)	(365 037)	(334 883)
Expected credit loss (Loan commitments)	(1 638)	(1 750)	(1 638)	(1 750)
Less: Credit impairment balance	**(447 995)**	**(444 536)**	**(366 675)**	**(336 633)**
Net loans and advances including current portion	**2 380 003**	**2 309 049**	**419 216**	**529 683**
Less: Current Portion included under current assets	(240 671)	(518 720)	(74 561)	(319 803)
Net loans and advances	**2 139 332**	**1 790 329**	**344 655**	**209 880**
Non- performing loans	714 516	555 290	539 453	421 800
Impaired portion of the non-performing loan	(401 681)	(317 129)	(354 049)	(276 432)
Unimpaired portion of non- performing loans	**312 835**	**238 161**	**185 404**	**145 368**

Included in loans and advances above are day one losses of R 38.2 million (2020: R 58,9 million).

Day one losses				
Opening balance	58 932	55 832	58 932	55 832
Day one loss recognised	(6 194)	11 046	(6 194)	11 046
Amortised	(14 504)	(7 946)	(14 504)	(7 946)
Closing balance	**38 234**	**58 932**	**38 234**	**58 932**

Maturity analysis				
Maturing:				
Up to 1 month	422 258	331 745	313 957	267 867
From 1 month to 6 months	133 935	133 519	65 784	67 721
From 6 months to 1 year	130 828	135 447	59 850	66 206
From 1 year to 5 years	760 867	808 211	247 074	302 034
After 5 years	1 433 238	1 377 632	152 354	191 152
	2 881 126	**2 786 554**	**839 019**	**894 980**

The maturity analysis is based on the remaining period to contractual maturity date as determined at the end of the year.

Incurred loss credit impairment				
Expected credit loss for loans and advances				
Balance at beginning of the year	(444 536)	(288 194)	(336 633)	(226 141)
Charge to income statement				
Bad debt write off**	9 814	14 317	-	8 803
Expected credit loss	(14 089)	(170 659)	(30 042)	(119 295)
Balance at end of the year	**(448 811)**	**(444 536)**	**(366 675)**	**(336 633)**

**Bad debt written off represent losses made on the derecognition of loans and advances measured at amortised costs. Refer to note 31 for details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

2. LOANS AND ADVANCES (continued)

The difference of R0,8 million between the R14,0 million disclosed on the statement of profit and loss and other comprehensive income and the R14,1 million ECL per the above table relates to the ECL for properties in possession.

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Comprising:				
Impairment for performing loans Stage 1 and 2	(45 492)	(125 657)	(10 988)	(58 451)
Impairment for non-performing loans- Stage 3	(401 681)	(317 129)	(354 049)	(276 432)
Expected credit loss (Loan commitments)	(1 638)	(1 750)	(1 638)	(1 750)
Impairment for loans and advances	**(448 811)**	**(444 536)**	**(366 675)**	**(336 633)**

The information disclosed below relating to the impairment losses has been prepared in terms of IFRS 7 using the expected credit loss model in terms of IFRS 9.

Expected credit loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 (refer to note 35 for description of the different stages) due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent 'step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions. Note, prior to March 2021, year end, the latest available data was included in the calculation of the model inputs. No significant changes were made in the modelling methodology;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The allowance for the expected impact of the Covid-19 lockdowns on the ECL as at 31 March 2020 turned out be overly conservative and actual credit risk experience was better than expected. This resulted in a net release in ECL over the year ending 31 March 2021.

In the calculation of the ECL, the debtors' payment patterns were analysed for the past 12 months. Due to the impact of COVID-19, prior years' payment patterns were not taken into consideration in the calculation of the ECL, as this would have resulted in a distortion of the current year's ECL. Forward looking information was incorporated in the determination of the ECL by factoring into account the debtor's payment patterns for March 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2021	Housing and Commercial R'000	Micro Finance Secured R'000	Micro Finance Unsecured R'000	TOTAL SOC LIMITED R'000	Micro Finance R'000	Agri Finance R'000	Franchise Finance R'000	Procurement Finance R'000	Commercial Finance R'000	Assets Finance R'000	Structured Finance R'000	TOTAL CORP R'000	TOTAL R'000
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	14 586	1 572	2	16 160	55	2 554	558	27	248	4 315	1 620	9 377	25 537
Stage 2	41 182	9 616	248	51 046	1 084	6 580	6 453	4 989	4 824	12 302	12 842	49 074	100 120
Stage 3	35 812	2 573	2 312	40 697	5 173	110 290	12 232	23 510	22 138	50 618	52 471	276 432	317 129
Opening balance 1 April 2020	91 580	13 761	2 562	107 903	6 312	119 424	19 243	28 526	27 210	67 235	66 933	334 883	442 786
Recalibration of model	(18 570)	(4 354)	(54)	(22 978)	-	-	-	-	-	-	-	-	(22 978)
Recalibrated opening balance	73 010	9 407	2 508	84 925	6 312	119 424	19 243	28 526	27 210	67 235	66 933	334 883	419 808
Excluding manual overrides as at 31 March 2020	879	(1 501)	-	(622)	-	-	-	-	-	-	-	-	(622)
Financial assets derecognised during the period	(1 024)	(281)	(22)	(1 327)	(584)	(1 213)	(69)	(2 646)	(51)	(65)	-	(4 628)	(5 955)
Stage 1 net transfers	1 783	(501)	-	1 282	273	3 743	5 648	1 216	507	10 598	3 342	25 327	26 609
Stage 2 net transfers	(7 479)	(553)	(34)	(8 066)	(722)	(5 517)	(6 394)	(2 396)	(3 531)	(10 950)	(12 842)	(42 352)	(50 418)
Stage 3 net transfers	8 689	4 304	85	13 078	449	1 774	746	1 180	3 024	352	9 506	17 031	30 109
New financial asset originated or purchased	4 015	6 535	-	10 550	602	310	-	951	1	1 088	-	2 952	13 502
Changes in PDs/ LGDs/EADs	(3 124)	3 535	(2 028)	(1 617)	1 150	8 996	(1 224)	4 829	10 666	1 414	6 186	32 017	30 400
Changes to model assumptions and methodologies	(2 993)	(3 250)	(50)	(6 293)	-	-	-	-	-	-	-	-	(6 293)
Macro economic forecasts	(8 120)	(2 558)	(20)	(10 698)	37	2 808	(564)	16	1 351	(4 161)	320	(193)	(10 891)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2021	Housing and Commercial R'000	Micro Finance Secured R'000	Micro Finance Unsecured R'000	TOTAL SOC LIMITED R'000	Micro Finance R'000	Agri Finance R'000	Franchise Finance R'000	Procurement Finance R'000	Commercial Finance R'000	Assets Finance R'000	Structured Finance R'000	TOTAL CORP R'000	TOTAL R'000
Total net P&L charge during the period	(7 374)	5 730	(2 069)	(3 713)	1 205	10 901	(1 857)	3 150	11 967	(1 724)	6 512	30 154	(26 441)
Other movements with no P&L impact													
Transfers:													
	65 636	**15 137**	**439**	**81 212**	**7 517**	**130 325**	**17 386**	**31 676**	**39 177**	**65 511**	**73 445**	**365 037**	**446 249**
Stages closing balances													
Stage 1	2 680	988	-	3 668	110	793	1 221	850	147	1 871	1 068	6 060	9 728
Stage 2	22 749	7 025	138	29 912	109	1 299	-	353	2 369	798	-	4 928	34 840
Stage 3	40 207	7 124	301	47 632	7 298	128 233	16 165	30 473	36 661	62 842	72 377	354 049	401 681
	65 636	**15 137**	**439**	**81 212**	**7 517**	**130 325**	**17 386**	**31 676**	**39 177**	**65 511**	**73 445**	**365 037**	**446 249**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Gross Carrying Amount: 2021	Housing and Commercial R'000	Micro Finance Secured R'000	Micro Finance Unsecured R'000	TOTAL SOC LIMITED R'000	Micro Finance R'000	Agri Finance R'000	Franchise Finance R'000	Procurement Finance R'000	Commercial Finance R'000	Assets Finance R'000	Structured Finance R'000	TOTAL CORP R'000	TOTAL R'000
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	963 866	239 217	25	1 203 108	895	68 932	5 857	2 996	56 097	40 405	30 176	205 358	1 408 466
Stage 2	467 896	86 731	350	554 977	14 163	37 340	45 469	22 235	44 213	58 181	46 226	267 827	822 804
Stage 3	125 451	5 668	2 371	133 490	5 902	207 327	13 322	29 509	44 928	62 266	58 546	421 800	555 290
Opening balance 01 April 2020	**1 557 213**	**331 616**	**2 746**	**1 891 575**	**20 960**	**313 599**	**64 648**	**54 740**	**145 238**	**160 852**	**134 948**	**894 985**	**2 786 560**
Stage 1 net transfers	(4 158)	26 291	-	22 133	2 306	27 385	38 941	2 890	(13 000)	39 013	(7 575)	89 960	112 093
Stage 2 net transfers	(32 705)	(42 667)	(91)	(75 463)	(4 357)	(27 104)	(44 226)	(8 762)	(11 837)	(48 330)	(46 226)	(190 842)	(266 305)
Stage 3 net transfers	36 863	16 375	91	53 329	2 051	(281)	5 285	5 871	24 837	9 317	53 801	100 881	154 210
Financial assets derecognised during the period other than write offs	(48 511)	(39 234)	(69)	(87 814)	(10 487)	(10 156)	(1 464)	(16 146)	(3 299)	(791)	-	(42 343)	(130 157)
Financial asset originated or purchased	227 270	143 936	-	371 206	9 238	5 141	-	17 170	687	11 568	-	43 804	415 010
Change in interest accrual	(100 238)	(30 482)	(2 141)	(132 861)	(1 297)	(3 432)	(5 970)	937	(17 766)	(25 646)	(4 252)	(57 426)	(190 287)
	1 635 734	**405 835**	**536**	**2 042 105**	**18 414**	**305 152**	**57 214**	**56 700**	**124 860**	**145 983**	**130 696**	**839 019**	**2 881 124**
Stages closing balance													
Stage 1	1 030 997	317 981	-	1 348 978	6 102	76 063	38 827	16 562	30 061	63 706	14 950	246 271	1 595 249
Stage 2	449 469	68 368	227	518 064	4 322	8 607	-	3 082	28 889	8 395	-	53 295	571 359
Stage 3	155 268	19 486	309	175 063	7 990	220 482	18 387	37 056	65 910	73 882	115 746	539 453	714 516
	1 635 734	**405 835**	**536**	**2 042 105**	**18 414**	**305 152**	**57 214**	**56 700**	**124 860**	**145 983**	**130 696**	**839 019**	**2 881 124**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Loss Allowance: 2020	Housing and Commercial R'000	Micro Finance Secured R'000	Micro Finance Unsecured R'000	TOTAL SOC LIMITED R'000	Micro Finance R'000	Agri Finance R'000	Franchise Finance R'000	Procurement Finance R'000	Commercial Finance R'000	Assets Finance R'000	Structured Finance R'000	TOTAL CORP R'000	TOTAL R'000
	ITHALA SOC LIMITED				CORPORATION								
Stage 1	3 671	759	73	4 503	118	3 971	2 051	3 735	326	6 250	8 787	25 238	29 741
Stage 2	29 061	1 012	326	30 399	104	21 520	-	752	3 038	5 112	-	30 526	60 925
Stage 3	21 977	2 591	2 583	27 151	3 528	57 841	6 543	15 066	14 579	39 792	24 020	161 369	188 520
Opening balance 1 April 2019	**54 709**	**4 362**	**2 982**	**62 053**	**3 750**	**83 332**	**8 594**	**19 553**	**17 943**	**51 154**	**32 807**	**217 133**	**279 186**
Recalibration of model	12 304	2 438	932	15 674	-	-	-	-	-	-	-	-	15 674
Recalibrated opening balance	**67 013**	**6 800**	**3 914**	**77 727**	**3 750**	**83 332**	**8 594**	**19 553**	**17 943**	**51 154**	**32 807**	**217 133**	**294 860**
Financial assets derecognised during the period	(3 577)	(1 142)	(1 030)	(5 749)	-	-	-	-	-	-	-	-	(5 749)
Stage 1 net transfers	927	(323)	32	636	(162)	(1 591)	(1 333)	(1 985)	(72)	(4 167)	(4 095)	(13 405)	(12 769)
Stage 2 net transfers	(6 354)	687	(146)	(5 813)	233	(7 653)	2 925	2 062	(2 662)	5 060	8 188	8 153	2 340
Stage 3 net transfers	9 187	406	52	9 645	370	17 007	5 180	9 727	3 971	5 933	20 211	62 399	72 044
New financial asset originated or purchased	2 526	4 411	-	6 937	2 027	3 687	2 086	3 877	3 297	5 867	3 111	23 952	30 889
Changes in PDs/LGDs/EADs	(2 141)	(2 843)	(329)	(5 313)	14	40 568	1 164	(4 019)	5 274	70	(16 647)	26 424	21 111
Changes to model assumptions and methodologies	-	5 768	-	5 768	-	174	3	-	46	-	2	225	5 993
Macro-economic forecasts	24 710	-	59	24 769	757	4 349	3 599	4 037	1 148	10 465	5 674	30 029	54 798
Applying overrides as at 31 March 2020	(808)	-	9	(799)	(677)	(20 449)	(2 975)	(4 726)	(1 735)	(7 147)	17 682	(20 027)	(20 826)
Total net P&L charge during the period	**24 470**	**6 964**	**(1 353)**	**30 081**	**2 562**	**36 092**	**10 649**	**8 973**	**9 267**	**16 081**	**34 126**	**117 750**	**147 831**
Other movements with no P&L impact Transfers:													
Write offs	-	202	-	202	-	-	-	-	-	-	-	-	202
Stages closing balance	**91 483**	**13 764**	**2 561**	**107 808**	**6 312**	**119 424**	**19 243**	**28 526**	**27 210**	**67 235**	**66 933**	**334 883**	**442 691**
Stage 1	14 586	1 572	2	16 160	55	2 554	558	27	248	4 315	1 620	9 377	25 537
Stage 2	41 182	9 616	248	51 046	1 084	6 580	6 453	4 989	4 824	12 302	12 842	49 074	100 120
Stage 3	35 812	2 573	2 312	40 697	5 173	110 290	12 232	23 510	22 138	50 618	52 471	276 432	317 129
	91 580	**13 761**	**2 562**	**107 903**	**6 312**	**119 424**	**19 243**	**28 526**	**27 210**	**67 235**	**66 933**	**334 883**	**442 786**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Gross Carrying Amount: 2020	Housing and Commercial R'000	Micro Finance Secured R'000	Micro Finance Unsecured R'000	TOTAL SOC LIMITED R'000	Micro Finance R'000	Agri Finance R'000	Franchise Finance R'000	Procurement Finance R'000	Commercial Finance R'000	Assets Finance R'000	Structured Finance R'000	TOTAL CORP R'000	TOTAL R'000
	ITHALA SOC LIMITED				CORPORATION								
Opening balance													
Stage 1	947 322	195 653	388	1 143 363	10 464	126 894	33 454	54 958	84 207	82 807	101 982	494 766	1 638 129
Stage 2	514 867	40 417	681	555 965	3 141	72 157	-	6 469	29 467	17 169	-	128 403	684 368
Stage 3	91 272	4 243	3 320	98 835	3 821	103 859	6 992	18 923	41 075	50 453	41 574	266 697	365 532
Opening balance 1 April 2019	**1 553 461**	**240 313**	**4 389**	**1 798 163**	**17 426**	**302 910**	**40 446**	**80 350**	**154 749**	**150 429**	**143 556**	**889 866**	**2 688 029**
Reclassification of model	-	-	-	-	-	-	-	**(397)**	-	-	-	**(397)**	**(397)**
Stage 1 net transfers	(46 429)	(18 958)	91	(65 296)	(8 748)	(40 061)	(31 496)	(47 584)	(17 251)	(61 337)	(70 260)	(276 737)	(342 033)
Stage 2 net transfers	18 940	17 922	(152)	36 710	8 277	(50 033)	25 596	35 578	(6 467)	50 005	41 926	104 882	141 592
Stage 3 net transfers	27 489	1 036	61	28 586	471	90 094	5 900	12 006	23 718	11 332	28 334	171 855	200 441
Financial assets derecognised during the period other than write offs	(67 709)	(34 078)	(1 178)	(102 965)	-	-	-	-	-	-	-	-	(102 965)
Financial asset originated or purchased	131 103	136 564	19	267 686	14 720	17 131	23 382	25 914	25 264	38 027	9 615	154 053	421 739
Change in interest accrual	(59 195)	(11 183)	(484)	(70 862)	(11 186)	(6 442)	820	(51 127)	(34 775)	(27 604)	(18 223)	(148 537)	(219 399)
Stages closing balance	**1 557 660**	**331 616**	**2 746**	**1 892 022**	**20 960**	**313 599**	**64 648**	**54 740**	**145 238**	**160 852**	**134 948**	**894 985**	**2 787 007**
Stage 1	963 866	239 217	25	1 203 108	895	68 932	5 857	2 996	56 097	40 405	30 176	205 358	1 408 466
Stage 2	467 896	86 731	350	554 977	14 163	37 340	45 469	22 235	44 213	58 181	46 226	267 827	822 804
Stage 3	125 451	5 668	2 371	133 490	5 902	207 327	13 322	29 509	44 928	62 266	58 546	421 800	555 290
	1 557 213	**331 616**	**2 746**	**1 891 575**	**20 960**	**313 599**	**64 648**	**54 740**	**145 238**	**160 852**	**134 948**	**894 985**	**2 786 560**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Modifications of loans and advances measured at amortised cost that did not result in derecognition:

Group

	2021				2020			
	Stage 1 & 2		Stage 3		Stage 1 & 2		Stage 3	
	Gross amortised cost before the modification R'000	Net modification gain or loss R'000	Gross amortised cost before the modification R'000	Net modification gain or loss R'000	Gross amortised cost before the modification R'000	Net modification gain or loss R'000	Gross amortised cost before the modification R'000	Net modification gain or loss R'000
Housing and commercial property*	7 412	-	5 064	-	9 512	-	2 634	-
Micro finance**	4 066	-	2 985	-	410	-	11	-
Micro finance - unsecured***	798	-	-	-	-	-	82	-
Procurement finance****	450	-	-	-	411	-	5 571	-
Commercial Property	-	-	4 781	-	2 511	-	-	-
Asset finance	-	-	353	-	-	-	485	-
Total	**12 726**	**-**	**13 183**	**-**	**12 844**	**-**	**8 783**	**-**

Company

	2021 Stage 1 & 2 Gross R'000	Net R'000	2021 Stage 3 Gross R'000	Net R'000	2020 Stage 1 & 2 Gross R'000	Net R'000	2020 Stage 3 Gross R'000	Net R'000
Micro finance - unsecured*	798	-	-	-	-	-	82	-
Procurement finance**	450	-	-	-	411	-	5 571	-
Commercial Property	-	-	4 781	-	2 511	-	-	-
Asset finance	-	-	353	-	-	-	485	-
Total	**1 248**	**-**	**5 134**	**-**	**2 922**	**-**	**6 138**	**-**

*SOC Housing and commercial property is stage 2 only.

**SOC Micro finance is stage 2 only.

***Micro-finance - unsecured is split between stage 1 and stage 2 as per below:
Stage 1 - R352 000
Stage 2 - R446 000

****Procurement finance of R450 000 is stage 1 only.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

The tables below reflect the credit quality and maximum exposure to credit risk based on Empirical scores, 12 month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the credit scoring methodology and impairment assessment and measurement approach are explained in Note 31.

Figures in Rand thousand

Mortgage and Housing Loans - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.00%-0.50%	485 010	16 703	-	501 713
0.51%-11.70%	545 987	382 927	-	928 914
11.71%-29.50%	-	26 358	-	26 358
29.51%-100%	-	23 482	33 026	56 508
Non-performing				
100%	-	-	122 243	122 243
Gross Carrying Amount	1 030 997	449 470	155 269	1 635 736

Mortgage and Housing Loans - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.00%-0.50%	10	8	-	18
0.51%-11.70%	778 248	88 173	-	866 421
11.71%-29.50%	185 608	321 254	-	506 862
29.51%-100%	-	58 462	13 552	72 014
Non-performing				
100%	-	-	111 900	111 900
Gross Carrying Amount	963 866	467 897	125 452	1 557 215

Micro finance secured - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.00%-0.50%	22 580	-	-	22 580
0.51%-11.70%	295 399	44 660	-	340 059
11.71%-29.50%	-	5 022	-	5 022
29.51%-100%	-	18 686	5 058	23 744
Non-performing				
100%	-	-	14 429	14 429
Gross Carrying Amount	317 979	68 368	19 487	405 834

Micro finance secured - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.00%-0.50%	30 234	-	-	30 234
0.51%-11.70%	175 373	13 139	-	188 512
11.71%-29.50%	29 516	38 010	-	67 526
29.51%-100%	4 094	35 582	234	39 910
29.51%-100%	-	-	-	-
Non-performing				
100%	-	-	5 433	5 433
Gross Carrying Amount	239 217	86 731	5 667	331 615

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Figures in Rand thousand

Micro finance unsecured - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	6 102	4 176	-	10 278
11.71%-29.50%	-	22	-	22
29.51%-100%	-	123	-	123
Non-performing				
100%	-	-	7 990	7 990
Gross Carrying Amount	6 102	4 321	7 990	18 413

Micro finance unsecured - Corporation - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	764	8 670	-	9 434
11.71%-29.50%	2 895	1 698	-	4 593
29.51%-100%	-	1 030	-	1 030
Non-performing				
100%	-	-	5 903	5 903
Gross Carrying Amount	3 659	11 398	5 903	20 960

Micro finance unsecured - Ithala SOC Limited - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
11.71%-29.50%	-	228	-	228
Non-performing				
100%	-	-	309	309
Gross Carrying Amount	-	228	309	537

Micro finance unsecured - Ithala SOC Limited - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing	11	8	-	19
11.71%-29.50%	14	342	-	356
Non-performing				
100%	-	-	2 371	2 371
Gross Carrying Amount	25	350	2 371	2 746

Agri Finance - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	445	-	-	445
11.71%-29.50%	75 618	-	-	75 618
29.51%-100%	-	8 607	-	8 607
Non-performing				
100%	-	-	220 482	220 482
	76 063	8 607	220 482	305 152

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Figures in Rand thousand

Agri Finance - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	4	-	-	4
29.51%-100%	80 723	25 544	-	106 267
Non-performing				
100%	-	-	207 327	207 327
	80 727	**25 544**	**207 327**	**313 598**

Franchise Finance - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	38 827	-	-	38 827
Non-performing				
100%	-	-	18 387	18 387
	38 827	**-**	**18 387**	**57 214**

Franchise Finance - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	1 463	-	-	1 463
11.71%-29.50%	38 884	10 979	-	49 863
Non-performing				
100%	-	-	13 322	13 322
	40 347	**10 979**	**13 322**	**64 648**

Procurement Finance - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	9 359	1 865	-	11 224
11.71%-29.50%	7 203	633	-	7 836
29.51%-100%	-	584	-	584
Non-performing				
100%	-	-	37 056	37 056
	16 562	**3 082**	**37 056**	**56 700**

Procurement Finance - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	295	256	-	551
11.71%-29.50%	3 368	11 319	-	14 687
29.51%-100%	1 166	8 825	-	9 991
Non-performing				
100%	-	-	29 509	29 509
	4 829	**20 400**	**29 509**	**54 738**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Figures in Rand thousand

Commercial Property Finance - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.00%-0.50%	663	-	-	663
0.51%-11.70%	29 398	-	-	29 398
29.51%-100%	-	28 889	-	28 889
Non-performing				
100%	-	-	65 910	65 910
	30 061	**28 889**	**65 910**	**124 860**

Commercial Property Finance - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.00%-0.50%	4 096	-	-	4 096
0.51%-11.70%	64 378	-	-	64 378
29.51%-100%	3 684	28 153	-	31 837
Non-performing				
100%	-	-	44 928	44 928
	72 158	**28 153**	**44 928**	**145 239**

Asset Finance - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range	-	-	-	-
Performing	-	-	-	-
0.51%-11.70%	50 617	-	-	50 617
11.71%-29.50%	13 090	8 395	-	21 485
Non-performing				
100%	-	-	73 882	73 882
	63 707	**8 395**	**73 882**	**145 984**

Asset Finance - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	78	-	-	78
11.71%-29.50%	71 552	-	-	71 552
29.51%-100%	10 366	16 591	-	26 957
Non-performing				
100%	-	-	62 266	62 266
	81 996	**16 591**	**62 266**	**160 853**

Structured Finance - 31 March 2021	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
0.51%-11.70%	442	-	-	442
11.71%-29.50%	14 508	-	-	14 508
Non-performing				
100%	-	-	115 746	115 746
	14 950	**-**	**115 746**	**130 696**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

2. LOANS AND ADVANCES (continued)

Figures in Rand thousand

Structured Finance - 31 March 2020	Stage 1	Stage 2	Stage 3	Total
12 Month PD Range				
Performing				
11.71%-29.50%	66 787	3 336	-	70 123
29.51%-100%	-	6 279	-	6 279
Non-performing				
100%	-	-	58 546	58 546
	66 787	**9 615**	**58 546**	**134 948**

3. INVESTMENT PROPERTY

	2021			2020		
Figures in Rand thousand	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Group						
Investment property	3 198 870	-	3 198 870	3 013 524	-	3 013 524

	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Company						
Investment property	2 873 459	-	2 873 459	2 709 996	-	2 709 996

Reconciliation of investment property - Group - 2021

	Opening balance restated	Additions	Transfers to property, plant and equipment	Fair value adjustments	Total
Investment property	3 013 524	10 763	(5 963)	180 546	3 198 870

Reconciliation of investment property - Group - 2020

	Opening balance restated	Additions	Transfers	Other changes, movements	Prior year adjustment	Fair value adjustments	Total
Investment property	2 832 551	45 815	(3 859)	(4 539)	24 290	119 266	3 013 524

Reconciliation of investment property - Company - 2021

	Opening balance restated	Additions	Transfers to property, plant and equipment	Fair value adjustments	Total
Investment property	2 709 996	9 583	(5 963)	159 843	2 873 459

Other disclosures

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

3. INVESTMENT PROPERTY (continued)

Reconciliation of investment property - Company - 2020

	Opening balance restated	Additions	Transfers	Transfer to ROUA	Prior year adjustment	Fair value adjustments	Total
Investment property	2 565 595	42 906	(3 859)	(4 536)	16 592	93 298	2 709 996

The valuation of the investment property has been performed by independent qualified valuers, registered with The South African Council For The Properties Valuers Profession (SACPVP). Refer to note 32 for fair value disclosures.

The prior year opening balance has been restated by R50.7 million due to the reclassification of investment property to property, plant and equipment (R19.4 million) and the correction of the investment property valuation (R31.3 million). Refer to note 48 for additional disclosure.

During the audit of the current year, it was noted that the investment property value for the prior year for certain buildings were below market values. This resulted in an increase to the prior years fair value adjustment of R46,6m.

Details of property

	Group		Company	
	2021	2020	2021	2020
Amounts recognised in profit and loss for the year	R '000	R '000	R '000	R '000
Rental income from investment property	354 765	367 630	353 469	333 985
Direct operating expenses from rental generating property	381 000	345 149	352 189	315 222
Direct operating expenses from non-rental generating property	8 304	984	8 304	984
	744 069	**713 763**	**713 962**	**650 191**

4. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
Figures in Rand thousand	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Group						
Buildings	296 723	(80 124)	216 599	299 014	(82 290)	216 599
Leasehold improvements	63 069	(58 555)	4 514	63 069	(57 419)	5 650
Plant and machinery	267 068	(203 509)	63 559	296 515	(220 575)	75 940
	626 860	**(342 188)**	**284 672**	**658 598**	**(360 284)**	**298 314**
Company						
Land, Infrastucture and buildings	296 615	(80 167)	216 448	298 801	(82 229)	216 572
Leasehold improvements	12 665	(12 665)	-	12 665	(12 665)	-
Plant, equipment and vehicles	117 417	(77 222)	40 195	150 052	(99 590)	50 462
	426 697	**(170 054)**	**256 643**	**461 518**	**(194 484)**	**267 034**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - Group - 2021

	Opening balance	Additions	Disposals	Transfers	Adjustments	Depreciation	Total
Buildings	216 724	49	-	4 816	229	(5 219)	216 59
Leasehold improvements	5 650	-	-	-	-	(1 136)	4 514
Plant and machinery	75 940	7 968	(509)	(132)	(3 568)	(16 140)	63 559
	298 314	**8 017**	**(509)**	**4 684**	**(3 339)**	**(22 495)**	**284 672**

Reconciliation of property, plant and equipment - Group - 2020

	Opening balance	Additions	Disposals	Transfers	Prior year adjustment	Depreciation	Impairment loss	Total
Buildings	199 926	5 531	-	4 174	19 567	(12 474)	-	216 724
Leasehold improvements	7 160	-	-	-	-	(1 510)	-	5 650
Plant and machinery	93 309	9 126	(2 814)	(314)	(132)	(16 944)	(6 291)	75 940
	300 395	**14 657**	**(2 814)**	**3 860**	**19 435**	**(30 928)**	**(6 291)**	**298 314**

Reconciliation of property, plant and equipment - Company - 2021

	Opening balance restated	Additions	Disposals	Transfers	Adjustments*	Depreciation	Total
Buildings	216 572	49	-	4 817	229	(5 219)	216 448
Plant and machinery	50 462	2 549	(347)	(132)	(2 373)	(9 964)	40 195
	267 034	**2 598**	**(347)**	**4 685**	**(2 144)**	**(15 183)**	**256 643**

Reconciliation of property, plant and equipment - Company - 2020

	Opening balance	Additions	Disposals	Transfers	Adjustments*	Depreciation	Total
Buildings	199 772	5 535	-	4 174	19 567	(12 476)	216 572
Plant and machinery	58 713	5 217	(2 810)	(313)	(132)	(10 213)	50 462
	258 485	**10 752**	**(2 810)**	**3 861**	**19 435**	**(22 689)**	**267 034**

Adjustments*

The R229k adjustment on buildings relates to a misclassification identified by auditors in the prior year. The R3,6 million adjustment on plant and machinery is made up of the following:

- R2,4 million relates to a credit note received in the current year from an asset that was recorded as WIP in the prior year, due to contractual disagreements.
- R1,1 million relates to a service warranty written off and IBM items which were intially capitalised, but were subsequently expensed as they were not capital in nature.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
4. PROPERTY, PLANT AND EQUIPMENT (continued)				
Net carrying amounts of leased assets				
Leasehold improvements	4 514	5 650	-	-

Impairment and reversal of impairment

Impairment charge of R6.2m the prior financial year relates to computer equipment that was damaged prior to year-end.

The impairment charge of R13.5m in 2019 relates to the impairment of property plant and equipment for Portshepstone Quarries, where operations have ceased from December 2018. The value in use of these assets is zero as there is no production taking place.

Other information

	Group 2021	Group 2020	Company 2021	Company 2020
Cost of Property, plant and equipment with Nil book values	31 307	47 287	31 307	46 418

Property, plant and equipment with nil book values represents property, plant and equipment that are still in use and have a nil book value and to assets with a cost of R2 000 and below that have been fully depreciated in line with the Group's policy.

The reassessment of useful life is performed at each balance sheet date except for assets with costs that is below R2 000.

5. INTANGIBLE ASSETS

Figures in Rand thousand	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Group						
Licenses and franchises	3 747	(3 192)	555	4 794	(4 787)	7
Computer software, other	53 714	(45 380)	8 334	53 350	(43 522)	9 828
Other intangible assets	12 556	(10 144)	2 412	13 791	(1 410)	12 381
	70 017	**(58 716)**	**11 301**	**71 935**	**(49 719)**	**22 216**
Company						
Licenses and franchises	3 747	(3 192)	555	4 794	(4 787)	7
Computer software, other	36 164	(29 332)	6 832	36 018	(27 815)	8 203
Other intangible assets	1 600	(1 465)	135	3 034	(1 411)	1 623
	41 511	**(33 989)**	**7 522**	**43 846**	**(34 013)**	**9 833**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

5. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets - Group - 2021

	Opening balance	Additions	Disposals	Transfers	Amortisa-tion	Impairment loss	Total
Licenses and franchises	7	-	(7)	670	(115)	-	555
Computer software, other	9 878	-	-	1 201	(2 745)	-	8 334
Other intangible assets	12 331	1 283	(383)	(2 086)	(54)	(8 679)	2 412
	22 216	**1 283**	**(390)**	**(215)**	**(2 914)**	**(8 679)**	**11 301**

Reconciliation of intangible assets - Group - 2020 Restated

	Opening balance	Additions	Disposals	Transfers	Amortisa-tion	Impairment loss	Total
Licenses and franchises	7	-	-	-	-	-	7
Computer software, other	19 621	2 074	201	-	(3 107)	(8 911)	9 878
Other intangible assets	10 565	4 635	(201)	(2 584)	(84)	-	12 331
	30 193	**6 709**	**-**	**(2 584)**	**(3 191)**	**(8 911)**	**22 216**

Reconciliation of intangible assets - Company - 2021

	Opening balance	Disposals	Transfers	Amortisation	Total
Licenses and franchises	7	(7)	670	(116)	554
Computer software, other	8 203	-	549	(1 920)	6 832
Other intangible assets	1 623	-	(1 433)	(54)	136
	9 833	**(7)**	**(214)**	**(2 090)**	**7 522**

Reconciliation of intangible assets - Company - 2020

	Opening balance	Additions	Amortisation	Impairment loss	Total
Licenses and franchises	7	-	-	-	7
Computer software, other	16 897	2 074	(1 857)	(8 911)	8 203
Other intangible assets	273	1 434	(84)	-	1 623
	17 177	**3 508**	**(1 941)**	**(8 911)**	**9 833**

	Group		Company	
	2021	**2020**	**2021**	**2020**
	R '000	**R '000**	**R '000**	**R '000**
Other information				
Cost of intangible assets with NIL book value	20 341	20 455	20 341	20 455

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

5. INTANGIBLE ASSETS (continued)

The grant application in the recon above relates to the grant received which was utilised against the intangible asset being developed.

The remaining useful lives for intangile assets of the group as at 31 March 2021		
Software	1- 6 Years	1 - 6 Years
LIcences and warranties	1- 4 Years	1 - 4 Years

The imparment of R8,7 million relates to a system that is no longer being used by an entity due to limitations identified on the system.

An amount of R32,4 million was recognised as an intangible asset impairment provision during the 2011 year. This impaired asset relates to the banking system project (Temenos MCB) which was scheduled to be commissioned in June 2010.

Intrinsic value may exist within the capitalised amount from the Temenos MCB project which may be realised on the implementation of a new system.

In 2018 the Company initiated new banking system project for implementation of an integrated enterprise-wide core banking platform with a digital customer centric paradigm expected to modernise the Company's technology as well as close various risk and compliance exceptions. Work-in-progress incrred to the value of R26 million is funded by a R40 million grant received from the KZN government for the purpose of funding the project. System development has been halted and an investigation is in progress to determine the recoverability of the costs incurred. In 2020 financial year end the server that housed the core banking application was damaged and there is uncertainty on the recoverability of this work- in-progress application. Engagement with the service provider is underway to try restore the application. As the carrying value of R26 million has been reduced by the grant funding received, no impairment is required.

An amount of R8,7 million has been recognised as an intangible asset impairment provision during the 2021 year. This impaired asset relates to develpment costs incurred on the first phase of a banking system project initiated in 2014 to allow the migration of products from the legacy banking system to a platform provided by an external service provider.This project was subsequently placed on hold. The development costs which were expected to be interfaced with the new enterprise platform have been impaired until the project reaches the integration stage.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
6. RIGHT OF USE OF ASSETS				
Net carrying amounts of right-of-use assets				
Land and buildings	28 409	34 331	64	837
Investment property	4 536	4 539	4 536	4 536
Total-Right of use Asset	**32 945**	**38 870**	**4 600**	**5 373**
Reconciliation of Right-of-use assets				
Land and buildings	-	-	-	-
Opening Balance	34 331	-	837	-
IFRS 16 Adoption	-	31 934	-	1 610
Balance as at 1 April 2020	34 331	31 934	837	1 610
Additions	-	3 704	-	-
Amortisation	(6 505)	(1 307)	(773)	(773)
Modifications	763	-	-	-
Disposals	(180)	-	-	-
	28 409	**34 331**	**64**	**837**

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right of use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit and loss (note 36), as well as depreciation which has been capitalised to the cost of other assets.

Land and buildings	13 461	14 889	773	773

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

Group

The right of use asset relates to land where Port Shepstone Quarries carries its mining activities. The lease is for 30 years , it commenced on 1 August 2013 with an expiry date of 1 July 2043. The remaining lease period is 23 years. The escalation rate of rental is 7% every 1 August of each year. The lease has no renewal option nor does land transfer to the lessee at the end of the lease period. The rental payments were re-negotiated from 1 July 2020, from R98 000 to R80 000 per month excluding VAT, resulting in the liability and asset being re-measured.

Sundumbili Plaza has an operating lease for land under a permission to occupy. Sundumbili has erected a building which is leased to various tenants in exchange for monthly rental payments. There is no escalation and the lease period is 50 years. The lease commenced in 1990 and the remaining lease period is 19 years. The asset related to the lease falls within the scope of IAS 40, and all IAS 40 disclosure requirements have been adhered to.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. RIGHT OF USE OF ASSETS (continued)

Lease Contract	No. of leases	Fixed Payments (%)	Variable Payments	Discount rate (%)
Property Leases	2	100	-	8-10

Ithala SOC lease portfolio primarily consist of property which included branch and ATM space. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. The branch and ATM space leases were entered into many years ago. Previously, these leases were classified as operating leases under IAS 17.

Company

The right of use asset relates to the land, where IDFC erected a light industrial factory. The lease commenced on 1 September 2000, with the expiry date of 2051. The lease is for 50 years. The remaining lease period is 30 years. The lease has no renewal option nor does it allow the transfer of land to IDFC. The escalation rate of rental is 12% on 1 August of each year. The lease also has turnover rental depending on the performance of the Building.

The corporation has operating leases for land either directly with the owners of the land or permission to occupy. IDFC has erected buildings and leases those buildings to various tenants in exchange for monthly rental payments. The rental escalations for the permission to occupy vary and some do escalate, however the majority does not. All PTO's have a 50 year lease period with varying remaining lease periods, as their commencement dates varied, however the range of remaining period is between 9 years to 38 years. These leases have no renewal options nor do they allow the transfer of land to IDFC. The Prasa lease escalates at higher of 12% on 1 September of each year or turnover rental taking into consideration the market conditions. Historically the rental has escalated based on turnover rental and economic conditions, hence this lease is considered to have variable lease payments linked to future payments. The lease period is 50 years, the remaining lease period is 26 years. The lease has no renewal options nor does it allow the transfer of land to IDFC. There is also a lease for staff parking which commenced on 1 May 2018, the lease period is 3 years and the lease does not contain the option to renew nor does it transfer ownership at the end of the lease period. The remaining lease period is 1 month.

Other disclosures

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low- value assets and short term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Extension options

Some property leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of R28,6 million discounted at the incremental borrowing rate as at transition date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

6. RIGHT OF USE OF ASSETS (continued)

Discount rates used

The discount rates used are based on the borrowing rates that IDFC would have been charged had funds been borrowed to purchase the assets. This is based on historical information. It should be noted that the rates vary, as the leases were concluded in different periods, hence averages are being disclosed below.

The assets relating to these leases falling within the scope of IAS 40, all IAS 40 disclosure requirements have been adhered to.

The assets relating to these leases falling within the scope of IAS 16, all IAS 16 disclosure requirements have been adhered to.

Lease information	**No. of leases**	**Fixed Payments (%)**	**Variable Payments**	**Discount rate (%)**
Property Leases with fixed payments	17	100	-	4.95 - 11.70
Property Leases with variable payments	1	68	32	19.70
	18	**168**	**32**	**-**

7. STRAIGHT-LINING OF OPERATING LEASE INCOME

	Group		**Company**	
	2021 R '000	**2020 R '000**	**2021 R '000**	**2020 R '000**
Non-current assets	28 636	47 563	27 730	45 282
Current assets	4 546	7 519	3 651	7 043
	33 182	**55 082**	**31 381**	**52 325**
Opening balance	55 082	63 876	52 325	54 865
Straightline accrual during the year	(7 208)	(6 773)	(7 040)	(518)
Adjustment for expected lease payments	(14 692)	(2 021)	(13 904)	(2 022)
Closing balance	33 182	55 082	31 381	52 325
Current portion of long term debtor	(4 546)	(7 519)	(3 651)	(7 043)
Non-current portion of long term debtor	**28 636**	**47 563**	**27 730**	**45 282**

Minimum future rental receivable under non-cancellable operating leases are as follows:

Next 12 months	4 546	7 519	3 651	7 043
From 2 to 5 years	26 589	29 486	24 619	26 932
Later than 5 years	21 055	22 393	21 055	22 390
	52 190	59 398	49 325	56 365
Adjustment for expected lease payments	(19 008)	(4 316)	(17 944)	(4 040)
	33 182	**55 082**	**31 381**	**52 325**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

7. STRAIGHT-LINING OF OPERATING LEASE INCOME (continued)

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Analysis of provisions				
Balance at the beginning of the year	4 316	2 298	4 040	2 020
Charge/(reversal) to statement of profit or loss and other comprehensive income	14 692	2 018	13 904	2 020
Balance at end of the year	**19 008**	**4 316**	**17 944**	**4 040**

Operating leases relate to investment property owned by the group with lease terms of between 3 to 10 years at an average escalation rate of 7%. Some operating lease contracts contain an option to renew for a further 3 to 10 years at market related rates. The lessees do not have an option to purchase the property at the expiry of the lease period.

8. DEFERRED TAX ASSET AND LIABILITY

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Deferred tax liability				
Deferred tax liability	(45 496)	(36 874)	-	-
Deferred tax liability	(45 496)	(36 874)	-	-
Reconciliation of deferred tax liability				
At beginning of year	(36 874)	(31 399)	-	-
Deferred tax adjustments due to prior period errors	(6 120)	-	-	-
Provision for doubtful debts	2 711	(1 264)	-	-
Straightline rental debtors	134	1 534	-	-
Fair value adjustment	(5 931)	(6 052)	-	-
Income received in advance	562	102	-	-
Provision for audit fees and other	22	205	-	-
	(45 496)	**(36 874)**	**-**	**-**

Recognition of deferred tax asset

*Deferred tax asset is derecognised because it is not probable that taxable profit will be available against which the deferred tax can be utilised.

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Deferred tax asset				
Deductible temporary differences not recognised as deferred tax assets	-	3 503	-	-
Unused tax credits not recognised as deferred tax assets	-	(3 503)	-	-
Balance at the end of the year	-	-	-	-
The movement is reconciled as follows:				
Balance at beginning of year	-	3 503	-	-
Unrecognised deferred tax asset*	-	(3 503)	-	-
	-	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
9. SUBSIDIARIES				
Cowslip Investments (Pty) Ltd				
Shares at cost	-	-	3	3
Share premium	-	-	2 778 928	2 778 928
Grant applied	-	-	(2 778 931)	(2 778 931)
	-	-	-	-
Subsidiaries				
Shares at cost ***	-	-	658 509	599 509
Less impairment of investments**	-	-	(301 054)	(269 408)
	-	-	**357 455**	**330 101**
Net loans				
Loans to subsidiaries	-	-	275 525	271 942
Less impairment of loans*	-	-	(137 254)	(135 768)
	-	**-**	**138 271**	**136 174**
Total investment in subsidiaries	**-**	**-**	**495 726**	**466 275**

*The impairment charge relate to impairment of loans issued to subsidiary where the recovery of these loans is not probable. The new impairments raised relates to loans advanced to PSQ where the recoverability of these loans is not probable as the entity has ceased operations.
**The impairment charge relate to the impairment of investment held in Ithala SOC Limited recognised at the reporting date.
***Increase in shares at cost relate to the capital injection of R59 million for the purchase of shares at Ithala SOC Limited. This movement has been accounted for under investing activities under Statement of Cash Flows.

The net loans comprises the following:

- PSQ R50 million
- Ubuciko R82 million
- Nongoma R59 million
- Wharfside R54 million
- Sundumbili R23 million
- Sibaya R4 million

IDFC has impaired the loans to subsidiaries by R137 million and these are eliminated at group level.

All subsidiaries are wholly owned by Ithala Development Finance Corporation.

10. PREPAYMENT-LAND

Prepayment-land	8 166	8 166	8 166	8 166

The prepayment relate to the purchase of land from Ethekwini Municipality that has not yet been finalised. It is expected that the acquisition process will be finalised once all requirements are satisfied.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

Figures in Rand thousand	2021			2020		
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value

11. GOODWILL

	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Group						
Goodwill	320	-	320	317	-	317
Company						
Goodwill	320	-	320	317	-	317

Reconciliation of goodwill - Group - 2021

	Opening balance	Additions through business combinations	Total
Goodwill	317	3	320

Reconciliation of goodwill - Group - 2020

	Opening balance	Additions through business combinations	Total
Goodwill	312	5	317

Reconciliation of goodwill - Company - 2021

	Opening balance	Additions through business combinations	Total
Goodwill	317	3	320

Reconciliation of goodwill - Company - 2020

	Opening balance	Additions through business combinations	Total
Goodwill	312	5	317

Goodwill arises from the acquisition of shares in Sundumbili Plaza Limited and Nongoma Plaza Limited. The increase in goodwill is attributable to an additional interest acquired in Sundumbili Plaza.

The goodwill has been assessed for impairment, and it was not considered to be material.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

12. FINANCE LEASE RECEIVABLES

Gross Investments in Lease Receivable	1 228	2 281	-	-
Unearned Finance Income	(91)	(292)	-	-
Present Value of Minimum Lease Payments Receivable				
Current portion of Minimum Lease Payments	1 137	1 989	-	-
Receivable	(1 137)	(1 989)	-	-
Long term portion of Minimum Lease Payments Receivable	**-**	**-**	**-**	**-**

The group has a 5 year finance lease agreement for its equipment with Megabags (Pty) Ltd. Ownership shall pass to the lessee at the end of the lease period.

Minimum lease payments receivable under the finance lease receivable are as follows:

Next 12 months	1 137	1 989	-	-

13. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

Investments held by the group which are measured at fair value, are as follows:

Designated at fair value through profit or loss:				
Investment in SA Corp Real Estate	7 174	4 222	7 174	4 222
Investment in cell captives	45 910	41 122	45 910	41 122
	53 084	**45 344**	**53 084**	**45 344**
Investment in SA Corp Real Estate				
Balance at the beginning of the year	4 222	13 600	4 222	13 600
Fair value gain recognised in profit and loss	2 952	(9 378)	2 952	(9 378)
	7 174	**4 222**	**7 174**	**4 222**

Fair value information

Refer to note 32 Fair value information for details of valuation policies and processes.

14. INVESTMENT IN CELL CAPTIVES

Balance at beginning of the year	41 122	31 873	41 122	31 873
Movements:				
Fair value gain recognised in profit and loss	4 788	9 249	4 788	9 249
Balance at end of the year	**45 910**	**41 122**	**45 910**	**41 122**

Ithala has an investment in 2 cell captives that allow the group use of insurance licenses namely the short term insurance and the long term Insurance. The cell captives are with Guardrisk and Mutual and Federal, who are both registered insurers. The group owns 100% of the cells. The group has agreements with the insures which outline the responsibilities. The insures are responsible for financial management and they provide monthly information to IDFC on the performance of the cells. The fair value of the Cell captive is equivalent to its net asset value.

The cells are both financially sound as at 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
15. ASSOCIATED COMPANIES				
Unlisted Investments				
Shares at cost	2	2	2	2
Less: provisions	(2)	(2)	(2)	(2)
Group carrying value	-	-	-	-
Net loans				
Loans to associates	56 048	56 048	56 048	56 048
Less: provisions	(56 017)	(56 017)	(56 017)	(56 017)
	31	**31**	**31**	**31**
Total interest in associated companies	**31**	**31**	**31**	**31**

The impairment charge relate to impairment of loans and investments issued to associates where the recovery of these loans is not probable.

Significant financial information of associated companies

Total assets				
Total Non-current assets	7 751	8 878	7 751	8 878
Total Current Assets	2 151	2 219	2 151	2 219
	9 902	**11 097**	**9 902**	**11 097**
Total Liabilities				
Total Non-current liabilities	172 588	155 796	172 588	155 796
Total Current liabilities	15 868	8 709	15 868	8 709
	188 456	**164 505**	**188 456**	**164 505**
Net Liabilities	**(178 554)**	**(153 408)**	**(178 554)**	**(153 408)**
Group's share of net liabilities of associates	(64 912)	(62 691)	(64 912)	(62 691)
Total Revenue	1 663	1 614	1 663	1 614
Total Losses	(8 407)	(1 508)	(8 407)	(1 508)
Unrecognised share of losses:				
- Current Period	(2 177)	(1 414)	(2 177)	(1 414)
- Cumulative	(62 735)	(61 277)	(62 735)	(61 277)

Although the group holds less than 20% of the equity shares of Mabibi Development Company (Pty) Ltd and it has less than 20% of the voting power at shareholder meetings, the group exercises significant influence by virtue of its contractual right to appoint two directors.

The recommendation from the KZN Rationalisation of Public Entities exercise that was received by Ithala in June 2017 was for the shares held by Ithala and DARD in Ntingwe Tea (Pty) Ltd to be transferred to the Agribusiness Development Agency (ADA). Plans are currently in progress to transfer Ntingwe to ADA. However, the administration function was transferred to ADA during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

15. ASSOCIATED COMPANIES (continued)

Loans to joint venture	250	3 645	250	3 645
Less: Accumulated impairment	(250)	(3 645)	(250)	(3 645)
Loans to joint venture net of impairment	-	-	-	-

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:				
Coin and bank notes	79 185	64 112	28	81
Bank balances	540	1 000	-	-
Investment and Balance with banks*	1 448 136	1 464 097	635 090	508 800
	1 527 861	**1 529 209**	**635 118**	**508 881**

Included in cash is an amount of R19,8 million (2020: R16,3 million) relating to cash in transit at year-end to be delivered by security company to branches. Cash also included an amount of R173 million relating to ring-fenced collections derived from advances made from the EDTEA Fund.

The group invests surplus funds with financial institutions that are rated in accordance with Fitch ratings ranging from AA- to AAA+ excluding those with Ithala SOC Limited which is not independently rated but has been approved as an authorised intermediary by the group. Due to investments being held in institutions that are highly-rated, these instruments are neither past due nor impaired. The carrying amount of the cash and cash equivalents approximates its fair value.

*Included in Investments and balances with banks above, are Ithala SOC Limited's investments and deposits with banks of R292 million, analysed as per below. Included in the analysis below, is the credit risk exposure of investments based on the internal credit risk rating grades and year -end stage classification. The gross carrying amount also represents the Company's maximum exposure to credit risk on these investments.

	Ithala SOC Limited 2021 R'000	Ithala SOC Limited 2020 R'000
Fixed term funds	257 716	131 928
Investments in State Owned Companies	53 246	110 811
Other investments in banks	-	40 435
	310 962	283 174
Impairment of investments	(18 595)	(28 931)
Balance at the end of the year	**292 367**	**254 243**

Credit impairments for investments and deposits	Ithala SOC Limited 2021 R'000	Ithala SOC Limited 2020 R'000
Balance at the beginning of the year	28 931	-
Impairments (reversed) / raised	(10 336)	28 931
Balance at the end of the year	**18 595**	**28 931**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

16. CASH AND CASH EQUIVALENTS (continued)

Investments - 2021	Stage 1: 12 month ECL R'000	Stage 2: Lifetime ECL R'000	Stage 3: Lifetime ECL R'000	Total R'000
Standard Grade	257 716	-	-	257 716
Low Grade	-	53 246	-	53 246
Gross carrying amount	257 716	53 246	-	310 962
Loss Allowance	(550)	(18 045)	-	(18 595)
Carrying amount	**257 166**	**35 201**	**-**	**292 367**

Investments - 2020	Stage 1: 12 month ECL R'000	Stage 2: Lifetime ECL R'000	Stage 3: Lifetime ECL R'000	Total R'000
Standard Grade	222 466	-	-	222 466
Default	-	-	60 708	60 708
Gross carrying amount	222 466	-	60 708	283 174
Loss allowance	(1 248)	-	(27 683)	(28 931)
Carrying amount	**221 218**	**-**	**33 025**	**254 243**

	Group 2021	Group 2020	Company 2021	Company 2020
Statutory liquid assets				
Treasury bill**	244 990	183 565	-	-
Undrawn facilities available are as follows:				
ABSA Bank				
Overdraft Facility	60 349	77 663	60 349	77 663
Financial Guarantees	39 651	22 337	39 651	22 337
	100 000	**100 000**	**100 000**	**100 000**

The Group invests in statutory investments to ensure that the minimum reserve requirements are met. These funds are not available for use in operational activities. Amounts held as at 31 March 2021 exceed the minimum reserve requirements by R40,1 million (2020: R38,9 million), and are invested in terms of the Group's capital management policy.

**The balance on treasury bills is stated after taking into account impairment of R80 000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Financial instruments:				
Trade receivables	216 848	119 396	187 932	108 226
Other receivables	73 093	74 954	120 135	125 634
Gross Trade and other receivables	289 941	194 350	308 067	233 860
Credit Impairment:				
Trade receivables	(157 309)	(73 589)	(134 650)	(66 517)
Other receivables	(22 765)	(22 763)	(22 765)	(22 763)
Total trade and other receivables	**109 867**	**97 998**	**150 652**	**144 580**

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group 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.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The carrying of trade and other receivables approximates the fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

17. TRADE AND OTHER RECEIVABLES (continued)

The group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Figures in Rand thousand	2021	2021	2020	2020
Group	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Less than 30 days past due:	56 099	23 819	39 757	8 076
31- 60 days past due:	23 613	16 463	12 515	7 036
61- 90 days past due:	18 561	15 649	7 258	5 079
91- 120 days past due:	11 639	9 870	6 379	5 652
More than 120 days past due:	106 936	104 544	53 487	52 901
Deposits	-	(13 036)	-	(5 155)
Total	**216 848**	**157 309**	**119 396**	**73 589**

Figures in Rand thousand	2021	2021	2020	2020
Company	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Less than 30 days past due:	51 277	21 367	37 860	7 500
31- 60 days past due:	21 291	14 787	11 064	6 391
61- 90 days past due:	16 263	13 782	6 086	4 497
91- 120 days past due:	9 458	8 021	5 621	4 996
More than 120 days past due:	89 643	88 828	47 595	47 887
Deposits	-	(12 135)	-	(4 754)
Total	**187 932**	**134 650**	**108 226**	**66 517**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses):

Opening balance in accordance with IFRS 9	**(94 460)**	**(52 273)**	**(86 402)**	**(47 120)**
Loss allowance recognised during the year	(83 722)	(42 187)	(68 133)	(39 282)
Movement in loss allowance for other receivables relating to prior year	(1 892)	-	(2 880)	-
Closing balance	**(180 074)**	**(94 460)**	**(157 415)**	**(86 402)**

ECL Provision Matrix

The ECL was determined by applying the below average percentages (average percentages factor into account the ECL of the subsidiaries):

	0-30 days	31-60 days	61-90 days	91-120 days	121-150 days	>151 days
Average %	67	78	85	88	94	94

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

18. INVENTORIES

Land	3 230	3 284	3 230	3 284
Consumables	4 015	3 203	1 281	2 089
	7 245	**6 487**	**4 511**	**5 373**

Land included in inventories relates to residential sites that were held for development and selling. These do not meet the criteria for investment property and property, plant and equipment.

19. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale

Balance at beginning of the year	4 849	6 802	840	1 663
Acquisitions	7 996	-	7 996	-
Disposals	(2 120)	(2 120)	(11)	(823)
Write offs	-	167	-	-
Carrying amount before impairment	10 725	4 849	8 825	840
Accumulated impairment loss	(1 790)	(2 015)	(460)	(460)
Net carrying amount	**8 935**	**2 834**	**8 365**	**380**

Accumulated Impairment loss				
Balance at beginning of the year	2 015	3 155	460	1 626
(Reversal of)/ impairment to income statement	(225)	(1 333)	-	(1 166)
Other movements	-	193	-	-
Balance of accumulated impairment loss at end of the year	**1 790**	**2 015**	**460**	**460**

Non-current Assets held for sale relate to immovable properties that have been repossessed by the group. The intention of management is to sell these assets within the next 12 months. However, due to market conditions it is not always possible to sell properties.

20. SHARE CAPITAL

Authorised				
1 008 582 361 ordinary shares of R1 each	1 008 582	1 008 582	1 008 582	1 008 582
Issued				
Ordinary	1 008 582	1 008 582	1 008 582	1 008 582

Non-controlling interests arises as a result of minority shares in Sundumbili Plaza and Nongoma Plaza.

Opening balance as at 01 April 2020	(47)	117	-	-
Movement in non-controllings interests	(379)	(164)	-	-
Closing balance as at 31 March 2021	**(426)**	**(47)**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

21. BORROWINGS

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
At amortised cost				
Total borrowings	37 579	44 646	35 523	42 587
Portion repayable within 12 months	(7 814)	(6 861)	(7 814)	(6 861)
Long term portion	**29 765**	**37 785**	**27 709**	**35 726**

	Installment	Date of final repayment	Interest rate	Group 2021	Group 2020	Corporation 2021	Corporation 2020
	R '000		%	R '000	R '000	R '000	R '000
Nedbank							
Repayable in monthly installments	591	2026	6.25	30 524	35 551	30 524	35 551
Khula Enterprise Finance Ltd/ Sefa							
No fixed terms of repayment	183	2025	2.45	4 999	7 036	4 999	7 036
Loans from minority shareholders							
Repayable in quarterly installments, or as cash is available to make repayment	-		-	2 056	2 059	-	-
Total borrowings				**37 579**	**44 646**	**35 523**	**42 587**

The interest rate applicable on the borrowings is variable.

	Group 2021	Group 2020	Company 2021	Company 2020
Held at amortised cost				
Nedbank The loan is secured and repayment is by way of equal monthly installments of part capital and interest over the loan term. These repayments will change with the variation in the variable rate.	30 524	35 551	30 524	35 551
Khula Enterprise Finance Ltd/Sefa There are no fixed terms of repayment and the interest rate is variable.	4 999	7 036	4 999	7 036
Loan from minority shareholders The loan is repayable on a quarterly basis or as cash is available. The interest is variable and the loan is repayable upon dissolution of the subsidiary, Nongoma.	2 056	2 059	-	-
	37 579	**44 646**	**35 523**	**42 587**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

22. DEPOSITS DUE TO CUSTOMERS

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Call deposit accounts	65 245	68 265	-	-
Savings accounts	1 133 784	1 105 638	-	-
Term deposits	1 312 323	1 263 972	-	-
	2 511 352	**2 437 875**	**-**	**-**
Maturity analysis repayable:				
On demand	1 201 947	1 176 294	-	-
Up to 1 month	160 046	101 219	-	-
From 1 month to 6 months	796 570	756 698	-	-
From 6 months to 1 year	321 039	359 568	-	-
From 1 year to 5 years	31 750	44 096	-	-
	2 511 352	**2 437 875**	**-**	**-**
Savings accounts are further analysed as follows:				
Pass Book*	783 753	699 257	-	-
Trust accounts	54 776	55 906	-	-
Debit Card	270 745	326 772	-	-
Corporate	24 510	23 703	-	-
Total Savings	**1 133 784**	**1 105 638**	**-**	**-**
Term deposits are further analysed as follows:				
Retail accounts	879 208	899 713	-	-
Corporate accounts	433 115	364 259	-	-
Total Term deposits	**1 312 323**	**1 263 972**	**-**	**-**

*A Pass Book is a paper book used to record bank transactions on a depositor's account and is an alternative means of banking for customers who do not prefer electronic banking.

Savings accounts, as disclosed in the table above, have no fixed terms and are available to customers on demand.

Term deposits are available to customers upon maturity.

The movement of R73,5 million in the Deposits due to customers has been accounted in the Statements of Cash Flows as part of financing activities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

23. RETIREMENT BENEFITS

Movements for the year

Post-retirement medical obligations (Closed Fund)

The Group provides post-retirement medical benefits to substantially all employees who commenced employment prior to 1 August 2000. An actuarial valuation of post-retirement medical obligations at 31 March 2021 quantified the present value of unfunded obligations at R106,8million (2020: R94,3 million) for Group and R 69,2 million (2020: R61,1 million) for Corporation. These actuarial valuations are conducted annually, at balance sheet date. The principal actuarial assumptions used included a discount rate of 11,90% (2020: 13,00%), and a health care cost inflation rate of 9,00 % (2020: 9,10%). The valuations are performed by independent, qualified experts.

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Movement in the defined benefit obligation, is as follows:				
Balance at beginning of the year	94 260	112 307	61 097	73 692
Current service costs	11 754	1 260	336	509
Interest costs	895	11 307	7 563	7 374
Net actuarial (gain)/loss recognised during the year	6 055	(23 790)	4 789	(15 184)
Benefit payment	(7 320)	(6 824)	(5 518)	(5 294)
Balance at end of the year	**105 644**	**94 260**	**68 267**	**61 097**
Amounts recognised in the balance sheet are as follows:				
Present value of unfunded obligations	105 644	94 260	68 267	61 097
Liability- Long-term portion	98 772	87 339	63 074	55 879
Liability- Short-term portion	6 872	6 921	5 193	5 218
Liability at end of year	**105 644**	**94 260**	**68 267**	**61 097**
Post retirement medical benefits				
Actuarial (loss)/gain				
The actuarial gains arose as a result of the following:				
Change in Real Discount Rate	(9 603)	22 118	(5 546)	12 461
Higher than expected Rand/Cap subsidy	1 119	-	740	-
Unexpected Changes in Membership/Changes in health care cost inflation	2 743	2 540	(242)	3 397
Higher than Expected Healthcare Cost Inflation including Changes in Members' Benefit Options	(314)	(868)	259	(674)
Total	**(6 055)**	**23 790**	**(4 789)**	**15 184**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

23. RETIREMENT BENEFITS (continued)

Group

Actuarial assumptions used and sensitivity analysis
Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2021 R '000	2020 R '000
Present value of obligation			105 643	94 260
Health care cost inflation	9,1%	+1%	105 742	104 096
		-1%	105 499	85 851
Discount rate	13%	+1%	96 010	86 168
		-1%	117 122	103 820
Average expected retirement age	60 years	+1 year	102 784	92 080
		-1 year	108 549	96 495

Company

Actuarial assumptions used and sensitivity analysis
Sensitivity Analysis - unfunded accrued liability

	Assumptions	Change	2021 R '000	2020 R '000
Present value of obligation			68 266	61 096
Health care cost inflation	9%	+1%	68 340	66 672
		-1%	68 158	56 254
Discount rate	11,9	+1%	62 703	56 427
		-1%	74 709	66 532
Average expected retirement age	60 years	+1 year	66 972	61 941
		-1 year	69 566	60 249

We have assessed the impact of CPI increasing/decreasing by 3% and the results are as follows:
- An increase of 3% will result in an increase of the liability to R68 448.
- A decrease of 3% will result in a decrease of the liability to R66 189.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

23. RETIREMENT BENEFITS (continued)

Pension and Provident Fund Schemes

The Group provides retirement benefits substantially to all employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all Corporation and Ithala SOC Limited permanent employees.

The defined benefit pension fund and the defined benefit provident fund are governed by the Pension Funds Act of 1956, with retirement benefits being determined with reference to both pensionable remuneration and years of service. Both funds are closed to new members.

The defined contribution pension fund and defined contribution provident fund are governed by the Pension Funds Act of 1956, and are open to new members and members who have elected to transfer from the defined benefit funds.

Actuarial valuations of the defined benefit pension and provident funds were conducted as at the end of each of the three preceding financial years and the actuary found the funds to be in a sound financial position. An actuarial review conducted as at 31 March 2020 showed that in respect of the Defined Benefit Pension Fund and the Defined Benefit Provident Fund, the present value of the obligation was adequately covered by the fair value of the scheme assets.

The most recent actuarial valuation of plan assets and present value of defined benefits obligations were carried out for the current and prior annual financial years by independent, qualified experts. The present value of the defined benefits obligations and the related current service cost were measured using the Projected Unit Credit Method.

Defined Benefit Pension Fund

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Present value of funded obligations	-	554	-	249
Fair value of plan assets	-	(4 309)	-	(1 939)
Asset not recognised due to asset ceiling	**-**	**(3 755)**	**-**	**(1 690)**

Group

Sensitivity Analysis - unfunded accrued liability

	2021	2020
Discount rate	-	10.1%
Average expected salary rate	-	6.3%

Company

Sensitivity Analysis - unfunded accrued liability	2021 R '000	2020 R '000
At valuation assumptions	-	249
Discount rate 1% higher	-	249
Discount rate 1% lower	-	249
Expected rate of salary increases 1% higher	-	249
Expected rate of salary increases 1% lower	-	249
No salary increases	-	249

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

23. RETIREMENT BENEFITS (continued)

It was resolved during the 2012 financial year to close the defined benefit pension fund. All active members of the fund have been transferred to a defined contribution fund of the Company as at 31 December 2011. The trustees have agreed to utilize the surplus in the pension fund to fund the employer contributions towards the Old Mutual Superfund. The Company has utilised the contribution holiday as at 31 March 2021.

The movement in the defined benefit obligation over the year is as follows:				
Balance at beginning of the year	554	529	249	238
Interest cost	26	49	12	22
Actuarial loss	3 789	-	1 705	-
Benefits paid	(4 369)	(24)	(1 966)	(11)
Balance	**-**	**554**	**-**	**249**
The movement in the fair value of plan assets over the year, is as follows:				
Balance at beginning of the year	4 309	4 475	1 939	2 014
Expected return on asset	435	401	196	180
Actuarial loss	(375)	(543)	(169)	(244)
Benefits paid	(4 369)	(24)	(1 966)	(11)
Balance at end of the year	**-**	**4 309**	**-**	**1 939**
Actuarial (loss)/gain				
The actuarial loss arose as a result of the following:				
Other	(194)	(887)	(87)	(588)
Defined benefit provident fund				
Fair value of plan assets	(9 313)	(8 748)	(5 407)	(5 079)
Surplus	(9 313)	(8 748)	(5 407)	(5 079)
Amount allocated to employer surplus account	9 313	8 748	5 407	5 079
Asset not recognized due to asset ceiling	**-**	**-**	**-**	**-**

The movement in the defined benefit obligation over the year is as follows :

Balance at beginning of the year	-	33 413	-	14 179
Interest cost	-	583	-	232
Benefits paid	-	(33 996)	-	(14 411)
Balance	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

23. RETIREMENT BENEFITS (continued)

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
The movement in the fair value of plan assets over the year, is as follows:				
Balance at beginning of the year	8 748	44 513	5 078	19 293
Interest income	778	1 374	452	595
Benefits paid	-	(36 217)	-	(14 410)
Actuarial loss	(213)	(922)	(123)	(400)
Balance at end of the year	**9 313**	**8 748**	**5 407**	**5 078**
Actuarial (loss)/gain				
The actuarial loss arose as a result of the following:				
Actuarial loss arising from changes in demographic assumptions	(213)	(923)	(123)	(400)

Sensitivity analysis – unfunded accrued liability

The company expects to make no contribution to the Old Mutual Superfund Defined Benefit Provident fund during the next financial year due to a surplus of R5,4 million in the provident fund (2020: R5,1 million).

Long service obligation

The company provides long service awards to permanent employees in the form of cash from ten years of continuous service and every five years thereafter. An actuarial valuation of the provision for long service awards is conducted annually. The principal actuarial assumptions used included a discount rate of 9,1% (2020: 11,5%) and an average salary inflation of 6,1% (2020: 6,6%).

The most recent actuarial valuation of the long service awards was carried out for the current financial year by independent, qualified expert. The present value of the liability was measured using the Projected Unit Credit Method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

23. RETIREMENT BENEFITS (continued)

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Balance at beginning of the year	26 844	32 854	13 930	17 469
Expensed during the year	5 835	6 408	3 076	3 519
Contributions paid	(1 609)	(3 831)	(777)	(2 530)
Unrecognised actuarial (gain) /loss	(7 422)	(8 587)	2 322	(4 528)
Balance at end of the year	**23 648**	**26 844**	**18 551**	**13 930**
Amounts recognised in the balance sheet are as follows:				
Present value of unfunded obligations	23 648	26 844	18 551	13 930
Short-term portion	3 072	1 546	1 308	749
Long-term portion	20 576	25 298	17 243	13 181
Liability at end of year	**23 648**	**26 844**	**18 551**	**13 930**
Amounts recognised in the income statements are as follows:				
Current service cost	2 947	3 578	1 544	2 035
Interest cost	2 888	2 831	1 531	1 484
Net actuarial (gain) / loss recognised in the year	(7 422)	(8 588)	2 322	(4 528)
	(1 587)	**(2 179)**	**5 397**	**(1 009)**
Membership statistics:				
In-service members	672	669	-	314

Sensitivity Analysis - unfunded accrued liability

Assumptions	Change	Group 2021 R '000	Group 2020 R '000	Corporation 2021 R '000	Corporation 2020 R '000
Central assumptions:		23 713	26 846	17 647	13 931
CPI Inflation	+1%	24 851	28 582	18 777	14 817
	-1%	22 670	25 261	16 606	13 121
Average retirement age	-2 years	21 034	23 913	15 388	12 253
	+2 years	26 677	30 167	20 118	15 788
Acturial (gain) / loss					
The acturial gains) / losses arose as a result of the following:					
Change in benefit arrangement		(9 306)	-	904	-
Change in real discount rate		3 434	(4 919)	1 800	-
Lower than expected salary inflation		(1 747)	(135)	(568)	-
Unexpected change in membership		197	(3 534)	186	-
Other		-	-	-	(4 528)
		(7 422)	**(8 588)**	**2 322**	**(4 528)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

23. RETIREMENT BENEFITS (continued)

We have assessed the impact of CPI increasing/decreasing by 3% and the results are as follows:

- An increase of 3% will result in an increase of the liability to R20 172.
- A decrease of 3% will result in a decrease of the liability to R28 475.

24. GOVERNMENT GRANTS

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Government grants - deferred income				
BEE Risk Fund	6 599	6 599	6 599	6 599
Share participation	7 097	7 097	7 097	7 097
DTI Grant	928	928	928	928
Hubs	-	11 885	-	11 885
Thokazi Royal Lodge	-	4 825	-	4 825
Ithala SOC Limited	9 304	9 304	-	-
SMME COVID-19	60 000	-	60 000	-
Maritime Transport and Manufactured	3 365	3 364	3 365	3 364
Shared Infrastructure SMME and Co-ops Incubation	-	15 923	-	15 923
COVID-19 Relief fund	360	360	360	360
	87 653	**60 285**	**78 349**	**50 981**
Government grants - Other				
Total government grants	124	111	124	111
	87 777	**60 396**	**78 473**	**51 092**

IDFC receives grants for the purposes of lending to individuals or companies, support BEE projects as well for construction projects. Grant deferred income relates to the government grants that have not been used for onlending to individuals or companies or supporting BEE projects for identified construction projects. The grant deferred income is recognised as revenue when the grant conditions are met.

IDFC has reclassified Bulk Buying, RASET, Operation Vula, Imbokodo Iyazenzela, Hubs, Thokazi Royal Lodge, Zimele and Shared Infrastructure SMME and Co-ops Incubation to Trade and Other Payables as IDFC is only playing an implementing role for these projects.

The movement in the grants has been accounted for as part of financing activities under Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

24. GOVERNMENT GRANTS (continued)

Figures in Rand thousand Grant Reconciliation - 2021	Opening Balance	Grant Received	Grant Applied	Reclassified to Other Payables	Grant Returned to EDTEA	Closing Balance
BEE Risk Fund	6 599	-	-	-	-	6 599
Share participation	7 097	-	-	-	-	7 097
Imbokodo Iyazenzela	-	800	(492)	(308)	-	-
DTI Grant	928	-	-	-	-	928
Hubs	11 885	10 000	(1 538)	(20 347)	-	-
Thokazi Royal Lodge	4 825	5 000	-	(9 825)	-	-
Ithala SOC Limited	9 304	59 000	(59 000)	-	-	9 304
SMME COVID-19 support	-	60 000	-	-	-	60 000
Zimele 20/21	-	16 928	-	(16 928)	-	-
Maritime Transport and Manufactured	3 364	-	-	-	-	3 364
Shared Infrastructure SMME and Co-ops Incubation	15 923	-	-	(15 923)	-	-
COVID-19 Relief fund	360	-	-	-	-	360
Subtotal	60 285	151 728	(61 030)	(63 331)	-	87 652
EDTEA Equity Fund	111	-	-	-	-	124
	60 396	**151 728**	**(61 030)**	**(63 331)**	**-**	**87 776**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

24. GOVERNMENT GRANTS (continued)

	Opening Balance	Grant Received	Grant Applied	Reclassified to sundry creditors	Grant Returned to EDTEA	Closing Balance
Grant Reconciliation - 2020 Restated						
BEE Risk Fund	6 599	-	-	-	-	6 599
Share participation	7 097	-	-	-	-	7 097
Co-operatives - Business	-	43 238	(43 238)	-	-	-
Co-operatives - Agriculture	170	-	-	-	(170)	-
DTI Grant	928	-	-	-	-	928
SMME Onlending	838	-	-	-	(838)	-
Hubs	40 298	11 885	-	-	(40 298)	11 885
Ndumo	2 648	-	-	-	(2 648)	-
RASET	59 150	-	-	(59 150)	-	-
Thokazi Royal Lodge	4 825	-	-	-	-	4 825
Ithala SOC Limited	31 888	69 760	(92 344)	-	-	9 304
Drakensberg Cable Car	1 369	-	-	-	(1 369)	-
Bulk- buying project	17 000	20 000	-	(37 000)	-	-
Operation Vula	40 000	-	-	(40 000)	-	-
Maritime Transport and Manufacturing	-	3 364	-	-	-	3 364
Shared Infrastructure	-	15 923	-	-	-	15 923
SMME and Co-ops Incubation						
COVID-19 Relief Fund	-	360	-	-	-	360
Subtotal	212 810	164 530	(135 582)	(136 150)	(45 323)	60 285
EDTEA Equity Fund	111	-	-	-	-	111
	212 921	**164 530**	**(135 582)**	**(136 150)**	**(45 323)**	**60 396**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

25. PROVISIONS

Figures in Rand thousand

Reconciliation of provisions - Group - 2021	Opening balance	Additions	Utilised during the year	Prior year adjustment	Total
Environmental rehabilitation	12 388	60	-	1 196	13 644
Provision for audit fees	15 018	11 573	(15 018)	-	11 573
Other provisions	438	-	-	-	438
	27 844	**11 633**	**(15 018)**	**1 196**	**25 655**

Reconciliation of provisions - Group - 2020	Opening balance	Additions	Utilised during the year	Prior year adjustment	Total
Environmental rehabilitation	11 716	-	-	672	12 388
Provision for audit fees	9 062	15 018	(9 062)	-	15 018
Other provisions	438	-	-	-	438
	21 216	**15 018**	**(9 062)**	**672**	**27 844**

Reconciliation of provisions - Company - 2021	Opening balance	Additions	Utilised during the year	Total
Environmental rehabilitation	10 712	59	-	10 771
Provision for audit fees	7 067	5 194	(7 067)	5 194
Other provisions	438	-	-	438
	18 217	**5 253**	**(7 067)**	**16 403**

Reconciliation of provisions - Company - 2020	Opening balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	10 106	-	-	606	10 712
Provision for audit fees	4 248	7 067	(4 248)	-	7 067
Other provisions	438	-	-	-	438
	14 792	**7 067**	**(4 248)**	**606**	**18 217**

	Group		Company	
	2021 R '000	**2020 R '000**	**2021 R '000**	**2020 R '000**
Non-current liabilities	13 643	12 388	10 771	10 712
Current liabilities	12 011	15 456	5 632	7 505
	25 654	**27 844**	**16 403**	**18 217**

Provision for landfill site

The Landfill Rehabilitation Provision is created for rehabilitation of the current operational sites at future estimated time of closure. The value of the provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 6% (2020: 6%). The entity has an obligation to rehabilitate these landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located. The entity estimates the useful lives and makes assumptions as to the useful lives of these assets, which influence the provision for future costs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

25. PROVISIONS (continued)

An independent assessment conducted by qualified evaluator resulted in the change in estimate of the provision as the dumping space that was utilised is significantly lower than anticipated. The landfill site was closed during the current financial year. The entity has changed the basis of estimating the landfill rehabilitation provision from future expected costs to actual usage. This change has resulted in a decrease in the provision for rehabilitation and this has been accounted for retrospectively.

Provision for rehabilitation

A provision for the rehabilitation costs arising from the mining activities has been recognised. The provision will ony be settled when the mining operations cease.

The entity has an obligation to rehabilitate these mining sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which the mining is occurring, the obligation for which the entity incurs as a consequence of having mined during a particular period.

Other provisions

The other provisions relate to legal claims against Ithala. The claims relate to non-installation of a security door as well as painting claim laid by the body corporate. The provision is for a short term, hence there was no discounting.

26. TRADE AND OTHER PAYABLES

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Financial instruments:				
Trade payables	12 197	17 679	8 669	12 371
Accrued leave pay	32 467	30 470	17 482	16 730
Accrued bonus	3 765	3 621	1 787	1 848
Accruals	91 349	89 275	61 129	57 698
Sundry creditors	423 335	388 454	382 740	354 128
Non-financial instruments:				
South African Revenue Services	30 257	27 819	4 053	2 787
	593 370	**557 318**	**475 860**	**445 562**

Included in the sundry creditors are funds held by the group on behalf of other government entities and for EDTEA projects where the entity plays an agency role.

The carrying amount of trade and other payables approximates fair value.

The funds transferred for Shared Infrastructure SMME and Co-operatives Incubation. There was expenditure of R6 million incurred during the year, leaving a balance of R9,9 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

26. TRADE AND OTHER PAYABLES (continued)

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Balances held by the Group on Behalf of Other Entities for Various Projects				
Human Settlements Project	103 071	99 027	103 071	99 027
Vulindlela Development Agency Project	5 104	49 625	5 104	49 625
Bulk Buying	27 978	29 734	27 978	29 734
RASET Project	32 797	24 745	32 797	24 745
Operation Vula	15 633	27 202	15 633	27 202
Storm Disaster	7 885	-	7 885	-
Shared Infrastructure SMME and Co-operatives Incubation	9 867	-	9 867	-
Zimele Traders Fund	16 928	-	16 928	-
Thokazi Royal Lodge	9 825	-	9 825	-
Imbokodo Iyazenzela	308	-	308	-
Industrial Hubs	20 347	-	20 347	-
Ntingwe Tea (Pty) Ltd	23 993	24 254	23 993	24 254
	273 736	**254 587**	**273 736**	**254 587**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

27. CASH GENERATED FROM OPERATING ACTIVITIES

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Net income/(loss) before taxation	169 259	25 388	140 322	(3 607)
Adjustment for non-cash items:				
Grant applied	(59 000)	(132 998)	(59 000)	(132 998)
Provision for rehabilitation	60	673	60	607
Straightlining of operating lease income	14 692	4 855	13 904	1 629
Depreciation and amortisation	47 944	49 010	18 055	25 408
Impairment of assets and inventory	(10 481)	46 448	33 382	90 169
Impairment of loans to subsidiaries	-	-	1 486	-
Interest on stage 3 loans	20 159	20 358	24 464	18 673
Credit Impairment for trade receivables	86 125	44 079	68 135	42 160
Fair value adjustments	(180 570)	(72 677)	(159 843)	(46 711)
Credit Impairment on loans and advances	14 089	156 791	30 034	110 493
Reversal of impairment of non current assets held for sale	(225)	141	-	-
Movements in other provisions	(3 308)	5 956	(1 873)	2 819
(Profit) / Loss on disposal of assets	(1 731)	(3 674)	(437)	(2 894)
Post retirement obligations	12 649	12 567	7 899	7 883
Long service obligations	5 835	6 408	3 076	3 519
Additions to properties in non current assets held for sale	2 120	2 120	11	823
Dividends accrued	(404)	(1 269)	(404)	(1 269)
Actuarial gains on long service obligations	(7 422)	(8 588)	2 322	(4 529)
Interest on borrowings and lease liabilities	7 153	11 382	3 493	5 374
Movement in non-controlling interest	379	107	-	-
Movement in cell captive	(4 788)	(9 249)	(4 788)	(9 249)
Movement in Real Estate Corp investment	(2 952)	9 378	(2 952)	9 378
Net cash generated / (utilised) by investing activities	**109 583**	**167 206**	**117 346**	**117 678**
Changes in working capital:				
Trade and other payables	66 929	88 940	63 180	89 681
Trade and other receivables	(93 884)	(36 637)	(74 208)	(44 325)
Inventories	(758)	(1 099)	862	(1 335)
	(27 713)	**51 204**	**(10 166)**	**44 021**

28. TAX PAID

	Group 2021	Group 2020	Company 2021	Company 2020
Balance at beginning of the year	(2 128)	1 249	-	-
Current tax for the year recognised in profit or loss	(5 296)	(5 261)	-	-
Balance at end of the year	(2 182)	2 128	-	-
	(9 606)	**(1 884)**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

29. COMMITMENTS

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Capital commitment				
Authorised and contracted	129 576	109 825	74 040	53 816

30. RELATED PARTIES

Ithala Development Finance Corporation Limited (The Corporation) is a 100% held subsidiary of the KwaZulu-Natal Provincial Government, reporting to the Department of Economic Development, Tourism and Environmental Affairs. The Corporation and its subsidiaries, in the ordinary course of business enter into various transactions with related parties. These occur under terms and conditions that are no more favourable to those entered into with third parties in arms length transactions.

Relationships

Related party balances

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Loans to members of Provincial Legislature and EDTEA				
Loans Granted	29 132	29 132	29 132	29 132
Outstanding Balance	10 186	23 072	10 186	23 072
Arrears	459	1 722	459	1 722
Specific Impairment Charge	341	-	341	-
Security Amount	28 838	28 693	28 838	28 693
Interest Received	993	2 043	993	2 043
Loans to key management personnel-Corporation				
Loans Granted	5 386	5 386	5 386	5 386
Outstanding Balance	3 405	3 207	3 405	3 207
Arrears	1 835	1 383	1 835	1 383
Specific Impairment Charge	2 976	2 976	2 976	2 976
Interest Received	198	187	198	187
Loans to key management personnel-Ithala SOC				
Outstanding Balance	4 306	4 484	4 306	4 484
Security Amount	5 261	5 261	5 261	5 261
Interest Received	244	379	244	379
Loan balances with other subsidiaries and IDFC				
Nongoma Plaza	-	-	59 374	57 147
Sundumbili Plaza	-	-	22 600	20 570
Wilson Wharfside Trust	-	-	54 283	47 149
Sibaya Conservation	-	-	4 183	4 183
Port Shepstone Quarries	-	-	50 011	47 700
Ubuciko Twines and Fabrics	-	-	82 158	82 158
	-	**-**	**272 609**	**258 907**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

30. RELATED PARTIES (continued)

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Related party transactions				
Transactions between Corporation and Ithala SOC Limited				
Interest paid on customer deposits and retention accounts	-	-	2 004	2 766
Shared services	-	-	6 780	7 631
Rental	-	-	5 133	4 937
Recovery of operating expenses	-	-	431	408
WAN Costs	-	-	8 227	9 405
Funds transferred to SOC	-	-	59 000	89 760
Deposits due to properties tenants	-	-	50 421	48 266
Outstanding balance on savings and fixed deposits	-	-	14 836	85 771
Ithala Development Finance Corporation inter-company balance	-	-	2 901	13 090
Transactions between Corporation and Nongoma Plaza				
Management fees	-	-	642	880
Interest on loans	-	-	2 206	2 873
Insurance	-	-	302	327
Other	-	-	-	1
	-	**-**	**3 150**	**4 081**
Transactions between Corporation and Sundumbili Plaza				
Sale of refuse	-	-	550	525
Management fees	-	-	904	994
Interest on loans	-	-	1 671	2 204
Insurance	-	-	364	394
Other	-	-	-	2
	-	**-**	**3 489**	**4 119**
Transactions between Corporation and Durban Wharfside Trust				
Distribution	-	-	4 305	796
Management fees	-	-	204	428
Insurance	-	-	186	196
	-	**-**	**4 695**	**1 420**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

30. RELATED PARTIES (continued)

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Transactions between Corporation and Port Shepstone Quarries				
Other	-	-	-	273
Transactions between Corporation and other EDTEA subsidiaries				
Rental	4 192	5 460	4 192	5 460
Parking	616	570	616	570
Recovery of operating expenses	502	991	502	991
Balances between Corporation and other KZN entities				
Department of Human Settlements	103 071	99 027	103 071	99 027
Vulindlela Development Agency	5 104	49 625	5 104	49 625
Bulk Buying Project	27 978	29 734	27 978	29 734
RASET Project	32 797	24 745	32 797	24 745
Operation Vula	15 633	27 202	15 633	27 202
Industrial Hubs	20 347	-	20 347	-
Thokazi Royal Lodge	9 825	-	9 825	-
Imbokodo Iyazenzela	308	-	308	-
Shared Infrastructure SMME and Co-operatives	9 867	15 923	9 867	15 923
Maritime Transport and Manufactured	3 364	3 364	3 364	3 364
TOTAL	**228 294**	**249 620**	**228 294**	**249 620**
Transactions between Ithala SOC Limited and entities owned by EDTEA				
Deposits due to customers held by Ithala SOC Limited for KZN Growth Fund	85 412	75 846	-	-
Interest expense on KZN Growth Fund Deposits	5 104	5 656	-	-
The following funds were received from EDTEA				
Imbokodo Iyazenzela	800	-	800	-
Enterprise Development Fund	-	43 238	-	43 238
Zimele 20/21	16 928	-	16 928	-
Bulk Buying	-	20 000	-	20 000
Thokazi Royal Lodge	5 000	-	5 000	-
Ithala SOC Grant	59 000	69 760	59 000	69 760
Shared Infrastructure & SMME Incubation	-	15 910	-	15 910
Maritime transport and manufacturing sector development	-	3 364	-	3 364
Industrial Economic Hubs	10 000	11 885	10 000	11 885
COVID-19 Funding Injection	-	360	-	360
SMME COVID-19	60 000	-	60 000	-
RASET Project	9 500	-	9 500	-
	161 228	**164 517**	**161 228**	**164 517**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

30. RELATED PARTIES (continued)

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Transactions between Corporation and its associates				
(a) Management fees and other				
Rocktail Bay Dev Co. (Pty) Ltd	9	27	9	27
Mabibi Development Company (Pty) Ltd	117	149	117	149
(b) Loans				
Rocktail Bay Dev Co. (Pty) Ltd	569	559	569	559
Mabibi Development Company (Pty) Ltd	1 499	1 370	1 499	1 370
Banzi Plan Development Company (Pty) Ltd	6 931	6 931	6 931	6 931
Ntingwe Tea Farming (Pty) Ltd	65 694	65 694	65 694	65 694
	74 693	**74 554**	**74 693**	**74 554**
(c) Balances held on behalf of associates				
Ntingwe Tea Farming (Pty) Ltd	23 993	24 254	23 993	24 254
Ulundi Shopping Centre				
Loan	3 897	2 976	3 897	2 976
Interest	250	851	250	851
Transactions between Ithala SOC and other IDFC Subsidiaries				
Rental				
Nongoma Plaza Limited	471	392	-	-
Sundumbili Plaza Limited	370	308	-	-
Rental Deposits Held by Ithala SOC Limited				
Nongoma Plaza Limited	619	428	-	-
Sundumbili Plaza Limited	1 484	1 310	-	-
Wharfside Trust	704	703	-	-
Directors' emoluments for other subsidiaries				
ZB Zwane	89	101	-	-
CS Gina	384	89	-	-
	473	**190**	**-**	**-**

Various employees of the Holding Company serve as directors in various subsidiaries, associates and joint venture companies at no additional employee benefits to those companies or the holding company. Below is a list of Companies and affected employees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

30. RELATED PARTIES (continued)

Directors associations

2021 and 2020 Subsidiaries , Associates, and Joint Ventures	Ms P Bengu	Mr S Mnguni	Ms Farhana Abdool Kader	Mr M Muthusamy	Mr B Shangase	Mr Theuns Badenhorst	Mr SD Khwela	Mrs R Sompersadh	Mr T Moumakwa	Mr M Malishe
Ithala SOC Limited		x								
Nongoma Plaza Limited			x			x	x			
Sundumbili Plaza Limited			x			x	x			
The Durban Wharfside			x			x				
Sibaya Conservation Projects Pty Ltd			x			x				
Rocktail Bay Dev Co Pty Ltd			x			x	x			
Banzi Pan Development Company Pty Ltd			x							
Mabibi Development Company Pty Ltd			x							
Ubuciko Twines &Fabrics Pty Ltd		x		x						
Portshepstone Quarries Pty Ltd (PSQ)				x	x					
Ntingwe Tea Pty Ltd					x				x	
KwaZulu-Natal Property Development Holding (KPDH)					x			x		x
Ulundi Shopping Centre			x							
Cowslip Pty Ltd	x									

New directors were appointed for KPDH and PSQ.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT

Capital risk management

The group's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to optimise the cost of capital. The capital structure of the group consists of borrowings, deposits due to customers and equity as disclosed in the statement of financial position. There are no externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Credit risk management

Credit risk is the risk of suffering financial loss, should any customers or market counterparties fail to fulfil their contractual obligations to the company. Credit risk arises mainly from commercial and consumer loans and advances. Credit risk is a significant risk resulting in management carefully managing its exposure. Credit risk management and control are centralised within a credit risk management team, which reports to the Chief Executive Officer.

Whilst the Board retains overall responsibility for risk management, policies and frameworks are developed by management on an Enterprise -Wide basis striving to identify all relevant risks, to measure and understand such risks and to manage and monitor them in order to minimise and control the impact of adverse occurrences. The Board of Ithala has delegated the responsibility for risk management to Board Sub Committees, namely the Audit and Risk, IT Governance and the Human Resources, Social and Ethics Committees, while the Board of Ithala SOC Limited has delegated the responsibility to the IT Governance and Risk and Capital Management Committee. Each committee has specific terms of reference and delegated powers of authority that are reviewed annually by the Board.

Management is accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into daily operations.

The group has exposure to the following risks from financial instruments, namely, credit risk, liquidity risk, market risks and operational risks.

Credit risk

Credit risk is the risk of potential loss from the failure of customers, clients or counter parties to fulfill obligations to the company. In order to minimise the potential for loss, the company has adopted a credit risk management philosophy, which is based on the principle of assessing the serviceability of individual loans granted and the recoverability of such loans through cash flows and the underlying security. Loans advanced are secured by tangible assets and other forms of security.

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit and Investment Committee. A separate Management Credit and Investment Committee is responsible for management of the company's Credit Risk.

Ithala's credit approval is graduated, where increasing magnitudes of credit transactions require higher levels of authorisation. Each credit application is evaluated on its own merits depending on the value and type of transaction under consideration, maybe considered progressively by Delegated Line function, Management Credit Committee and the Board Credit and Investment Committee. The transaction- based approach is in keeping with Ithala's risk management strategy throughout the company while ensuring compliance with credit policies set by the Board.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Problem exposures, when they arise, are initially dealt with by Line Management unless further degeneration occurs whereupon they are attended to by the company's Business Support, Legal and collections staff who then administer the recovery process. Exposures are considered to be non-performing when amounts due are unpaid for more than three months or a counter-party is under judicial management or declared insolvent and management believes that further recoveries are no longer probable.

Credit risk measurement

Loans and advances to customers (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and required of models, as the exposures varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as the likelihood of defaults occurring, of the associated loss ratios and of the default correlations between counterparties. The company measures credit risk using Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. Refer to notes to details below.

Credit risk grading

The company uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. the company uses internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures) is fed into the ratings model.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'stage 1' and has its credit risk continuously monitored by the company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'stage 2' but is not yet deemed to be credit-impaired. Please refer to the next note for a description of how the company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument in then moved to 'stage 3'. Please refer to next note for a description of how the company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that results from default events possible within the next 12 months after the reporting date . Instruments in Stage 2 and 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to the next note for a description of inputs, assumptions and estimation techniques used in the measuring the ECL.
- It is expected that an exposure would experience a significant increase in credit risk prior to the existence of objective evidence of impairment or the occurrence of default. Therefore, the company incorporates both forward-looking as well as historical information in determining whether such deterioration has occurred.

Further explanation is provided on how the company determines appropriate grouping when ECL is measured on a collective basis. Please refer to the next note.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Stage 1	Stage 2	Stage 3
(Initial recognition) 12-month expected credit loss	(Significant increase in credit risk since initial recognition) Lifetime expected credit loss	(Credit-impaired assets) Lifetime expected credit losses
9 723	**34 839**	**401 787**

The key judgements and assumptions adopted by the group in addressing the requirements of the standard are discussed below:

Significant increase in credit risk (SICR)

The group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria:

PD bands have been created for current credit scores and credit scores as at origination of respective contracts. Wherever the bands differed between the two points in time, an account has been transferred to (a) the next worse stage in case the PD band for the current credit score is lower than the one as at origination or (b) the next better stage in case the PD band for the current credit score is higher than the one as at origination.

The remaining Lifetime PD at the reporting date has increased, compared to the original Lifetime PD expected at the reporting date when the exposure was first recognised, so that it exceeds the relevant threshold per the table below:

Ithala SOC Limited

Housing loan

Lifetime PD band at initial recognition	Increase in Lifetime PD at reporting date which is considered significant
<=545	3.12%
545-570	0.85%
570-625	1.05%
625-650	1.02%
650-675	0.47%
675-999	0.43%

Micro finance unsecured

Lifetime PD band at initial recognition	Increase in Lifetime PD at reporting date which is considered significant
<=550	33.06%
550-590	20.49%
590-625	9.14%
625-999	3.20%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Micro finance secured

Lifetime PD band at initial recognition	Increase in Lifetime PD at reporting date which is considered significant
<=550	2.75%
550-570	1.96%
570-620	0.99%
620-999	0.55%

Company

Product	Credit score	12M TTC PD	Absolute	Relative
2021				
Agri		15,2%		
		23,4%	8,3%	54,6%
Asset finance	630-999	9,1%		
	<=610	16%	6,9%	75,4%
COM/PROP	600-999	2,6%	0%	0%
	<=600	21,0%	18,4%	716,5%
PROPC/FIN	610-999	25,5%		
	0-600	38,1%	12,6%	49,4%
2020				
Agri	610-999	15,2%		
	0-610	23,4%	8,3%	54,6%
Asset finance	630-999	9,1%		
	<=610	16%	6,9%	75,4%
COM/PROP	600-999	2,6%	0%	0%
	<=600	21%	18,4%	716,5%
PROPC/FIN	660-999	25,5%		
	<=640	38,1%	12,6%	49,4%

These thresholds have been determined separately for each class of financial instrument. The lifetime PD movements on instruments which do not subsequently become delinquent have also been assessed, to identify the "natural" movement in Lifetime PD which is not considered indicative of a significant increase in credit risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Qualitative Criteria:

If the borrower meets one or more of the following criteria:
- In short-term for bearance
- Direct debit cancellation
- Extension to the terms granted

The assessment of SICR incorporates forward-looking information and is performed on a bi-annually basis at a portfolio level for all financial instruments held by the company. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Backstop

A backstop is applied and the financial instruments considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The company has not used the low credit risk exemption for any financial instruments in the year ended 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

The following table shows the impact on the 31 March 2021 ECL allowance of changing the PD thresholds for SICR. Increases in ECL (positive amounts) represent higher impairment allowances that would be recognised:

Ithala SOC Limited

Lifetime PD band at initial recognition	Actual threshold applied	Change in threshold	Lower threshold	Higher threshold
Housing loans				
31 March 2021				
<=545	<=545		6 288	6 288
545-570	545-570		8 872	8 872
570-605	570-605		22 430	22 430
605-625	605-625	(70)	13 814	13 743
625-650	625-650	(47)	7 217	7 224
650-675	650-675	(74)	4 971	4 897
675-999	675-999	(9)	2 119	2 182
31 March 2020				
<=545	<=545		8 139	8 139
545-570	565-570		11 524	11 524
570-605	570-605	926	29 792	30 718
605-625	605-625	1 979	17 956	19 936
625-650	625-650	2 826	13 145	15 971
650-675	650-675	1 298	7 760	9 058
675-999	675-999	527	3 163	3 690
Micro-finance unsecured loans				
31 March 2021				
<=550	<=550		93	93
550-590	550-590		193	193
590-625	590-625		64	64
625-999	625-999		89	89
31 March 2020				
<=550	<=550		660	660
550-590	550-590		1 145	1 145
590-625	590-625	3	412	412
625-999	625-999	103	346	346
Micro-finance secured loans				
31 March 2021				
<=600	<=600	(7)	7 983	7 976
600-699	600-699	(470)	7 631	7 161
31 March 2020				
<=600	<=600	197	7 204	7 401
600-699	600-699	553	6 557	7 110

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Company

2021

Product Type	Arrears Status	12 - Months PD	Absolute Increase	Increase
Agri- Finance	Performing	18,3%		
	Partial Arrears	64.7%	46,4%	252,8%
Asset Finance	Performing	13,4%		
	Partial Arrears	58.10%	44,7%	334,6%
Commercial Property	Performing	10,8%		
	Partial Arrears	67%	56,20%	519,7%
Franchise Finance	Performing	6,2%		
	Partial Arrears	35,2%	29%	468,4%
MIcro Finance	Performing	5,9%		
	Partial Arrears	29,9%	24%	409,1%
Procurement Finance	Performing	33,6%		
	Partial Arrears	59,8%	26,2%	78,1%
Structured Finance	Performing	12,3%		
	Partial Arrears	43,8%	31,5%	25,0%

2020

Lifetime PD band at initial recognition	Actual threshold applied	Actual threshold	Lower threshold	Higher threshold
Micro-finance unsecured	625-999			
	575-625	451 506	575-625	625-999
	<=575	318 073	<=575	575-625
Agri-finance	660-999			
	620-660			
	<=620	(161 241)	<=620	620-660
Franchise finance	625-999			
	<=625			
Procurement finance	640-999	93 517	<=640	640-999
	<=640			
Commercial property finance	600-999			
	<=600			
Assets finance	610-999	246 739	<=610	610-999
	<=610			
Structured finance	610-999			
	<=610			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Definition of default and credit-impaired assets

In addition to criteria defined for the transition from Stage 1 into Stage 2, criteria have been defined to be used in transferring accounts into Stage 3 i.e. in the event of default resulting in the commencement of legal collections and rundown proceedings.

Days past due

The IFRS 9 standard incorporates a further rebuttable assumption requiring that delinquency beyond 90 days result in transition of the exposure into Stage 3. This assumption has not been rebutted in the model, and all such exposures are automatically transferred into Stage 3 in the staging module of the model.

Status codes and write-off amounts

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the client provided status codes to indicate distressed accounts to be moved to Stage 3.

Transition due to manual override

Further to the use of the 90 days past due assumption defined in the IFRS 9 standard, the model incorporates the use of manual overrides in order to allow management to transfer exposures to Stage 3 of the impairment model. This can be done on the basis of an individual assessment that indicates a change from management as an active client to a legal collections and rundown process.

The company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is deceased
  - The borrower is insolvent
  - The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The criteria above have been applied to all financial instruments held by the company and are consistent with the definition of default used for internal credit risk management processes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the company's expected loss calculation.

A back stop is applied and the financial instruments considered to have met the definition of default if the borrower is more than 90 days past due on its contractual payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Measuring ECL - Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit- impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

EAD is based on the amounts the company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

Loss Given Default (LGD) represents the company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a profile from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and Lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a 'credit conversion factor' which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Corporation's recent default data. The 12-month and Lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Forward-Looking economic information is also included in determining the 12-month and Lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note below for an explanation of forward-looking information and its conclusion in ECL calculations.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs and how collateral values change etc. are monitored and reviewed on a bi-annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward -looking information. The company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from various trusted economic sources such as Statistics South Africa and Reserve Bank on a bi-annual basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

Economic variable assumptions

The most significant period -end assumptions used for the ECL estimate as at 31 March 2021 are set out below. The scenario 'base', 'Optimistic' and 'Downturn' were used for all portfolios.

		COVID-19 INCL		EXCL COVID-19	
		2021	2022	2021	2022
Real credit extention to firms	Base	1.83 %	2.31 %	4.39 %	4.00 %
	Optimistic	1.83 %	4.17 %	4.39 %	4.00 %
	Downturn	1.82 %	(0.59)%	4.39 %	4.00 %
Unemployment rate	Base	29.10 %	34.97 %	26.98 %	27.20 %
	Optimistic	29.10 %	33.81 %	26.98 %	27.20 %
	Downturn	29.10 %	36.56 %	26.98 %	27.20 %

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

The weightings assigned to each economic scenario at 31 March 2021 were as follows:

	Base	Optimistic	Downturn
All portfolios (COVID-19 INCL)	55 %	23 %	22 %
All portfolios (EXCL COVID-19)	75 %	15 %	10 %

The weightings assigned to each economic scenario at 31 March 2021 were as follows:

	Base	Optimistic	Downturn
All portfolios	75 %	15 %	10 %

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an annual basis or whenever necessary.

Scenario sensitivity

The most significant assumptions affecting the ECL allowance are as follows:

- Domestic GDP
- Prime rate; or CPI

Set out below are the changes to the ECL as at 31 March 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Corporation's economic variable assumptions (for example, the impact on ECL of increasing the estimated Domestic GDP by in each of the base, Optimistic, Downturn scenarios).

Ithala SOC Limited

	Unemployment rate	Household debt to net disposable income	Gross Domestic Product (GDP)
[-0.50%]	81 311	81 319	81 317
No change	81 320	81 320	81 320
[+0.50%]	81 329	81 321	81 322

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

	Household income to disposable income R '000	Retail credit extensions to firms R '000
2020		
[-.50%]	180 529	107 912
No change	107 903	107 903
[+0.50%]	108 337	107 983

Company

	Real credit extention to firms R '000	Unemployment rate R '000
2021		
[-1%]	371 039	372 684
No change	369 405	369 405
[+1%]	367 771	367 771
2020		
[-1%]	332 219	331 579
No change	334 893	334 883
[+1%]	337 566	338 187

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the company to be statistically credible.

Where sufficient information is not available internally, the company has considered benchmarking internal/ external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Credit rating band
- Product type
- Month of book
- Arrears status

The appropriateness of groupings is monitored and reviews on a periodic basis by the Credit Risk team.

Maximum exposure to credit - Financial instruments subject to impairment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the company's maximum exposure to credit risk on these assets.

Housing and Commercial Property

	2021				2020			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	1 030 997	399 623	23 681	1 454 301	963 866	407 566	9 779	1 381 211
30 days	-	33 096	7 532	40 628	-	33 045	5 306	38 351
60 days	-	16 750	14 525	31 275	-	27 286	6 859	34 145
90 days and above	-	-	109 532	109 532	-	-	103 507	103 507
	1 030 997	449 469	155 270	1 635 736	963 866	467 897	125 451	1 557 214
Loss allowance	(2 681)	(22 747)	(40 316)	(65 744)	(14 586)	(41 181)	(35 618)	(91 385)
Carrying amount	**1 028 316**	**426 722**	**114 954**	**1 569 992**	**949 280**	**426 716**	**89 833**	**1 465 829**

Micro Finance - secured

	2021				2020			
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Current	317 606	37 413	2 908	357 927	238 884	69 429	1 240	309 553
30 days	373	15 979	783	17 135	333	10 199	30	10 562
60 days	-	14 977	2 270	17 247	-	7 103	-	7 103
- within one year	-	-	13 526	13 526	-	-	4 397	4 397
	317 979	68 369	19 487	405 835	239 217	86 731	5 667	331 615
Loss allowance	(987)	(7 025)	(7 124)	(15 136)	(1 572)	(9 620)	(2 576)	(13 768)
Carrying amount	**316 992**	**61 344**	**12 363**	**390 699**	**237 645**	**77 111**	**3 091**	**317 847**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Micro Finance - unsecured loans

	2021				2020			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	-	228	60	288	25	336	68	429
30 days	-	-	-	-	-	14	-	14
90 days and above	-	-	249	249	-	-	2 303	2 303
	-	228	309	537	25	350	2 371	2 746
Loss allowance	-	(139)	(301)	(440)	(2)	(248)	(2 312)	(2 562)
Carrying amount	**-**	**89**	**8**	**97**	**23**	**102**	**59**	**184**

Micro Finance - unsecured loans

	2021				2020			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	6 102	4 176	-	10 278	13 743	-	-	13 743
30 days	-	128	-	128	-	728	-	728
60 days	-	17	-	17	-	586	36	622
90 days and above	-	-	7 990	7 990	-	-	5 867	5 867
	6 102	4 321	7 990	18 413	13 743	1 314	5 903	20 960
Loss allowance	(111)	(109)	(7 297)	(7 517)	(55)	(1 084)	(5 173)	(6 312)
Carrying amount	**5 991**	**4 212**	**693**	**10 896**	**13 688**	**230**	**730**	**14 648**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Agri Finance

	2021				2020			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	76 063	-	117	76 180	98 537	-	166	98 703
30 days	-	6 487	968	7 455	-	7 710	849	8 559
60 days	-	2 119	2 353	4 472	-	25	17 218	17 243
90 days and above	-	-	217 044	217 044	-	-	189 095	189 095
	76 063	8 606	220 482	305 151	98 537	7 735	207 328	313 600
Loss allowance	(793)	(1 299)	(128 233)	(130 325)	(2 554)	(6 580)	(110 290)	(119 424)
Carrying amount	**75 270**	**7 307**	**92 249**	**174 826**	**95 983**	**1 155**	**97 038**	**194 176**

Franchise Finance

	2021				2020			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	38 827	-	38	38 865	51 326	-	2	51 328
90 days and above	-	-	18 348	18 348	-	-	13 320	13 320
	38 827	-	18 386	57 213	51 326	-	13 322	64 648
Loss allowance	(1 221)	-	(16 165)	(17 386)	(558)	(6 453)	(12 232)	(19 243)
Carrying amount	**37 606**	**-**	**2 221**	**39 827**	**50 768**	**(6 453)**	**1 090**	**45 405**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Procurement Finance

	2021				2020			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	16 562	2 498	-	19 060	23 079	-	-	23 079
30 days	-	396	-	396	-	1 357	-	1 357
60 days	-	189	-	189	-	794	628	1 422
90 days and above	-	-	37 056	37 056	-	-	28 880	28 880
	16 562	3 083	37 056	56 701	23 079	2 151	29 508	54 738
Loss allowance	(850)	(353)	(30 473)	(31 676)	(27)	(4 989)	(23 510)	(28 526)
Carrying amount	**15 712**	**2 730**	**6 583**	**25 025**	**23 052**	**(2 838)**	**5 998**	**26 212**

Commercial Property Finance

	2021				2020			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	24 450	-	-	24 450	77 049	-	-	77 049
30 days	5 611	25 596	-	31 207	-	17 078	-	17 078
60 days	-	3 293	-	3 293	-	6 184	-	6 184
90 days and above	-	-	65 910	65 910	-	-	44 928	44 928
	30 061	28 889	65 910	124 860	77 049	23 262	44 928	145 239
Loss allowance	(147)	(2 369)	(36 661)	(39 177)	(248)	(4 824)	(22 138)	(27 210)
Carrying amount	**29 914**	**26 520**	**29 249**	**85 683**	**76 801**	**18 438**	**22 790**	**118 029**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Asset Finance

	2021				2020			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	63 706	8 395	2 935	75 036	94 813	-	4 222	99 035
30 days	-	-	269	269	-	3 393	2 571	5 964
60 days	-	-	-	-	-	380	-	380
90 days and above	-	-	70 678	70 678	-	-	55 473	55 473
	63 706	8 395	73 882	145 983	94 813	3 773	62 266	160 852
Loss allowance	(1 871)	(798)	(62 841)	(65 510)	(4 315)	(12 302)	(50 618)	(67 235)
Carrying amount	**61 835**	**7 597**	**11 041**	**80 473**	**90 498**	**(8 529)**	**11 648**	**93 617**

Structured Finance

	2021				2020			
	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000	Stage 1 12-month ECL R '000	Stage 2 Lifetime ECL R '000	Stage 3 Lifetime ECL R '000	Total R '000
Current	14 950	-	-	14 950	70 123	-	5 179	75 302
30 days	-	-	-	-	-	6 279	-	6 279
60 days	-	-	9 988	9 988	-	-	-	-
90 days and above	-	-	105 758	105 758	-	-	53 368	53 368
	14 950	-	115 746	130 696	70 123	6 279	58 547	134 949
Loss allowance	(1 071)	-	(72 615)	(73 686)	(1 620)	(12 842)	(52 471)	(66 933)
Carrying amount	**13 879**	**-**	**43 131**	**57 010**	**68 503**	**(6 563)**	**6 076**	68 016

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Maximum exposure to credit - financial instruments subject to impairment

The Corporation's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Corporation since the prior period.

The Corporation closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Corporation will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

	2021				2020			
	Gross exposure R '000	Impairment allowance R '000	Carrying amount R '000	Fair value of collateral held R '000	Gross exposure R '000	Impairment allowance R '000	Carrying amount R '000	Fair value of collateral held R '000
Credit impaired assets								
Housing and commercial property	1 611 594	(61 697)	1 549 897	2 707 321	1 557 213	(91 580)	1 465 633	3 031 057
Micro finance - secured	405 835	(15 137)	390 698	670 235	331 615	(13 761)	317 854	588 728
Micro finance - unsecured	18 414	(7 516)	10 898	66	23 723	(8 875)	14 848	38
Agri-finance	305 152	(130 325)	174 827	217 609	313 580	(119 424)	194 156	219 638
Franchise finance	57 214	(17 386)	39 828	19 398	64 648	(19 243)	45 405	18 623
Procurement finance	56 700	(31 676)	25 024	6 161	54 737	(28 526)	26 211	8 276
Commercial property finance	124 860	(39 176)	85 684	106 732	145 238	(27 210)	118 028	116 739
Asset finance	145 983	(65 510)	80 473	68 289	160 852	(67 235)	93 617	67 365
Structured finance	130 696	(73 439)	57 257	38 500	134 948	(66 933)	68 015	53 695
Total credit-impaired assets	**2 856 448**	**(441 862)**	**2 414 586**	**3 834 311**	**2 786 554**	**(442 787)**	**2 343 767**	**4 104 159**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Below is the credit impaired (Stage 3) financial assets with their collateral

	2021				2020			
	Gross exposure R '000	Impairment allowance R '000	Carrying amount R '000	Fair value of collateral held R '000	Gross exposure R '000	Impairment allowance R '000	Carrying amount R '000	Fair value of collateral held R '000
Credit impaired assets								
Housing and commercial property	155 269	(40 316)	114 953	267 707	125 451	(35 812)	89 639	-
Micro finance - secured	19 487	(7 124)	12 363	30 378	5 668	(2 573)	3 095	-
Micro finance - unsecured	8 299	(7 598)	701	33	5 903	(5 173)	730	38
Agri-finance	220 482	(128 233)	92 249	100 842	207 327	(110 290)	97 037	110 182
Franchise finance	18 387	(16 165)	2 222	1 476	13 322	(12 232)	1 090	858
Procurement finance	37 056	(30 473)	6 583	4 570	29 509	(23 510)	5 999	4 456
Commercial property finance	65 910	(36 661)	29 249	27 616	44 928	(22 138)	22 790	24 979
Asset finance	73 882	(62 841)	11 041	25 788	62 266	(50 618)	11 648	17 802
Structured finance	115 746	(72 376)	43 370	37 402	58 546	(52 471)	6 075	15 413
Total credit- impaired assets	**714 518**	**(401 787)**	**312 731**	**495 812**	**552 920**	**(314 817)**	**238 103**	**173 728**

Write-off policy

An entity shall directly reduce the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event. The group writes-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation (i) ceasing enforcement activity and (ii) where the group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 March 2021 was R14 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Below are amounts written off that the Group seeks to recover through legal action

	Group	Corporation	Group	Corporation
	2021 Outstanding amount R '000	2021 Outstanding amount R '000	2020 Outstanding amount R '000	2020 Outstanding amount R '000
Product type				
Housing and commercial property	-	-	5 514	-
Asset finance	-	-	8 803	8 803
Total Amount Outstanding	**-**	**-**	**14 317**	**8 803**

Modification of financial assets

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset was not derecognised, an entity shall assess whether there has been a significant increase in credit risk of the financial instrument by comparing:

- The risk of a default occurring at the reporting date (based on the modified contractual terms); and
- The risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate, or when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Loans and advances renegotiated

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position, where the group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the group has provided initially.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Rescheduled / renegotiated loans include extended payment arrangements, modification and deferral of payments:

	Group		Company	
	2021	2020	2021	2020
	R '000	R '000	R '000	R '000
Continuing to be impaired after rescheduling:				
Procurement Finance	-	3 262	-	3 262
Asset Finance	269	492	269	492
Housing Loans	5 189	2 634	-	-
Micro Finance - secured	2 985	11	-	-
Non–impaired after rescheduling – would otherwise have been impaired:				
Commercial Property	4 573	-	4 573	-
Housing Loans	7 412	9 512	-	-
Micro Finance - secured	4 066	410	-	-
Non–impaired after rescheduling – would otherwise not have been impaired:				
Procurement Finance	-	3 317	-	3 317
Micro Finance	654	83	654	83
Commercial Property	-	2 403	-	2 403
	25 148	**22 124**	**5 496**	**9 557**

Liquidity risk

Liquidity risk is the risk that the group will be unable to service payment obligations timeously or fund asset growth.

The Board of Directors sets the strategy for managing liquidity risk and delegates the responsibility for the oversight of the implementation thereof to the Audit and Risk Committee. The Treasury divisions of the group are responsible for the management of liquidity risk. Liquidity risk is monitored on a projected cash flow basis, incorporating ongoing review and assessment of assumptions applied and strategies in place to ensure that commitments are timeously funded.

The risk of a default occurring at the reporting date (based on the modified contractual terms);

- The continuous monitoring of actual and projected net cash flows;
- The maintenance of a liquidity "buffer" to fund unforeseen cash flows;
- Daily management of liquidity to support operations and fund asset growth;
- Periodic assessment of sources of funding to fund liquidity shortfalls; and
- Advising management on trends emerging from variance analysis to reassess where necessary business plans and assumptions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

The details the group's expected contractual maturity for its financial liabilities has been drawn up based on the summary of the undiscounted contractual maturities of financial liabilities including interest that would be payable. A summary of the group liquidity profile and the contractual maturity is reflected in the table below:

Group

2021

		On Demand to 1 month R'000	One to Six Months R'000	Six months to One year R'000	From 1 to 5 years R'000	After 5 years R'000
Financial assets						
Loans and advances	2	422 258	133 935	130 828	760 867	1 433 238
Investments at fair value	13	7 174	-	-	-	-
Cash and cash equivalents	16	1 036 261	491 600	-	-	-
Trade and other receivables	17	109 867	-	-	-	-
Statutory liquid assets		80 781	164 209	-	-	-
		1 656 341	**789 744**	**130 828**	**760 867**	**1 433 238**
Financial liabilities						
Borrowings	21	805	930	4 833	31 011	-
Deposits due to customers	22	1 201 947	956 616	321 039	31 750	-
Trade and other payables	26	593 370	-	-	-	-
		1 796 122	**957 546**	**325 872**	**62 761**	**-**
Net liquidity (shortfall) / excess		(139 781)	(167 802)	(195 044)	698 106	1 433 238
Cumulative liquidity		**(139 781)**	**(307 583)**	**(502 627)**	**195 479**	**1 628 717**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

2020

		On Demand to 1 month R'000	One to Six Months R'000	Six months to One year R'000	From 1 to 5 years R'000	After 5 years R'000
Financial assets						
Loans and advances	2	331 745	133 519	135 447	808 211	1 377 632
Investments at fair value	13	4 222	-	-	-	-
Cash and cash equivalents	16	1 269 798	152 944	45 759	60 708	-
Trade and other receivables	17	97 998	-	-	-	-
Statutory liquid assets		183 565	-	-	-	-
		1 887 328	**286 463**	**181 206**	**868 919**	**1 377 632**
Financial liabilities						
Borrowings	21	523	2 615	3 138	38 370	-
Deposits due to customers	22	1 277 513	756 698	359 568	44 096	-
Trade and other payables	26	557 318	-	-	-	-
		1 835 354	**759 313**	**362 706**	**82 466**	**-**
Net liquidity (shortfall) / excess		**51 974**	**(472 850)**	**(181 500)**	**786 453**	**1 377 632**
Cumulative liquidity		**51 974**	**(420 876)**	**(602 376)**	**184 077**	**1 561 709**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Company

2021

		On Demand to 1 month R'000	One to Six Months R'000	Six months to One year R'000	From 1 to 5 years R'000	After 5 years R'000
Financial assets						
Loans and advances	2	313 957	65 784	59 850	247 074	152 354
Investments at fair value	13	7 174	-	-	-	-
Cash and cash equivalents	16	595 039	40 079	-	-	-
Trade and other receivables	17	150 652	-	-	-	-
		1 066 822	**105 863**	**59 850**	**247 074**	**152 354**
Financial liabilities						
Borrowings	21	805	930	4 833	28 955	-
Trade and other payables	26	475 860	-	-	-	-
		476 665	**930**	**4 833**	**28 955**	**-**
Net liquidity (shortfall) / excess		**590 157**	**104 933**	**55 017**	**218 119**	**152 354**
Cumulative liquidity		**590 157**	**695 090**	**750 107**	**968 226**	**1 120 580**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

2020

		On Demand to 1 month R'000	One to Six Months R'000	Six months to One year R'000	From 1 to 5 years R'000	After 5 years R'000
Financial assets						
Loans and advances	2	267 867	67 721	66 206	302 034	191 152
Investments at fair value	13	4 222	-	-	-	-
Cash and cash equivalents	16	438 881	70 000	-	-	-
Trade and other receivables	17	144 580	-	-	-	-
		855 550	**137 721**	**66 206**	**302 034**	**191 152**
Financial liabilities						
Borrowings	21	523	2 615	3 138	36 311	-
Trade and other payables	26	445 562	-	-	-	-
		446 085	**2 615**	**3 138**	**36 311**	**-**
Net liquidity (shortfall) / excess		**409 465**	**135 106**	**63 068**	**265 723**	**191 152**
Cumulative liquidity		**409 465**	**544 571**	**607 639**	**873 362**	**1 064 514**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. At the end of the reporting period the Group held deposits at call of R900 million (2020: R827,2 million) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices and foreign exchange risks will affect the group's income or the value of it's holdings of financial instruments.

Interest rate risk

Interest rate risk refers to the potential adverse impact on earnings as a result of changes in interest rates. Yields on assets and liabilities are monitored monthly. In addition, interest rate shock analysis is performed to assess the sensitivity on net interest due to unanticipated movement in interest rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

31. FINANCIAL RISK MANAGEMENT (continued)

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Interest rate sensitivity

The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and IFRS 7.34(a) non-derivative instruments at balance sheet date. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 2% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable and possible change in interest rates. If interest rates had been 2% higher/lower and all other variables were held constant, the Group's Profit for the year ended 31 March 2021 would increase by R16,6 million (2020: R15,6 million) or decrease by R16,6 million (2020: R15,2 million). This is mainly attributable to the Group's exposure to interest on its variable financial instruments.

Interest rate forecasts are reviewed monthly taking into account market and economic data available. Pricing of assets are informed by the trends emerging from the review of interest rates and maturity profiles of assets and liabilities.

Equity price risk

The Group is exposed to equity risk arising from investments in marketable equity securities at fair value through profit and loss.

These investments are held for strategic rather than trading purposes and the Group does not actively trade these investments.

Equity price sensitivity

The sensitivity is based on the exposure to equity price risk at the reporting date. The investments are fair valued annually at the close of business on 31 March 2021. The Group applies a critical judgment of 5% on the valuation of these investments. If the valuation of the investment at year end had been 5% higher or lower while other variables were held constant, the fair value of investment and fair value gains would have increased or decreased by R2,7 million (2020: R4 million).

Foreign exchange risks

The Group has no exposure to transactions or balances traded or denominated in foreign currencies.

Operational risk

Operational risk arises from human or system error within daily product and service delivery. It transcends to all divisions and products. This risk includes the potential that inadequate technology and information systems, operational problems, insufficient human resources, breaches of integrity or non-compliance with regulations and laws will result in direct or indirect losses. The primary responsibility for managing operational risk forms part of the day-to-day responsibilities of management and employees at all levels. Business line management is ultimately responsible for owning and managing risks resulting from their activities. The Lending Unit has, as part of preventive controls, Operational Policies and Procedures with clear segregation of functions and duties and clear and independent reporting structures. Furthermore, Group Internal Audit and Compliance function act as secondary–level control through systematic and independent continuous review of the operations and controls within the Lending Unit. Results of Internal Audit and Compliance Review Reports are discussed with Business Unit Heads, Executive Committee and submitted to the Audit Committee and the Enterprise Risk Committee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Group
Assets measured at fair value

	2021				2020			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Assets								
Measured on a recurring basis[1]								
Investment property	-	-	3 238 609	3 238 609	-	-	3 073 977	3 073 977
Investment in Cell Captives*	-	45 910	-	45 910	-	41 122	-	41 122
Investment in SA Corp Real Estate	7 174	-	-	7 174	4 222	-	-	4 222
Total	7 174	45 910	3 238 609	3 291 693	4 222	41 122	3 073 977	3 119 321

	2021				2020			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Liabilities								
Borrowings **	-	37 579	-	37 579	-	44 646	-	44 646

(1) Recurring fair value measurements of assets are those assets that IFRS require or permit to be carried at fair value in the statement of financial position at the end of each reporting period.
* For further details, refer to note 14.
** For further details, refer to note 21.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION (continued)

Company

	2021				2020			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Assets								
Measured on a recurring basis[1]								
Investment property	-	-	2 910 312	2 910 312	-	-	2 767 692	2 767 692
Investment in Cell Captives*	-	45 910	-	45 910	-	41 122	-	41 122
Investment in SA Corp Real Estate	7 174	-	-	7 174	4 222	-	-	4 222
Total	7 174	45 910	2 910 312	2 963 396	4 222	41 122	2 767 692	2 813 036

	2021				2020			
	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Liabilities								
Borrowings **	-	35 523	-	35 523	-	42 587	-	42 587

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION (continued)

Level 3 financial assets

Reconciliation of level 3 assets

Investment property

2021

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group 2021	Corporation 2021
	Investment property R '000	Investment property R '000
Balance at 01 April 2020	3 073 977	2 767 692
Total gains included in profit/loss	180 546	159 843
Issuances and purchases	5 942	4 494
Straight line rental	(21 880)	(21 717)
Balance at 31 March 2021	**3 238 585**	**2 910 312**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

	Group 2021	Corporation 2021
	Investment property R '000	Investment property R '000
Other income	180 546	159 843

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION (continued)

2020

The following table provides a reconciliation of the opening to closing balance for all assets that are measured at fair value and incorporate inputs that are not based on observable market data (level 3).

	Group 2020	Corporation 2020
	Investment property R '000	Investment property R '000
Balance at 01 April 2019	2 888 863	2 644 002
Total gains included in profit/loss	127 457	91 171
Issuances and purchases	33 274	30 361
Straight line rental	(8 798)	(2 540)
COVID-19 impact	(29 842)	(27 220)
Prior year adjustments	63 023	31 918
Balance at 31 March 2020	**3 073 977**	**2 767 692**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION (continued)

	Group 2020 Investment property R '000	Corporation 2020 Investment property R '000
Other income	147 109	115 899
Prior period adjustment in retained earnings	10 190	2 492
COVID-19 impact	(29 842)	(27 220)
Total	**127 457**	**91 171**

Sensitivity and interrelationships of inputs

The behaviour of the unobservable parameters used to fair value level 3 assets and liabilities is not necessarily independent, and may often hold a relationship with other observable and unobservable market parameters. Where material and possible, such relationships are captured in the valuation by way of correlation factors, though these factors are, themselves, frequently unobservable. In such instances, the range of possible and reasonable fair value estimates is taken into account when determining appropriate model adjustments.

The table that follows indicates the sensitivity of valuation techniques and main assumptions used in the determination of the fair value of the level 3 assets and liabilities measured and disclosed at fair value. The table further indicates the effect that a significant change in one or more of the inputs to a reasonably possible alternative assumption would have on profit or loss at the reporting date (where the change in the unobservable input would change the fair value of the asset or liability significantly). The changes in the inputs that have been used in the analysis have been determined taking into account several considerations such as the nature of the asset or liability and the market within which the asset or liability is transacted. Stress tests have been conducted by only flexing/stressing a major significant unobservable input of risk factor (i.e. assumes that all risks are mutually exclusive).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION (continued)

Valuation techniques and inputs for level two and level three assets

Group

Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R '000			%
Investment property				
	3 238 609	Income capitalisation	Rental escalation	8%
			Expenditure rate	28%
			Capitalisation rate	12.25%
			Vacancy rate	5.54%
				-%

Sensitivity and interrelationships of inputs

Description	Fair value	Change in significant unobservable input from (1%) to 1%				
		Effect on profit or loss				
		Cap rate		Favourable		(Unfavourable)
		%	%	R '000	%	R '000
Investment property	3 073 977	12.50%	11.50%	283 068 646	13.50%	(241 132 550)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION (continued)

Company

Description	Fair value	Valuation technique	Unobservable input	Range (weighted average)
	R '000			%
Investment property (COVID-19 adjusted)				
	2 910 312	Income capitalisation	Rental escalation	8%
			Expenditure rate	28%
			Capitalisation rate	12.25%
			Vacancy rate	5.54%
			Expenditure rate	28%
			Capitalisation rate	12%
			Vacancy rate	5%

Sensitivity and interrelationships of inputs

Description	Fair value	Change in significant unobservable input from (1%) to 1%				
		Effect on profit or loss				
		Cap rate		Favourable		(Unfavourable)
		%	%	R '000	%	R '000
Investment property	2 767 692	13.00%	11.00%	400 018 869	13.00%	(112 825 835)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION (continued)

Fair Value of Financial Instruments

	Group 2021		Corporation 2021	
	Carrying Amount R '000	Fair Value R '000	Carrying Amount R '000	Fair Value R '000
Financial assets	2 380 003	2 341 776	419 216	380 989

	2021			2020		
	Level 2 R '000	Level 3 R '000	Total R '000	Level 2 R '000	Level 3 R '000	Total R '000
Company						
Loans and advances fair value	-	380 989	380 989	-	470 751	470 751
Group						
Loans and advances fair value	-	2 341 776	2 341 776	-	2 250 117	2 250 117

IDFC manages an enterprise development fund on behalf of the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs governed through a funding agreement. The purpose of this fund is to advance development within the Province with loans advanced at specified interest rates range that are below the market. The fair value of these loans was determined using a fair value matrix. The matrix calculates the fair value of the loan using the loan term to determine the applicable government bond rate plus a risk premium.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

32. FAIR VALUE INFORMATION (continued)

Description	Fair value	Valuation technique	Unobservable input	Risk Premium	Range (weighted average)
	R '000			%	%
2021					
Loans and advances	380 989	Discounting of future cash flows	Risk based rate and prime rate	1,0%-7,0%	7% to 13.75
2020					
Loans and advances	470 751	Discounting of future cash flows	Government bond interest rate plus risk premium	-%	8,75% to 15,5%

Sensitivity and interrelationships of inputs

Corporation	Change in significant unobservable input from (1%) to 1%			
	Fair value	Favourable	Effect	(Unfavourable)
		R '000	%	R '000
Loans and advances	380 989	240	-%	912

The following table provides a reconciliation of the opening to closing balance and incorporate inputs that are not based on observable market data (level 3).

	Group	Corporation
	2021 R '000	2021 R '000
Balance at 01 April 2020	2 250 117	470 751
Advances	534 795	81 396
Interest recognised in profit and loss	213 382	60 181
Repayments	(569 095)	(185 051)
Other loan movements	(12 493)	(12 493)
Write offs	9 418	-
Present value adjustment/ Day 1 loss	13 924	13 924
Expected credit loss	(80 586)	(30 033)
Stage 3 interest	(24 463)	(24 463)
Correction of day 1 loss for prior year	6 777	6 777
Fair value at 31 March 2021	**2 341 776**	**380 989**

Unrealised gains/(losses) for the period included in profit or loss for level 3 assets held at the end of the reporting period

Ithala SOC loans and advances carrying amount approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

33. NEW STANDARDS AND INTERPRETATIONS

33.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Definition of a business - Amendments to IFRS 3	01 January 2020	The impact of the standard is not material.
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	The impact of the standard is not material.
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	The impact of the standard is not material.

33.2 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 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 financial statements.

The standard is applicable in 2023 and its impact will be taken into account at group level.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

33. NEW STANDARDS AND INTERPRETATIONS (continued)

Amendment to IAS 16: Property, plant and equipment - Proceeds before Intended Use
The amendments prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items and the operating cost of producing those items, in profit or loss.

The effective date of the standard is for annual periods beginning on or after 1 January 2022.

The impact on IDFC financial statements is likely to be immaterial.

Amendment to IAS 1: Classification of Liabilities as Current or Non-current
The amendments aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within 1 year) or non -current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The effective date of the standard is for annual periods beginning on or after 1 January 2023.

Amendment to IAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.

The effective date of the standard is for annual periods beginning on or after 1 January 2023.

Amendment to IAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimate with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of a change in accounting estimate prospectively remains unchanged.

The effective date of the standard is for annual periods beginning on or after 1 January 2023.

Amendment to IAS 37: Onerous Contracts - Costs of Fulfilling a Contract

The amendments specify which costs should be included in an entity’s assessment of whether a contract will be loss-making.

Improvements to IFRS 9: Financial Instruments - Fees in the “10 percent test” for de-recognition of financial liabilities
The amendment clarifies which fees an entity includes when it applies the “10 percent” test in assessing whether to derecognise a financial liability.

The effective date of the standard is for annual periods beginning on or after 1 January 2022.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

33. NEW STANDARDS AND INTERPRETATIONS (continued)

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The effective date of the standard is for annual periods beginning on or after 1 January 2022.

The impact of adoption of IFRS 16 in the prior financial year

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17: Leases. These liabilities were measured at the present value of the lease payments using the lease period , discounted using the lessee's borrowing rate as at the inception of each lease. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard, a modified retrospective approach has been followed hence the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance on 1 April 2019. This note explains the impact of the adoption of IFRS 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 April 2019 below:

Statement of Profit or Loss and Other Comprehensive Income for the year March 31, 2020

When measuring lease liabilities for leases that were previously classified as operating leases under IAS 17, IDFC discounted lease payments using the incremental borrowing rate at 1 April 2019. The weighted average rate applied is 9.5% (Ithala SOC LImited 10.61%).

Statement of Changes in Equity for the year ended 1 April 2019

	Group R '000	Company R '000
Retained earnings as at 31 March 2019	3 167 600	3 068 331
Decrease in rental Expense	28 047	11 632
Increase in interest Expense	(26 691)	(17 059)
Decrease in fair value adjustment	(4 538)	(4 535)
Increase in amortisation of ROUA-PPE	(3 727)	(709)
IFRS 16 SOC impact on retained earnings	(7)	-
Retained Earnings as at 1 April 2019	**3 160 684**	**3 057 660**

Refer to note 6 on details of the leases.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

33. NEW STANDARDS AND INTERPRETATIONS (continued)

Statement of Financial Position for the year ended March 31, 2019

	Group R'000	Company R'000
Operating lease commitment as at 31 March 2019	33 397	2 113
Impact of IFRS 16 application:		
Impact of discounting using the borrowing rate	36 507	12 280
Lease liability on 1 April 2019	**69 904**	**14 393**

IMPACT ON ASSETS

The Company has, as permitted by IFRS 16 Leases (IFRS 16), elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 Leases (IAS 17) basis. Below is the impact of IFRS 16 on the group assets as at 1 April 2019.

Group

	Investment Property R'000	Right of use of asset R'000
Balance as at 31 March 2019	2 860 142	-
Impact of IFRS application:		
Transfer from investment property	(4 538)	4 538
Right of use asset-PPE	-	63 490
Amortisation	-	(7 465)
	2 855 604	**60 563**

Company

	Investment Property R'000	Right of use of asset R'000
Balance as at 31 March 2019	2 616 293	-
Impact of IFRS 16 application:		
Transfer from investment property	(4 535)	4 538
Fair value adjustment	-	-
Right of use asset-PPE	-	2 319
Amortisation	-	(709)
	2 611 758	**6 145**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

34. LEASE LIABILITIES

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Balance as at 01 April 2020/ 1 April 2019	58 521	69 903	13 383	14 393
Additions	8 178	598	-	-
Interest Expense	4 859	7 283	1 222	1 306
Reassessment of lease liability	-	3 107	-	-
Lease payments	(18 000)	(22 370)	(2 145)	(2 317)
Modifications	763	-	-	-
	54 321	**58 521**	**12 460**	**13 382**
Maturity Anaylsis				
With 1 year	11 404	14 104	266	1 012
Two to five years	13 210	4 286	726	728
After 5 years	29 707	40 131	11 468	11 642
	54 321	**58 521**	**12 460**	**13 382**

Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of R14,7 million discounted at the incremental borrowing rate as at transition.

35. OTHER OPERATING INCOME

Other operating income is stated after crediting the following significant items:

Surplus/ (Loss) on sale of PPE, IP and PIP	1 731	3 867	437	3 137
Dividends received	404	1 269	404	1 269
Grant applied	59 000	132 998	59 000	132 998
Rental received	364 359	362 656	326 680	333 986
Sale of electricity, water and sewarage	278 513	290 420	278 513	290 420
Fees earned, commission and service recovered	236 820	236 156	70 298	76 154
Fair value adjustment on Investment Property	180 546	72 677	159 843	46 711
Fair value adjustment on investments (Cell Captive and Corp Real Estate) at fair value through profit/loss	7 740	(130)	7 740	(130)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

36. OPERATING EXPENDITURE

Operating profit (loss) before taxation for the year is stated after charging (crediting) the following, amongst others:

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Auditor's remuneration - external				
Audit fees	11 403	13 891	5 617	5 756
Movement in credit loss allowances				
Trade and other receivables	86 125	42 187	68 133	39 282
Loans receivables at amortised cost	(5 539)	156 791	30 034	110 493
	80 586	**198 978**	**98 167**	**149 775**

Other significant expenses

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Employee costs	383 335	404 859	220 407	235 703
Purchases of electricity, water and sewage	222 615	227 210	222 615	227 210
Consulting and professional fees	25 695	19 862	7 305	7 084
Assessment rates & municipal charges	138 783	128 695	138 781	128 695

37. INTEREST INCOME

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Interest income				
Interest generated from an effective interest rate:	-	-	-	-
Investments in financial assets:	-	-	-	-
Balances with banks and short-term funds	68 524	109 726	15 764	25 180
Advances	184 652	244 929	35 740	51 304
Other interest income:	-	-	-	-
Finance leases	201	301	-	-
Total interest income	**253 377**	**354 956**	**51 504**	**76 484**

38. INTEREST EXPENDITURE

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Borrowings	2 294	4 099	2 271	4 067
Lease liabilities	4 860	6 177	1 219	1 307
Interest on savings and deposit accounts	65 497	85 671	-	-
Non- trading interest*	14 119	15 657	9 710	9 464
Total interest expenditure	**86 770**	**111 604**	**13 200**	**14 838**

*Non-trading interest consists primarily of interest costs on the long service and post retirement benefits obligations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

39. TAXATION

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Major components of the tax expense				
Current				
Current tax	5296	5261	-	-
Deferred				
Deferred tax	2 502	8 978	-	-
	7 798	**14 239**	**-**	**-**
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit	169 259	25 388	-	-
Tax at the applicable tax rate of 28% or 45% (2020: 28% or 45%)	10 586	17 533	-	-
Prior year over-provision	(405)	-	-	-
Other permanent difference	(45)	3	-	-
Exempt income	(1 372)	(1 747)	-	-
TAB movement	(130)	7	-	-
Prior period fair value difference	-	(180)	-	-
Current tax attributable to sole beneficiary	(836)	(1 377)	-	-
	7 798	**14 239**	**-**	**-**

40. IRREGULAR EXPENDITURE

	Group 2021 R '000	Group 2020 R '000	Company 2021 R '000	Company 2020 R '000
Opening balance	82 007	58 487	36 155	34 859
Irregular expenditure - current year	20 862	23 520	-	1 296
Irregular expenditure - prior year amounts identified in the current year	12	-	-	-
Less amount condoned	-	-	-	-
Total-Irregular Expenditure	**102 881**	**82 007**	**36 155**	**36 155**
Analysis of expenditure awaiting condonation per age classification				
Current year	20 874	23 520	-	1 296
Prior years	82 007	58 487	36 155	34 859
	102 881	**82 007**	**36 155**	**36 155**

An amount of R102 million (2020: R82 million) relates to irregular expenditure being investigated. The condonation process of irregular expenditure identified above is currently in progress and investigations are being conducted in line with the irregular expenditure framework.

Included in the R21 million above, is an amount of R9.3 million which was a cost incurred without a requisition or quotation and relates to professional fees charged to Ithala SOC Limited for an investigation initiated by the SARB in its supervisory capacity. The appointment of the service provider was made at the discretion of the SARB under the terms of the Banks Act contrary to the prescripts of the PFMA governing the Company's procurement processes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

40. IRREGULAR EXPENDITURE (continued)

Alleged Irregular Expenditure Under Assessment

Alleged irregular expenditure under assessment of R35.0 million was identified in the current year which relates to the 2018/2019 financial year (2020: Nil)

The above expenditure of R35.0 million relates to systems development and hardware costs paid to Tech Mahindra. This irregular expenditure arose following external investigation into the awarding of the contract from a supply chain management forensic perspective relative to possible non-compliance around supply chain management and information technology due diligence. The potential that irregular expenditure has occurred is to be further investigated and a conclusion reached during the course of the 2022 financial year. In line with amended National Treasury Note 2 of 2019/2020, confirmation of the determination of irregular expenditure is required to be conducted within 30 days of it having been reported to the accounting officer and/or accounting authority. If there are any disputes, the assessment process is to be completed within 3 months thereof. Consequently, the cost paid to Tech Mahindra have not been disclosed as irregular expenditure as at 31 March 2021.

	Ithala SOC Limited 2021	Ithala SOC Limited 2020
Opening balance	-	-
Add: Amounts arising in current year	-	-
Add: Prior year amounts identified in current year	34 974	-
	34 974	**-**

41. FRUITLESS AND WASTEFUL EXPENDITURE

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
Fruitless expenditure	2 688	2 688	688	688

Ithala SOC Limited

A R2 million sign-on bonus was paid in respect of an executive appointment made in 2017 in recompense for the forfeiture of benefits on resignation from his previous employer to join Ithala SOC. Through an investigation, it has been determined that the executive did not resign but retired from his previous employer, suggesting that the benefits were not forfeited which, in turn, render the payment of the R2 million sign-on bonus fruitless and wasteful expenditure. The Board has resolved to recover the money.

42. MATERIAL LOSSES

The Group suffered a loss of R9,8 million due to bad debts written off (2020: R14,3 million).

The Group suffered a loss of R3,6 million (2020: nil) as a result of a branch robbery.

There was staff and other fraud losses incurred of R0,2 million.

During the prior financial year, a possible material loss was identified amounting to R1,1 million and was referred to the investigations department. A criminal case has been opened and the organisation is working on recovering this money.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

43. CONTINGENT LIABILITIES

The company is currently opposing (defendent) certain claims that have been instituted against it by various parties. At year end, the outcome of the following legal disputes is considered uncertain.

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000
CORPORATION				
- Claim by an employee for alleged malicious damage suffered as a result of the disciplinary hearing	400	-	400	-
- Claim by a supplier for electrical installation	579	579	579	579
- The claim is for unpaid invoices for work done at Ezakheni	313	313	313	313
- Claim arising from alleged damages suffered by the client resulting from fire damage after Ithala performed a fire break procedure at Ezakheni Estate	5 304	5 304	5 304	5 304
- Claim by tenant for damages due to electricity disruption	502	502	502	502
- Claim for damages caused by an alleged breach of a management agreement	1 002	1 002	1 002	1 002
- Claim by ex-employee for legal fees	784	784	784	784
Ithala SOC Limited				
- Claim for damages allegedly resulting from incorrect investment advice	325	325	-	-
- Claim against the company from monies attached from its bank account for funds fraudulently obtained	900	900	-	-
- South African Insurance Association	3 000	3 000	-	-
- Claim against invoices not paid	21 276	21 276	-	-
	34 385	**33 985**	**8 884**	**8 484**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

44. DIRECTORS' EMOLUMENTS

Executive 2021	Emoluments R'000	Total R'000
CORPORATION		
PS Bengu - Chief Executive Officer	2 899	2 899
M Muthusamy (Acting)	355	355
B Shangase	2 068	2 068
XE Mkhize	2 007	2 007
SB Mnguni	2 657	2 657
NB Mseleku (Acting)	117	117
TN Mthethwa	1 557	1 557
K Cele	309	309
ITHALA SOC LIMITED		
S Gwala - Head: HR	1 757	1 757
S Xolo - Marketing and sales manager	1 334	1 334
T Luthuli - Company Secretary	1 718	1 718
S Moodley- Head Retail and Business Banking	1 785	1 785
N Naidoo - Acting Head Credit (April 2020 to November 2020)	853	853
T Vilakazi (Appointed 01 September 2020)	1 640	1 640
N Harryparshad - Acting Head IT (resigned 28 October 2020)	764	764
C Gumede: Chief Risk Officer (Appointed 01 April 2019)	1 750	1 750
A Pather: Head Insurance (Appointed 01 August 2019)	1 550	1 550
L Marthinus Head IT (Appointed 01 March 2021)	150	150
S Nsele - Chief Audit Executive (Appointed 01 September 2020)	817	817
G Nkambue: Compliance Officer (Appointed 01 August 2020)	987	987
X Khumalo - Head of Credit (Appointed 16 November 2020)	657	657
	27 731	**27 731**

2020		
CORPORATION		
PS Bengu: Chief Executive Officer (Appointed 01 November 2018)	2 774	2 774
BTT Mathe- Acting Chief Executive Officer (Acting Term ended July 2018)	592	592
MM Matibe	1 476	1 476
M Muthusamy (acting)	168	168
B Shangase	1 806	1 806
XE Mkhize (Appointed March 2019)	2 004	2 004
SB Mnguni (Appointed March 2019)	2 547	2 547
NB Mseleku	56	56
EB Mokgatle (Resigned February 2020)	1 837	1 837
ITHALA SOC LIMITED		
Z Zandamela - Chief Executive Officer	3 476	3 476
S Gwala- Head:HR	1 607	1 607
S Xolo - Marketing and Sales Manager	1 033	1 033
T Luthuli- Company Secretary	1 331	1 331
S Moodley - Head Segments	1 131	1 131
L Keyise - Chief Technology Officer	1 108	1 108
M Sewchuran - Compliance Officer (Appointed 14 May 2018)	1 174	1 174
D Mti - Head: Credit (Resigned 30 September 2019)	942	942
C Gumede: Chief Risk Officer (Appointed 01 April 2019)	1 604	1 604
A Panther - Head Insurance (Appointed 01 August 2019)	1 050	1 050
L Meyer-General Manager-Finance (Appointed 08 July 2019)	689	689
N Harryparshad-Acting Head IT (Appointed 30 June 2019)	883	883
N Ndlovu-Acting Head Insurance (Resigned 30 June 2019)	199	199
M Madali-Acting Chief Technology Officer (Resigned 28 June 2019)	347	347
	29 834	**29 834**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

44. DIRECTORS' EMOLUMENTS (continued)

Non-executive 2021	Directors' fees R'000	Total R'000
CORPORATION		
R Morar- Chairperson (Appointed June 2017)	1 263	1 263
S Mkhize (Appointed June 2017)	1 025	1 025
Inkosi S Mkhize (Resigned June 2020)	41	41
P Sibiya (Appointed June 2017)	793	793
C Gina (Appointed June 2017)	535	535
S Ndlovu (Appointed June 2017)	744	744
K Mbonambi (Appointed June 2017)	620	620
Y Ngwane (Appointed April 2020)	122	122
ITHALA SOC LIMITED		
N Simelane (Appointed 01 January 2021)	103	103
SC Ngidi (Resigned 20 April 2020)	117	117
M Pupuma (Appointed 01 August 2020)	461	461
S Shabalala (Appointed 01 January 2021)	150	150
G Sibiya	811	811
Inkosi SN Mkhize	1 033	1 033
Z Khanyile (Resigned 31 October 2020)	134	134
	7 952	**7 952**

CORPORATION		
R Morar- Chairperson (Appointed June 2017)	1 014	1 014
S Mkhize (Appointed June 2017)	825	825
Inkosi S Mkhize (Appointed June 2017)	577	577
P Sibiya (Appointed June 2017)	752	752
C Gina (Appointed June 2017)	336	336
N Nzuza (Appointed June 2017)	35	35
S Ndlovu (Appointed June 2017)	686	686
K Mbonambi (Appointed June 2017)	588	588
K Cele (Appointed June 2017)	81	81
EB Zaca	39	39
ITHALA SOC LIMITED		
MF Kekana (Resigned 04 November)	580	580
M Mia (Retired 26 July 2019)	220	220
B Ngonyama (Resigned 26 July 2019)	304	304
SC Ngidi	819	819
P Radebe (Resigned 31 October 2019)	403	403
G Sibiya	696	696
M Madali (Resigned 28 February 2019)	8	8
Inkosi SN Mkhize	1 020	1 020
M Ngcobo (Resigned 23 June 2019)	142	142
	9 125	**9 125**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

	Group		Company	
	2021 R '000	2020 R '000	2021 R '000	2020 R '000

45. CHANGE IN ESTIMATE

Property, plant and equipment

Property, plant and equipment are depreciated over its estimated useful lives taking into account residual values, where appropriate. The remaining useful lives of assets were reassessed during the current year. The effect of the change in estimate during the current year is as follows:

It is impractical to provide disclosure of the impact on future periods due to the change in estimate.

	Group 2021	Group 2020	Company 2021	Company 2020
Decrease in depreciation	(1 583)	(763)	-	-
Increase in net book value	1 583	763	-	-
	-	-	-	-

Provision for landfill site

During the prior financial period, there was a change in the assumptions used to calculate the provision for rehabilitation of landfill site, which resulted in a change in estimate of R8,75 million reduction in the provision. This change in estimate is mainly attributable to the dumping space utilised against the initially estimated space.

46. EVENTS AFTER THE REPORTING PERIOD

Subsequent to financial year end, civil unrest occurred during the month of July 2021 which resulted in damages to our property portfolio and this also resulted in some of our business finance clients not being able to trade. During the unrest, there was looting, damaging of property, theft and burning of our assets. IDFC is currently conducting an assessment in order to determine the financial impact as at reporting date. Therefore, at this stage we are unable to make a reasonable estimate of the financial impact. However, it is confirmed that our assets are currently insured and we are also covered for revenue losses. The components that are affected are investment property, plant and equipment, rental income, trade receivables and straight lining of lease income. The values of these assets are as per notes 3, 4, 35, 17 and 7.

The approval of the Ithala SOC remuneration policy resulted in the reduction of the post retirements benefits liability. Refer to note 23 for details.

47. LOAN COMMITMENT AND SURETYSHIP

As at 31 March 2021, the group had loan commitments amounting to R75 million (2020: R53,8 million). In the prior financial year, IDFC had a suretyship amounting to R70 million for the benefit of Ithala SOC Limited which was released in the current year.

	Group 2021	Group 2020	Company 2021	Company 2020
Loan commitment	75 031	53 844	47 031	43 244
Suretyship				
ABSA Surety for the benefit of Ithala SOC Limited	-	70 000	-	70 000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

48. CORRECTION OF PRIOR PERIOD ERRORS

Effects on statement of financial position

	Group		Company	
	Adjustment As at 2020	Adjustment As at 2019	Adjustment As at 2020	Adjustment As at 2019
Decrease in provision for landfill site*	-	8 781	-	8 781
Increase / (Decrease) in property, plant and equipment**	19 435	(4 788)	19 435	(4 788)
Decrease in intangible assets***	(2 584)	(3 403)	-	(3 403)
Increase / (Decrease) in Investment properties****	43 588	(300)	12 483	(300)
(Increase) in provision*****	(1 197)	-	-	-
Decrease in Government grants***	2 584	-	-	-
	61 826	**290**	**31 918**	**290**

Effects on Statement of Changes in Equity****				
Retained Income as previously reported	3 168 301	2 940 903	3 069 539	2 821 235
2018/2019 Cumulative increase/ (decrease) in operating income	(7 855)	(708)	(31 262)	(708)
2020 Increase in operating income	70 878	-	63 180	-
Impact on retained earnings due to deferred tax adjustment	(6 121)	-	-	-
Impact on retained earnings due to interest on adjustment to provision	66	-	-	-
	3 225 269	**2 940 195**	**3 101 457**	**2 820 527**

*Provision for landfill site

During the year, the entity changed the basis of estimating the landfill rehabilitation provision from future expected costs to actual usage. This change had resulted in a decrease in the provision for rehabilitation for the prior year, and this has been accounted for prospectively. An independent assessment conducted by a qualified evaluator resulted in the change in estimate of the provision as the dumping space that was utilised is significantly lower than anticipated.

**Property, plant and Equipment

During the year, it was found that property, plant and equipment was erroneously included in investment property. This resulted in a prior period error. The transfer from investment property to property, plant and equipment resulted in an increase to property plant and equipment of R19 435 000 and a decrease to investment property of R19 435 000 for the Corporation (included in the amounts of R43 588 000 and R12 483 000), as shown in the table above.

During the prior year, there were assets that were capitalised from work in progress to property, plant and equipment. This lead to a decrease in property, plant and equipment. The impact is shown in the table above i.e decrease of R4 788 000.

***Intangible assets and Government grants

In the prior year, the Group incurred development costs for its new banking system. The government grant funding received for these development costs was not utilised against the intangible asset in the prior year. The impact of this error resulted in a decrease to intangible assets and government grants of R2 584 000, as shown in the table above.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

48. CORRECTION OF PRIOR PERIOD ERRORS (continued)

******Investment Property**

During the valuation of investment property, the below prior period errors were identified:

(i) There were differences noted in total square meters used to determine the fair value. There was also a portion of undeveloped land not taken into account. The current valuers performed a physical verification of the sites and calculation of square meters. The impact of this error was as follows:

- Group: A cumulative increase to investment property of R86 272 088
- Corporation: A cumulative increase to investment property of R55 167 732

(ii) Straightlining was not taken into account in the calculation of the fair value adjustment to investment property and adjustment for fair values gains/losses previously recognised on owner-occupied properties. The impact of this error was as follows:

- Group: A cumulative decrease to investment property of R69 837 562
- Corporation: A cumulative decrease to investment property of R69 837 562

(iii) During the audit of the current year, it was noted that the investment property value for the prior year for certain buildings were below market values. The impact of this was as follows:

- Group: An increase to investment property of R46 588 214
- Corporation: An increase to investment property of R46 588 214

The net effect of the above errors on investment property was as follows:

- Group: A net increase of R43 588 000
- Corporation: A net increase of R12 483 000

*******Provisions**

The Board of PSQ appointed an independent consultant to assess the viability of the company. During this exercise, the service provider discovered that PSQ had mined on the land that was not part of the license and was erroneously omitted during the assessment of the rehabilitation liability. This resulted in a prior period error. The impact of thereof was an increase in the provision of R 1 197 000, as shown in the table above.

******All adjustments relating to the prior years were processed against retained earnings, except for reclassifications and pre-acquisition losses which are eliminated at Group level.

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DEVELOPMENT FINANCE CORPORATION LIMITED

Ithala is an Authorised Financial Services and Credit Provider

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