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EAST LONDON INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT 2019 / 2020

An engineered efficient globally competitve industrial complex

> *We exist for something bigger than ourselves, we carry the hopes and dreams of this region.*

ELIDZ CEO:
Simphiwe Kondlo

ENGINEERED EFFICIENCY

1. SPECIALISED MANUFACTURING PLATFORM
2. POSITION & LOCATION
3. RELIABLE UTILITIES ESTATE & VALUE ADDED SERVICES
4. SKILLED PRODUCTIVE WORKFORCE
5. FINANCIAL INCENTIVES & REDUCED COST OF OPERATIONS
6. SOFT LANDING & AIDED INVESTOR SETTLEMENT

APPROVAL OF ANNUAL REPORT 2019 / 2020

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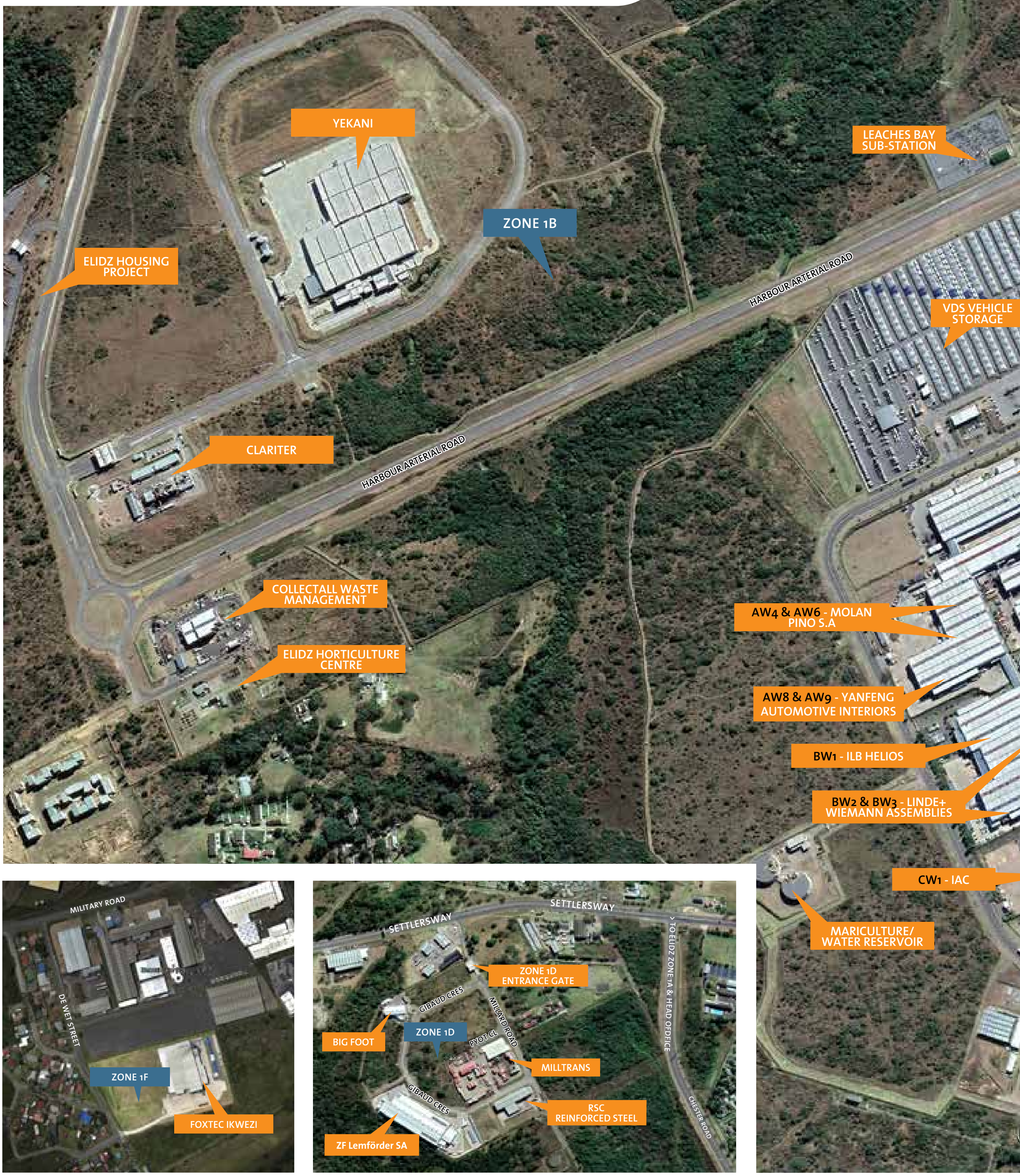
AERIAL MAP OF THE EAST LONDON INDUSTRIAL DEVELOPMENT ZONE




ZONE 1E
ELIDZ HEAD OFFICE
CHESTER ROAD
ELIDZ STP
ZONE 1C
HARBOUR ARTERIAL ROAD
ELIDZ MAIN GATES & ADMIN BUILDINGS
MEEK MINES
ELIDZ INVESTMENT CENTRE / TRANSPORTATION BUILDING
BOYSEN
MAINTENANCE STORE
voestalpine
IKHALA ROAD NORTH
FROTEK
MSC STORAGE
IKHALA ROAD EAST
D-FENCE
AUTOMOULD
RG BROSE
IKHALA ROAD NORTH
UMSIMBITHI ROAD
SUNDALE DIARY
MKHOKHOKHO ROAD
AE1 - FELTEX TRIM
EW1 - TI GROUP
ZONE 1A
AE4 - AURIA FELTEX
AE6 - FELTEX CARAVELLE
FW1 - MBSA
AE6 - FELTEX FEHRER
IKHALA ROAD SOUTH
ELIDZ CONFERENCE CENTRE / CANTEEN
WHEEL ASSEMBLERS
GW1 - VALEO
BE2 - METALSA
BE4 - L+W WHAREHOUSE
GE1 - AURIA
BE5 & BE6 - DSV
IKHALA ROAD SOUTH
CE1 - SEDA CONSTRUCTION INCUBATOR
HE1 - POLYTEC
CE1 - LINDE+WIEMANN MST
HS1 - AIH
HW1 - EBOR
C2 - YANFENG AUTOMOTIVE INTERIORS
ELIDZ SEA WATER PUMPSTATION

INTERNATIONAL FOOTPRINT
AND CUSTOMERS

MC –Synchro
The company assembles tyres and rims for supply to Mercedes Benz South Africa

Feltex Autmotive Trim
A leading supplier of a wide range of quality automotive acoustic and trim component which include moulded carpets, sound insulators, sun visors, wheel house liners, boot packages for Original Equipment Manufacturers (OEM).

Feltex Fehrer
Produces seat pads and head rests for Mercedes Benz South Africa.

Auria Feltex
Manufactures tuffed carpets for supply to sister companies, Feltex Trim and Caravelle Carpets, who supply Mercedes Benz South Africa.

TI Brake and Fuel Pipes
Assembles brake and fuel pipes for Mercedes Benz South Africa.

Feltex Caravelle
Manufactures loose-lay carpets for supply to OEMs including Mercedes-Benz South Africa, VW and Toyota.

Foxtec-Ikhwezi
Supplies high volume Forged non-ferrous products for automotive and engineering industries.

Yanfeng Automotive Interiors
Produces Cockpits, Overhead Systems and Door panels for the Automotive Industry.

Linde+Wiemann
Manufacture and supply seat frames, seat slides, height adjusters, recliner mechanisms, as well as metal surface treatment in the automotive sector.

TI Automotive Fuel Systems
Assembly of fuel tanks for Mercedes Benz South Africa.

voestalpine
Manufacture cold-formed structural parts and assemblies for the automotive industry.

Molan Pino
Manufacturers of polypropylene foam components, cold cured polyurethane components and cut foams for OEMs.

ZF Lemförder SA
Manufacturers of axle sets for the automotive industry

Vehicle Delivery Service
VDS utilises the East London IDZ state of the art Vehicle Storage Centre. The facility has the capacity to store 2 500 vehicles under cover and a further 1154 in open parking.

ILB Helios
Spanish company producing solar panels units.

Clariter
Converts plastic waste into high-grade chemical liquids of outstanding purity.

Yekani
Produces kit assemblies, along with complete component procurement, CKD and SKD production within the ICT sector.

Sundale Dairy
Established in 1981, Sundale Dairy produces dairy products such as milk, maas, cheese and yoghurt for distribution throughout the Eastern Cape Province.

Nulatex SA
Manufacturing of latex products (condoms) for the pharmaceutical sector.

Meek Mines SA
Cuts and polishes diamonds mined in Africa for supply to both the domestic and foreign markets.

RG BROSE
German Based company manufacturing door systems for MBSA W205.

BOYSEN
Boysen develops and manufactures exhaust manifolds, catalytic converter silencers and exhaust systems.

Automould (Pty) Ltd
AUTOMOULD specialises in high quality technical plastic injection moulding and ancillary operations for the Motor Industry and other OEM's

Milltrans
Milltrans is one of the leading competitors in the freight transport industry. The company has a fleet of 28 trucks and 78 trailers.

Bigfoot Express Freight
An independent express distribution company offering distribution & fulfillment solutions to clients throughout South Africa.

DSV
Logistics and supply chain management services.

Mediterranean Shipping Company (MSC) Depots (Pty) Ltd
Responsible for container handling facilities in Southern Africa. The depot is responsible for the movement and storage MSC containers.

Frotek
Manufacturing of plastic products for the automotive and ICT sectors.

Reinforcing Steel Contractors
RSC provides reinforcing solutions to the building, civil, mining and engineering markets, including the supply, cut, bend, delivery and fixing of reinforcing steel.

PART A:
GENERAL ***INFORMATION***

1.1 GENERAL INFORMATION

REGISTERED NAME:	East London Industrial Development Zone SOC Ltd
REGISTRATION NUMBER:	2003/012647/30
PHYSICAL ADDRESS:	Lower Chester Road, Sunnyridge, East London, 5201
POSTAL ADDRESS:	P.O. Box 5458, Greenfields, East London, 5208,
TELEPHONE NUMBER/S:	+27 43 702 8200
FAX NUMBER:	+27 43 702 8251
EMAIL ADDRESS:	info@elidz.co.za
WEBSITE ADDRESS:	www.elidz.co.za
EXTERNAL AUDITORS:	Auditor-General South Africa
BANKERS:	Standard Bank
COMPANY SECRETARY:	Jo-Anne Palmer

1.2 LIST OF ACRONYMS/ ABBREVIATIONS

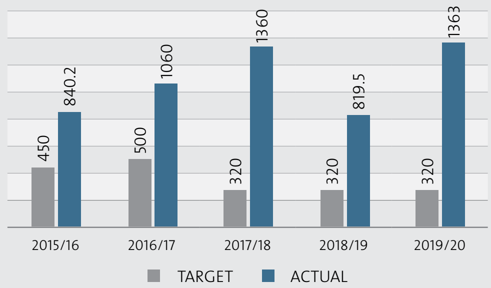
AA	Automobile Association
AFS	Audited Financial Statements
AGSA	Auditor-General of South Africa
AIDC	Automotive Industry Development Centre
B-BBEE	Broad-Based Black Economic Empowerment
BCMDA	Buffalo City Municipal Development Agency
BCMM	Buffalo City Metropolitan Municipality
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DEDEAT	Department of Economic Development, Environmental Affairs and Tourism
DOA	Delegation of Authority
EC2030	Eastern Cape Vision 2030 provincial development plan
ECDC	Eastern Cape Development Corporation
ELIDZ	East London Industrial Development Zone
FDI	Foreign Direct Investment
GAAP	Generally Accepted Accounting Principles
GBE	Government Based Enterprise
GRAP	Generally Recognized Accounting Practice
ICT	Information Communication Technology
IDZ	Industrial Development Zone
IPAP	Industrial Policy Action Plan
MBSA	Mercedes-Benz South Africa
MDA	Manufacturing and Development Act
MEC	Member of Executive Council
MGDS	Metro Growth and Development Strategy 2030
MTEF	Medium Term Expenditure Framework
NDP	The National Development Plan
NIPF	National Industrial Policy Framework
OEM	Own Equipment Manufacturer
PEDS	Provincial Economic Development Strategy
PGBE	Provincial Government Business Enterprise
PFMA	Public Finance Management Act
PIDS	Provincial Industrial Development Strategy
SAICA	South African Institute of Chartered Accountants
SCM	Supply Chain Management
SEZ	Special Economic Zone
SEZA	Special Economic Zones Act
SMME	Small, Medium and Micro Enterprises
SOE	State-Owned Entity
STP	Science and Technology Park
TCTA	Trans-Caledon Tunnel Authority
the dti	Department of Trade and Industry
TR	Treasury Regulations
VAT	Value Added Tax

Professor M.W. Makalima | ELIDZ Board Chairperson

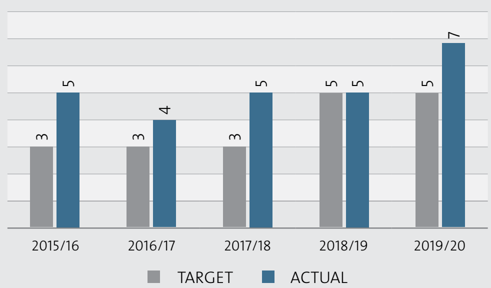
1.3 FOREWORD BY BOARD CHAIRPERSON

The year 2019/20 brought a successful five-year strategic term for the East London Industrial Development Zone (ELIDZ) to a close. The year will be remembered as one in which the organisation recorded significant achievements in respect to its drive to attract investments to East London.

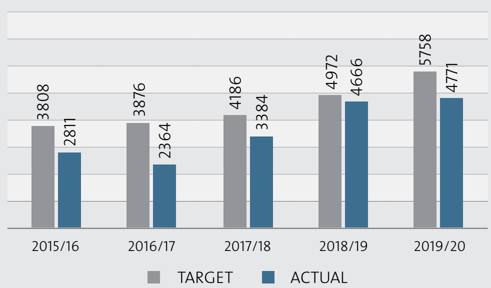
INVESTMENT VALUE



INVESTMENT AGREEMENTS



MANUFACTURING / SERVICE JOBS



An improved enabling environment powered by strong partnerships

The 5 year-cycle had coincided with the operationalisation of the SEZ Act no 16 of 2014 and despite challenges which saw no new investor buildings being constructed in the first two years of the cycle, the ELIDZ has ended the 5-year cycle on a strong note. As the 5th year closed, the zone has a strong pipeline of investment. Moreover, the value of the construction activity in the zone is the highest since the inception of the ELIDZ with at least 9 investor facilities under-construction as at the end of the 2019/20 financial year.

This is despite some of the toughest economic conditions that the zone and the country as a whole, has experienced. The ELIDZ board is mindful that this performance would not have been possible without the support of our stakeholders. The 5-year cycle has seen a maturation of the relationship between the ELIDZ and its two provincial shareholders, namely, the Department of Economic Development (DEDEAT) for providing an annual operational budget injection and political support on the one hand, and Buffalo City Metropolitan Municipality (BCMM) for the provision of bulk utilities and technical assistance, on the other. The infrastructure and utility base provided by the Buffalo City Municipality given credence to the ELIDZ's value proposition and has been the motivation behind investor confidence which has, in many cases been translated to expansion of enterprises on our platform.

Provincial and municipal collaborations with the ELIDZ have proven to be of benefit in building and enhancing the location's attractiveness for inward investment. The ELIDZ will continue to strengthen these relations into the coming five-year strategic term because the constant support by the ELIDZ's shareholders has been an important enabler in the ELIDZ's journey.

Five years ago, the board was challenged by a regulatory framework that was not in line with global best practice and that weakened the value proposition of SEZs. Today the SEZ Act, as well as some of the industry support tools attached to it have provided a glimpse of hope for a much better enabled programme. Interventions such as the SEZ fund, have given much needed impetus to the programme and have assisted to bolster the SEZ Value Proposition to industry. Having said that, the board notes that there has been delays in the deployment of some of the enabling tools such as the fiscal incentives basket and it is hoped that, as we start the new 5 year cycle these will be speedily enacted as these benefits, which help differentiate the ELIDZ location, are critical in driving the industrial roadmap of the province and the country as a whole.

Investment and Sectoral Achievements

A sense of the difficult economic challenges that faced the ELIDZ's efforts to attract investments can be gleaned from an analysis of the entity's performance over the full five years of the strategic term.

It is worth noting that the number and the value of investments secured, are prone to year-to-year fluctuations, on the back of various external factors including market conditions that lie beyond the influence of the entity. Rather than pointing to variability in the entity's performance, these trends typically point to the market's response and level of business confidence in the state of the national economy, political economy as well as the dynamics of global trade.

It is noteworthy, however, that while the South Africa and the Eastern Cape province have been marred by economic growth levels that are below 1% in 2019, Buffalo City Metropolitan Municipality recorded a 2.7% growth in its economic output. While at national and provincial growth, the contribution of the manufacturing sector to the GDP has seen a downward trend, manufacturing, has been driver of growth in Buffalo City.

Underpinning this growth is the automotive sector, with Mercedes Benz South Africa as the anchor. Production of the next model (W206) which will take place from 2021-2027 will see an investment of R10 billion by MBSA (a significant proportion of which has already been spent on the massively expanded plant). Preparations for the ramp-up to the Mercedes Benz of South Africa's (MBSA) W207 C-Class model for domestic and global markets, which occurred towards the close of the five-year period, provided a major stimulus for the ELIDZ's business development efforts. This resulted in the landing of additional automotive component manufacturers that are due to start operating from the zone in order to supply the auto manufacturer, once their tenant facilities are readied for occupation.

A change in auto model occurs approximately every seven years. It can therefore be expected that the auto sector entities operating on the ELIDZ platform will remain stable over the coming five-year term.

In addition to efforts that seek to attract another OEM to the metro, further growth efforts will need to focus on supporting and extending the efficiencies, productivity levels and competitiveness of the existing base of auto industries, already located in the ELIDZ.

As such, the Buffalo City Metropolitan Municipality (BCMM) and the surrounding regional economy is set to benefit from seven pledged inward investments, totalling a record R1,36bn in value for the 2019/20 financial year. The number and value of these investments surpass the projected performance targets for the year. Combined, this translates to R5,4 billion worth of investment secured during the five-year cycle. The zone signed 7 new investments in the period under review taking the number of investments signed in the last five years to 24 investors.

While the entity's performance in respect of investment attraction was favourable, the period under review terminated with a lower than projected performance regarding total employment created in the manufacturing and services industries.

This taper in performance is a function of what typically transpires in the auto sector when a production model is being phased out. The phasing out process often necessitates the negotiation of new supply chain contracting between the OEM and its component suppliers and the re-tooling of production facilities, ahead of the introduction of the new model.

The closing term's employment results were, however, clearly also impacted by the advent of the coronavirus pandemic. Despite occurring just in the closing weeks of the fifth year of the cycle, the pandemic had an immediate disabling effect on the economic activity levels and therefore limited the capability of zone enterprises to ensure complete declaration of employment created during the financial year.

Furthermore, the government's Covid-19 legislative response to impose lockdown restrictions also had an immediate effect of interrupting the ELIDZ's own construction programme in preparation for the settlement and start-up of new investments. This had an effect in the construction jobs reported for the fourth quarter as a number of the jobs created during the quarter had not yet been consolidated for reporting.

These circumstances also caused delays in meeting timelines for the completion of tenant facility construction projects. It bears noting that superstructure delivery in the Zone has historically represented a significant element of the SEZ's overall economic contribution to the provincial economy, due to the scope and multiplier benefits that this sector offers.

Sectoral Growth Outlook and Challenges

The success of the ELIDZ has been largely due to the resilience of the region's automotive sector and its strong networks into international value chains. The entity has, over the past five years, also worked hard to promote the diversification of its investor profile into other sectors.

While it is true that the coronavirus pandemic has had debilitating effects on the economy, it has also given an impetus towards new and expanding opportunities for ICT-enabled industries. These include both ICT manufacturing and the operation of logistics, communications and other internationally tradable services.

As the new strategic term gets underway, the ELIDZ is positioning itself to escalate its ICT and related electronics sector development efforts. This would put the ELIDZ in good stead in the context of the now accelerating fourth industrial revolution. The rapidly expanding digital economy, both public and private, provides an environment in which this sector should flourish.

Less successful over the past five years has been the ELIDZ's drive to establish and grow the aquaculture and agro-processing sectors. Aquaculture has battled to gain stability and traction. South African aquaculture has not undergone as rigorous a process of technological upgrading, adaptation and refinement as that which other sectors, such as the auto sector, have experienced. This has proven to be the Achilles heels for new entrants into the sector.

The general manufacturing sector has experienced sluggish growth due to the limited size of the domestic market which has often proven to be an impediment to decision-making in favour of location into the region or expansion of existing industrial capacity.

Due to the aforementioned constraints, it could become a challenge to attract and conclude investment deals. Therefore, the possibility of slower or uneven year to year growth in the new five-year cycle cannot be ruled out.

A worrying trend, observed towards the close of the five-year term, was that a growing number of potential small and medium start-up industrialists were unable to reach financial closure with their prospective funders, resulting in failure to implement their projects in the ELIDZ.

The post-pandemic period will likely generate new forms of risk, and new sensitivities to risk exposure. This may result in the adoption of a more cautious investment stance on the part of the financial services sector and other sources of private capital. In this context, the ELIDZ's priority to promote inclusive growth, by integrating the region's entrepreneurially spirited SMMEs into the economic mainstream, will require heightened due diligence and risk mitigating mechanisms.

A challenging economic environment ahead

SEZs globally have struggled to rebound from the setbacks of the deep global economic shocks that characterised the first decade of this century. The upshot of this has been a global economy that has remained sluggish and fragile. This has been further exacerbated by the COVID-19 crisis, which can be expected to negatively impact performance for at least the initial phases of rolling out the new five-year term.

With businesses currently riddled with so many eco-systemic uncertainties, it is difficult to forecast investment interest levels and the pace at which these will flow. The degree to which the already successfully landed investments in the ELIDZ will perform, within the domestic and the global marketplace, is unpredictable.

The COVID-19 pandemic has created uncertainty in respect of levels of total global industrial demand and how its long-term effects will impact on global value chains in the ELIDZ's target industrial sectors.

The pandemic struck at a time when the public sector was already reeling under the burden of escalating levels of public debt and severe pressure on the national fiscus. Add to this the challenge posed by requests for institutional financial bailouts by ailing major state-owned entities (SOEs). This could compromise South Africa's efforts to promote the country and its SEZ locations as attractive investment destinations.

The recent stirrings of social unrest over public service delivery backlogs could compromise business confidence and blunt potential investor appetite in the country. The terrain is a highly contested one and the government is caught on the back foot of having to balance and mediate the interests of a range of social forces, in a manner that does not detract from the reproduction of the country's social cohesion.

Legislative Developments

While the ELIDZ's performance over 2019/20 was a sterling one, the introduction of additional SEZ locations, some of which have become operational, will likely place additional pressure on the finite resources that the National Treasury and the Department of Trade and Industry (the dti) are able to provide.

Despite the constraints currently being experienced, the ELIDZ is set to remain on an even keel, on the back of its well-established relationships with the national programme and the dti in respect of capital injections through the SEZ fund, investment promotion and facilitation.

The previous five-year cycle highlighted issues that had created policy uncertainty, thus clouding the institutional status and role of zone management entities (as established under the former Industrial Development Zone programme and legislation). The ELIDZ is pleased to report that the dti has signalled its commitment to address existing gaps and inconsistencies in the SEZ enabling legislation, through a planned legislative amendment process. It is worth noting that the ELIDZ has and will continue to be an active participant in this legislative refinement process.

The ELIDZ is therefore hopeful that the amendment of the SEZ Act and related regulations will be concluded in the course of 2020/21, bringing about stability to the SEZ sector and allowing its associated institutions to focus on the execution of their core mandates.

Eco-systemic Industrial Development Approach

The launch of the ELIDZ's five-year strategy is happening in the context of the debilitating coronavirus pandemic and mounting strain on the South Africa's fiscus. This is unfortunate as these setbacks coincide with stakeholder calls on SEZs to adopt a more holistic, eco-systemic approach to industrial development programming.

The intent is that focused effort be applied towards the forging of stronger regional linkages to assure better integration of zone activities with those of its host region. Such linkages are instrumental in enabling the region and its SEZ platform to optimally leverage and exploit the natural and other regional resources.

This developmental approach enables SEZ platforms to become more proactive in the identification of economic participation opportunities for the benefit of local communities. The exploration and opening of new economic opportunities facilitate the inclusion of citizens who were previously excluded from the local and provincial economy. Furthermore, this supports an SEZ's initiatives to tap into the potential human capital resources of its region. It seeks to achieve this through the stimulation of much-needed employment opportunities, the upskilling of the labour force as well as expanded delivery of growth opportunities for small businesses, women-owned enterprises and youth entrepreneurship.

Stakeholder institutions have recognised that government's programme to develop and transform the economy will remain constrained for as long as the agencies of government fail to act collaboratively, to unleash each region's industrial potential. Therefore, the delivery of a comprehensive industrial support system, founded on efficient public institutions and services, is a crucial element for the successful implementation of the strategy.

The ELIDZ has taken cognisance of potential challenges that may be experienced by both the entity and its associated eco-system partners in implementing its revised strategic plan. Key among these is the mobilisation of financial and human resourcing, the minimisation of risk exposure, appropriate technology considerations as well as stakeholder dependencies.

These possible challenges and barriers notwithstanding, the ELIDZ remains convinced of the efficacy of the eco-systemic development paradigm in the realisation of South Africa's long-term industrialisation outcomes.

New Strategic Term: Outlook and Outcomes

The next 5-year cycle can be expected to be among the most demanding ever for the ELIDZ, and as such, will require the application of enhanced problem-solving abilities, deeper levels of engagement with political principals and other enabling stakeholders in driving the organisation's vision and mission.

Taking this into consideration, the ELIDZ undertook a comprehensive re-assessment of its core strategy, predicated upon a theory of change planning methodology recently adopted by the government, for use in public institutional planning. The outcome was a five-year strategic plan that sought to mature the organisation towards three principal target outcomes:

The principle underpinning the theory of change is the recognition that the attainment of desired outputs, outcomes and impacts is predicated upon the degree to which the entity is adequately resourced. The theory holds that the adequacy of both the financial and non-financial resources applied to SEZ delivery processes will, in the final analysis, determine how well and how rapidly the desired outcomes and impacts will be achieved.

The organisational performance envisaged in this strategic plan is premised on a set of assumptions. These include expectations regarding the continued stability of the ELIDZ's operating environment and the opportunities it offers. The ELIDZ has applied due care in its planning, while remaining cognisant that the "next normal" of the future is still in the process of emerging and therefore remains unclear.

In constructing its Vision 2025, the ELIDZ embraced its role as an advocate, evangelist and activist for development. The sound foundation established over the past strategic cycle puts the ELIDZ in good stead to realise the outputs, outcomes and impacts, that are contemplated in the theory of change.

Prof M.W. Makalima
Board Chairperson

OUTCOME 1: HIGH-PERFORMING, COMPETITIVE AND RESILIENT INDUSTRIES

OUTCOME 2: TECHNOLOGY-LED INNOVATION AND INDUSTRIAL MODERNISATION

OUTCOME 3: SUSTAINABLE OPERATIONAL EFFICIENCIES AND GLOBAL BEST PRACTICE

In working towards the realisation of these outcomes, the ELIDZ will endeavour to strengthen partnerships with other regional institutions, to build an industrial ecosystem that conduces to the creation of higher levels of socio-economic prosperity.

As a long-term objective, based on the entity's theory of change, the ELIDZ will focus on three areas of incremental positive impact for the provincial economy:

1. Growth in fixed capital formation
2. Improved competitiveness of the ELIDZ's targeted industrial sectors
3. Broadened, inclusive and transformed economic participation for State-targeted beneficiaries

> *"Provincial and municipal collaborations with the ELIDZ have proven to be of benefit in building and enhancing the location's attractiveness for inward investment."*

1.4 CHIEF EXECUTIVE OFFICER'S OVERVIEW

It would be deeply remiss for East London IDZ's Annual Report to confine its review to the immediate past financial period when the year also signals that the organisation has reached the close of government's five-year strategic term. This milestone event affords the entity the opportunity to also reflect on the passage of those five years and the overall advances and progress made.

Simphiwe Kondlo | ELIDZ CEO

The ELIDZ has not been an entity that shies away from setting performance objectives and targets that to others might seem overly ambitious, or possibly unrealistic. This was also the case when the organisation convened five years ago to look into the future and peg its performance intents and targets.

Happily, this Annual Report serves to show that, despite many constraints, it is the same culture of organisational aspiration and boldness that has enabled the ELIDZ to perform favourably when examining the trend indicators for its operational performance over the past five years.

For the five-year term, the ELIDZ set out five high-level goals that endeavoured to develop a strategic industrial complex, implement infrastructure delivery, attract strategic investment, provide a globally competitive location and to build organizational capability, resilience and excellence.

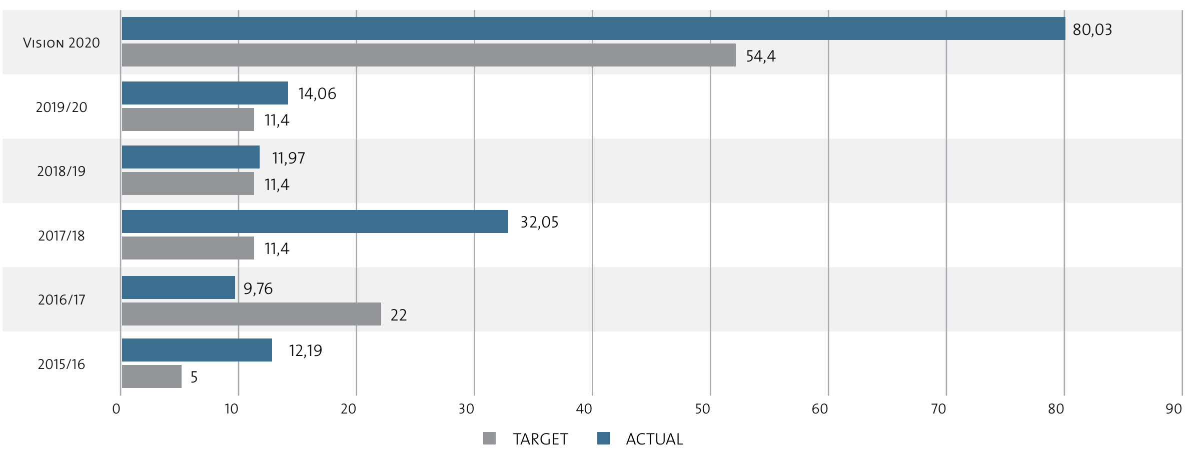
As part of delivering on the strategic goal aimed at developing a strategic industrial complex, the ELIDZ focused its targets on the increased liquidation of its serviced land in Zone 1. The zone targeted to transact an additional 54.4 hectares of its Zone 1 with targeted manufacturing and services industry. It also focused its efforts on ensuring that the zone had sufficient land to cater for the requirements of its investors.

While there has not been an increase in the SEZ designated land area within which the ELIDZ operate, the entity has been consistent in ensuring that sufficient and suitable land was serviced and made available for economic activity by targeted investors.

Further, by the close of 2019/20, the ELIDZ had transacted a remarkable total of 80,3 hectares of land to its strategically targeted manufacturing and services industries. In an economy of the scale and structuring of East London, this quantum of hectares of operational industry is creating life changing opportunities for the citizens of the region in respect to employment and other benefits.

At the same time, the growing industrialist base within the SEZ is active in procuring inputs and transacting its business, serving to inject much-needed buoyancy into the economy of the Buffalo City Metropolitan Area, and into the broader provincial and national economies.

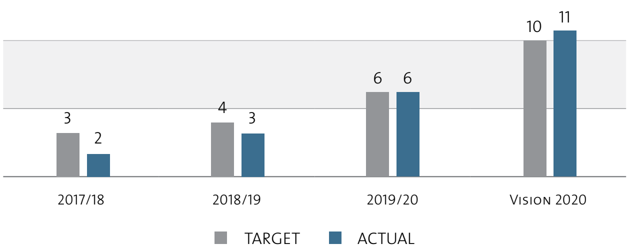
HECTARES TRANSACTED



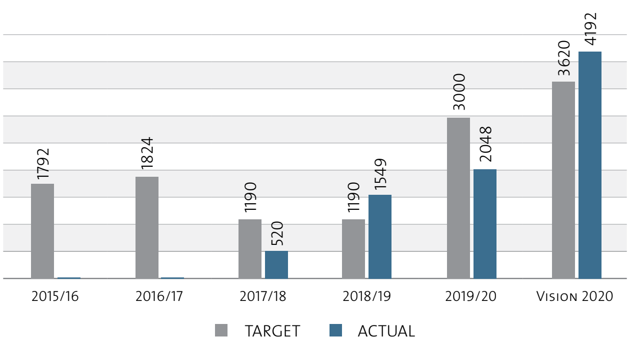
11 COMPLETE INFRASTRUCTURE & SUPERSTRUCTURE PROJECTS

Key to the value proposition of the ELIDZ is its ability to implement infrastructure delivery that is responsive to the needs of investors and that is in line with creative a world class industrial precinct. In line with these aspirations, the ELIDZ aimed to construct 10 new facilities that would create 3,620 construction job opportunities during the five-year cycle. Despite a slow start to construction funding and activity initially, the ELIDZ was able to recover momentum subsequently and, by the close of the five-year cycle concluded the construction of 11 combined infrastructure and superstructure projects. These enabled 4,192 construction-related employment opportunities to be supported, providing very beneficial stimulus for the construction sector, and more especially for SMME enterprises.

SUPERSTRUCTURE AND INFRASTRUCTURE PROJECTS



CONSTRUCTION JOBS



At the core of the ELIDZ's strategy is its ability to successfully attract investments that will have significant economic impact for our region. In line with this strategic intent, the ELIDZ, at the beginning of the five-year cycle set an optimistic Vision 2020 which would see 23 new investors, with an investment value of R5 billion secured during this period. At the close of the period the ELIDZ exceeded its investment attraction objectives by signing 26 diverse investment agreements with a combined value of R5,4 billion. Again, this represents a significant boost for the city and the SEZ host region.

The inflow of investment – some of it still in progress towards full establishment – bodes well for employment creation potential into the future. Unfortunately, total employment creation proved to be a performance targeting area where ELIDZ's numerical aspirations proved larger than what the industrial market and market conditions could deliver.

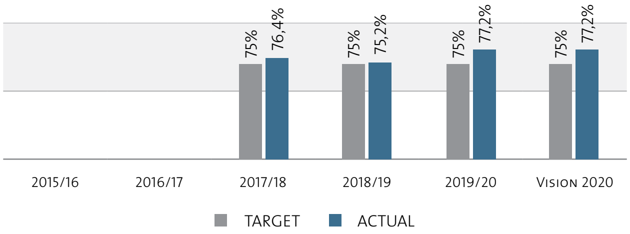
The lack of construction activity in first two years impacted on the operationalisation of new manufacturing jobs. Similarly, the delays in operationalising some of the Black Industrialists on the platform also affected the ELIDZ and the market-related challenges which threaten to liquidate companies such as Yekani and ILB Helios also affected this target. There were further issues relating to the reported numbers and it is estimated that the figure should be slightly higher than what has been reported. As a consequence, the ELIDZ unfortunately fell short of its target, with 4,794 active jobs recorded as at the end of the 2019/20 financial year.

While under-performing against any of its targets is a point of disappointment, the ELIDZ is consoled by the realisation that for each and every single job holder in the Zone, the presence of the SEZ platform and its investment attraction efforts is invaluable.

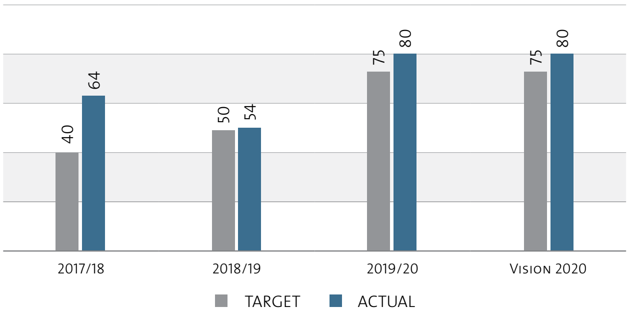
Beyond the attraction of investment into the zone, the ELIDZ has a responsibility to provide a globally competitive location that that will not only retain investors but further improve the long-term sustainability of their operations.

The introduction of SEZ specific incentives in the period began to arm the ELIDZ to assert a competitive advantage over other industrial park offerings, however the biggest challenge during this period was the fact that these incentives were not operationalised leaving the Customs Controlled Area as the only incentive applicable to SEZ enterprises. Nevertheless, the ELIDZ made meaningful effort to ensure that investors had access to this incentive and other general government incentives. It is pleasing to report that 80% of enterprises operating within the ELIDZ qualified for applicable incentives. Coupled with a consistently higher than 75% customer satisfaction rating, the ELIDZ continues to assert its position as a competitive investment destination. Similarly, as part of its efforts to drive innovation of new technologies and incubation of new industries, the ELIDZ made significant strides as part of its Science and Technology Park Initiatives. A total of eight prototypes were developed and this was an important catalyst for the broader objective of increased industrialisation and technology-led innovation in our region.

CUSTOMER SATIFACTION RATING



INCENTIVE BENEFICIARIES



ELIDZ's revenue generation performance for the five-year term was satisfactory and pleasing under a low performing economy. Income from its various income streams, including rentals and utilities revenue, showed a pattern of consistent growth from year to year.

A revenue target of R660 million had been set for the five-year period. At the close of the fifth year ELIDZ was pleased to report continued advancement in revenue performance, with revenues totalling R684,4million and showing a favourable variance against target of 3,7%.

Sustained activities over the period in the areas of Corporate social responsibility, a focus on training and skills development to the youth, provision of bursaries and development of an internal culture of knowledge sharing further contributed to ELIDZ establishing and nurturing an environment that will continue to support organizational excellence and community upliftment into the ensuing five-year term.

1.4.1. Financial Overview of the ELIDZ

The ELIDZ has managed to contain expenditure within the budgetary constraints of the organisation, without significantly impacting on the resourcing of the entity's mandate and achievement of the organisational targets. The entity has also been able to meet the overall revenue generation targets, set out in the Strategic Plan for the cycle under review. This has enabled the organisation to remain in good financial health

The ELIDZ has witnessed an increase in investment in the zone adding to the investment property of the company, which is the main contributor of revenue for the organisation. The increase in the investment property base is set to enhance the sustainability of the organisation into the future.

The entity is, however, currently concerned about the fiscal pressures that are being experienced throughout government as this that may impact funding availability going forward.

1.4.1.1 FUNDING TRENDS

The ELIDZ has secured funding for investments from the Department of Trade and Industry (the dti) to the tune of R1.9 billion over the period 2015/16 to 2019/20. This enabled the entity to invest in the construction of multiple factories, which in turn resulted in the increase of the revenue base of the organisation.

The provincial government, through DEDEAT, has also contributed more than R500 million to the entity to co-fund its operational expenditure needs. The reliance on this grant source for the funding of operational expenditure has decreased over the cycle, from 44.2% of expenditure being funded through grants in 2015/16 to 37.3% in 2019/20.

1.4.1.2 EXPENDITURE TRENDS

The ELIDZ's operational expenditure over the strategic cycle has increased from R188.2 million in 2015/16 to R269.4 million in 2019/20 in line with the expansion of its client base and operational activities. This is an increase in operational expenditure of 43% over the five-year cycle. The entity has managed to contain the budget versus expenditure variance to a favourable 2% variance throughout the cycle.

1.4.1.3 OWN-GENERATED REVENUE

Own-generated revenue has increased from R110.9 million in 2015/16 to R171.8 million in 2019/20, which is an increase of 55% of total revenue over the period. The main contributor to the growth in revenue is the investment in tenant facilities which drives income returns from both rental and utilities revenue.

1.4.2. Capacity Constraints and Challenges facing the institution

The dti has been funding the organization through the SEZ Fund. The fund is accessed on a first come first serve basis and on the financial and socio-economic merits of the projects that are presented by entities making application for funding support.

At the beginning of the strategic cycle, the ELIDZ was asked to co-contribute funding for any project funded by the dti. Since all the SEZs did not have the capacity to fund the projects, the dti waived the condition of a co-contribution. There is uncertainty of how long the waiver is going to remain in effect.

1.4.2.1 FUNDING CONSTRAINTS

One of the competitive advantages of the organisation is the availability of Science and Technology Park in the zone. The park is used to generate new ideas and technology that would give the organisation a cutting-edge advantage. The Science and Technology Park is currently under funded resulting in it not achieving its full potential.

1.4.3. Changes in the ELIDZ Mandate

As a designated SEZ implementation and the holder of a zone operating permit, the ELIDZ pursues a mandate that is expressed in its enabling legislation, the Special Economic Zones Act (Act 16 of 2014), where the purposes of an SEZ as an economic development tool are enumerated.

Together with its complementary SEZ policy statement, the SEZ Act sets out a broad public developmental intent which is graphically depicted below. The scope of activities is observed to operate to seek to facilitate and promote industrial development outcomes at both the immediate zone level and within a more expansive regional context.

Legislatively, the SEZ mandate can be deemed to have become formalised in February 2016 following the delayed proclamation of the commencement of the SEZ Act and its attendant regulations. While the mandate has not altered in the period that has followed, it is apt to note that in the interim each aspirant SEZ location has been tasked with the interpretation of how the mandate can best be achieved within each SEZ host region's local context.

In the course of the most recent five-year strategic term of government there has also been an unfolding realisation that South Africa's quest to stimulate industrialisation and build its competitiveness in the global arena is proving to be most challenging. This is pointing to a need for a more comprehensive, holistic and systemic response from government, with SEZs serving as a support platform.

For operational and maturing SEZ operators, this is tending to emphasise greater focus and effort to deliver a conducive regional industrial support ecosystem, rather than a narrower focus of business activity within the confines of the zone itself.

1.4.4. Financial Management and Compliance

Requests for roll over of funds
The ELIDZ has requested the rollover of funds in the amount of R572.6 million, mainly related to the management of its dti-funded construction projects. These are for projects that will be completed during year 1 of the new strategic cycle (2020/21)

Supply chain management
As at the end of the fourth quarter of the 2019/2020 financial period, the ELIDZ had awarded thirty contracts to the value of R804,7 million. The bulk of the contracts awarded were initiated by the Operations Department. These contracts were awarded in accordance with the ELIDZ's supply chain management policy and the applicable National Treasury regulations.

As per its Delegation of Authority (DOA) framework, two contracts were awarded by the Executive Management, 21 were awarded by the Procurement Committee, two by the Finance Committee and five by the Board.

Unsolicited bid proposals for 2019/20
There were no unsolicited bids during the year under review.

SCM processes and systems
The organisation follows the Supply Chain Management Framework, Public Finance Management Act (PFMA), Treasury Regulations and all other prescripts that are issued by Treasury. In addition to the aforementioned, the ELIDZ does have its own internal SCM policy that was drafted in line with the regulations and the relevant acts.

Internal auditors and external auditors have audited the process that was followed by the organisation and there were no material findings that were noted.

Challenges experienced and how they will be resolved
There were no major challenges that were experienced for the period 2019/20.

Audit report matters in the previous year and how they would be addressed.
There were no major issues that were noted by the auditors for the period 2019/20.

Outlook/plans for the future to address financial challenges
Currently the organisation generates its income mainly from rental of premises that are let to investors and the utilities that they use in the process of occupying the premises. Most of the rentals of the organisation come from industries operating in the automotive sector, which is a mature sector within the province.

The organisation would like to diversify its revenue base by venturing into emerging markets, like the ICT sector. The next strategic cycle of the organisation is expected to see the ELIDZ placing substantial focus on the ICT sector in its business development activities. The organisation believes that this refocusing would assist to diversify the sources of revenue of the organisation.

In addition to diversifying into ICT, the ELIDZ would like to diversify into aqua culture sector and in the area of services delivery relating to the support of science, technology and innovation.

Economic Viability
The organisation would like to be sustainable by generating own revenue at a rate higher than the rate at which the expenses of the organisation increase. The revenue of the organisation will be increased by attracting more investors into the zone and building structures for them that would generate rental in turn.

For the organisation to attract more investors, there is need to enhance the value proposition of the SEZ programme and of the zone. The value proposition of the organisation could be increased by making available the incentives that are provisioned under the SEZ Act to investors, availing suitable infrastructure to investors, easing the doing of business from the zone and instituting good governance. Efforts over the coming five-year strategic term will seek to advance the organisation's value proposition across all these factors.

Simphiwe Kondlo
Chief Executive Officer

80,3HA

TOTAL OF TRANSACTABLE LAND
BY END OF 2019/20

4192

CONSTRUCTION-RELATED
EMPLOYMENT OPPORTUNITIES

1.5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE ACCURACY OF THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor-General South Africa.

The annual report is complete, accurate and is free from any material omissions.

The annual report has been prepared in accordance with the Guidelines on the Annual Report as issued by National Treasury.

The Annual Financial Statements (AFS) have been prepared in accordance with SA GRAP, and the Companies Act, No 71 of 2008 and the PFMA.

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

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

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects, in all material respects, the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully

....
Simphiwe Kondlo
Chief Executive Officer

....
Professor M.W. Makalima
Chairperson of the Board

1.6 STRATEGIC OVERVIEW

1.6.1 Establishment and Purpose

The ELIDZ is a state-owned company as defined in the Companies Act. Its shareholders comprise of DEDEAT and BCMM, which hold the shareholding in the proportions of 74% and 26% respectively.

ELIDZ is a provincial public entity listed under schedule 3D of the PFMA and this characterises it as a government business enterprise (GBE).

The organisation was established in 2002 through the South African Industrial Development Zones Programme, which was at the time operated as an initiative of the Manufacturing Development Act no. 187 or 1993.

Under this zones programming, the ELIDZ was created with the primary purpose to develop, operate and maintain a complex of modern industrial infrastructure and support services at the ELIDZ in order to attract strategic industrial investments and technologies to enhance the competitiveness of industries in the region.

1.6.2 Legislative and Other Mandates

The programming foundation for the implementation of South Africa's economic zones was broadened with the development of dedicated enabling legislation, which culminated in the promulgation of the Special Economic Zones Act (SEZA) in 2014. Commencement of the SEZA was delayed to allow for the issuing of its attendant regulations, which was finalised some two years later in February 2016.

SEZ legislation defines a special economic zone as "an economic development tool" and identifies the key objectives of the SEZ programme as the promotion of "national economic growth and export by using support measures in order to attract targeted foreign and domestic investments and technology".

The national zones programme also developed an SEZ Policy Statement in 2012 which sets out government's rationale and long-term intents in utilising SEZs to address the country's industrial and economic development challenges.

As collaborative developmental initiatives, SEZ projects typically operate within an interface that straddles all three spheres of government. As such the ELIDZ formulates its mandate and direction based on enablement that is provisioned under a series of applicable frameworks of policy and planning, as expressed in each spheres of State and as summarised below.

- **NATIONAL GOVERNMENT** – The National Development Plan (NDP), National Industrial Policy Framework (NIPF), Industrial Policy Action Plan (IPAP), Special Economic Zones (SEZ) Policy Statement and SEZ Programme legislative instruments (SEZ Act and Regulations)
- **PROVINCIAL GOVERNMENT** – Eastern Cape Vision 2030 provincial development plan (EC2030); Provincial Economic Development Strategy (PEDS), Provincial Industrial Development Strategy (PIDS)
- **LOCAL GOVERNMENT** - Metro Growth and Development Strategy 2030 (MGDS).

1.6.3 Institutional and Project Authorisations

The East London Industrial Development Zone is operated by the ELIDZ SOC Limited under authorisation of a Zone operating permit issued by national government. Its original Operator Permit was issued under the former IDZ Programme and was awarded on 4 July 2007 under the joint authorisation of the national Manufacturing Development Board (MDB) and the then Minister of Trade and Industry.

The Permit has subsequently been reaffirmed under the special economic zones programming when this replaced the IDZ regime. Operational IDZs were required to complete a transitional phase in their move into the SEZ programme.

Together with its receipt of an approval of designation of its zone location, these instruments enable the ELIDZ to participate in the national SEZ programme and draw on its funding resources, other policy instruments and benefits and various industrial enterprise support measures.

ELIDZ has also been approved and gazetted by the National Treasury as an economic zone that is eligible to access the various incentive offerings that Treasury has developed in conjunction with the Department of Trade and Industry (the dti). These seek to incentivise and facilitate private sector inward investment into SEZ locations and include customs duty, VAT and corporate tax incentives.

1.6.4 Organisational Programmes and Business Delivery Model

The entity's operational programmes and capital expenditure activities are funded through a combination of national and provincial funding support. The principal sources of funding are from the dti drawing on its SEZ Fund. Additional operational funding is provisioned at provincial level through DEDEAT.

As a maturing and expanding business enterprise, the ELIDZ also generates its own income streams from the utilisation of the IDZ's property assets and the delivery of associated utilities and other zone services under its management control.

Own generated income has been growing since the ELIDZ became operationally active and the entity is seeking to continue on this course as part of the project's long-term desire to mature the SEZ operations to a state of financial self-sufficiency.

1.6.5 Vision, Mission and Values

For the period 2019/2020, the ELIDZ continued to adopt its strategic direction and constructed its guiding statements of organisational Vision and Mission from two principal points of reference:

- An appreciation of the strategic industrialisation needs and latent potentials of the host region in which the economic zone is being established. This is read in conjunction with national, provincial and local government's directives issued within applicable policies, strategies and programmes that seek to respond to current and future industrialisation opportunities; and

- An understanding of the legislative and regulatory regime and the effective mandate parameters that are imposed by virtue of pursuing these strategic industrial development outcomes through the programming and institutional arrangements that are provisioned within South Africa's Special Economic Zones (SEZ) programme and its various enabling and resourcing instruments .

The Special Economic Zones Act sets out a statement of purpose for the establishment and operation of an SEZ. Chapter 2, Section 4 of the Act recognises that an SEZ implementation may configure and apply its SEZ development tool in a variety of ways (and towards the attainment of a variety of valid intended outcomes). The legislation cites nine aspects of developmental purpose that may be pursued under the scope of the SEZ legislation and programming.

These mandated purposes are defined as:

- facilitate the ***creation of an industrial complex***, having strategic national economic advantage for targeted investments and industries in the manufacturing sector and tradable services;
- ***develop infrastructure*** required to support the development of targeted industrial activities;
- attract ***foreign and domestic direct investment***;
- provide the location for the establishment of ***targeted investments***;
- enable the ***beneficiation*** of mineral and natural resources;
- take advantage of existing industrial and technological capacity, ***promoting integration*** with local industry and increasing value-added production;
- promote ***regional development***;
- create decent work and other ***economic and social benefits*** in the region in which it is located, including the broadening of economic participation by promoting small, micro and medium enterprises and co-operatives, and promoting skills and technology transfer; and
- generate ***new and innovative economic activities***.

Based on these aspirations of government, the ELIDZ pursued the following as the Vision and Mission guiding the programmes and activities of the entity during the period under review:

VISION

World class Operator of a prestigious industrial complex where highly competitive organisations thrive on streamlined business benefits and stimulate sustainable regional economic growth.

MISSION

To provide investor solutions and to attract and develop strategic industries that strengthen South Africa's global competitiveness through the development and operation of a thriving, specialized industrial complex.

THE ELIDZ PURSUES ITS MISSION TO CREATE AND DELIVER:

- a suitable location for the establishment of strategic investments;
- promotion and development of productive links between domestic and zone-based industries, to optimise use of existing infrastructure, generation of employment and creation of technology transfers; and
- the enabling of the beneficiation of local resources by resource-seeking industries.

With the transition from IDZ to SEZ programming, the ELIDZ has revisited its strategic intents to confirm alignment to the SEZ programming and its objectives, as set out in the national programme's SEZ policy statement. In addition, the ELIDZ vision and mission are also considered well aligned to government's broader industrial development priorities as encapsulated in the National Industrial Policy Framework (NIPF) and in the Industrial Policy Action Plan (IPAP).

Furthermore, the ELIDZ pursues its industrial sector focus in relation to strategic intents reflected in provincial economic planning and, notably, within the Provincial Development Plan: Vision 2030.

As the 5-year cycle came to an end, however, as part of its own institutional development and internalisation of a theory of change that is reflective of the particular opportunities of the ELIDZ's location and Eastern Cape economy and context, the ELIDZ's strategic planning process has started to develop a definition of the principal problem statement that the SEZ wishes to address in the next five-year cycle This is described below:

PROBLEM STATEMENT

Our region, despite its latent economic potentials, is struggling to industrialise and grow its economy repidly enough to sustain the development, livelihood and welfare of its communities

PRIMARY ROOT CAUSES

The region lags behind in the development and mastery of critical industrial capabilities (including technologies and skills) that would enable it to compete more strongly in domestic and global markets

DESIRED IMPACT

A strong regional industrial base where local industries have improved global competitiveness and there is broadened and inclusive participation of communities in economic activity, leading to a more rapidly growing and transformed economy

Based on this planning review, the organisation's core ideology was revised and refined for the development and issue of the entity's new five-year strategic plan for the term 2021-2025. These directive elements of the strategy that will be pursued for the 2021-2025 terms will be:

Vision

Vision -- A catalyst for growing a strong regional industrial base, supported and sustained by a business ecosystem that serves to extend the global competitiveness of local industries.

Mission

Mission – To attract and retain targeted industries through the operation of a world class investment location, supported by a conducive business environment and special economic zone benefits, where industries excel and prosper.

In revising the Vision and Mission for the new five-year cycle, the ELIDZ has moved to lend stronger emphasis to the organisation's desire to operate more expansively within its geographic region and within the institutional landscape of its relations with stakeholder partners.

This will be targeted via efforts to drive for stronger collective, collaborative action alongside other stakeholder institutions for the delivery of a strengthened, holistically enhanced business ecosystem as the basis for the emergence of a stronger regional industrial base.

This outcome is being promoted and pursued in a bid to assist the community of public development institutions to make an impact on a broader scale than was possible in the previous five-year strategic term of government.

CORPORATE VALUES

For the period under review the ELIDZ pursued Corporate Values which became the foundation for the way that the ELIDZ would implement its mandate and deliver value to its customers. These values were:

CUSTOMER FOCUSED

The needs of our customers shape and drive our plans and actions.

SOLUTIONS ORIENTED

In every situation we seek out possibilities that will win success for our customers and ourselves.

KNOWLEDGEABLE

We build individual and collective expertise through continuous learning and active knowledge sharing.

SYNERGY

It is our unique skill in being able to combine diverse contributions into synergistic solutions.

EFFICIENCY

We respond with speed and are accurate, capable and responsible in utilisation of resources.

As the five-year cycle came to an end, attention given to the company's core ideology also extended to a revision of the its statement of shared corporate values. These have been augmented to be reflective of certain value aspects that came to the fore in the ELLIDZ's engagement with stakeholders in the consultations to develop its strategic plan. This dialogue highlighted the following:

- the entity's orientation and sensitivity to demonstrate a real and meaningful developmental impact within the host community and region should find visibility in its shared values; and
- a recognition that accountability and trustworthiness as a public organisation forms an integral part of the culture of the ELIDZ and is prized as a strength of the SEZ project and its project implementation team.

The values re-affirmed for the coming five-year period are shown below:

PASSIONATE FOR ***EFFICIENCY***

"We respond to address the needs of customers with speed and efficency and these needs direct and energise both our plans and actions."

SEEKERS OF ***SOLUTIONS***

"In every situation, we seek out possibilities that foster and yield innovative and practical solutions in order to deliver superior outcomes of value to our customers, stakeholders, and ourselves."

BUILDERS OF ***SYNERGY***

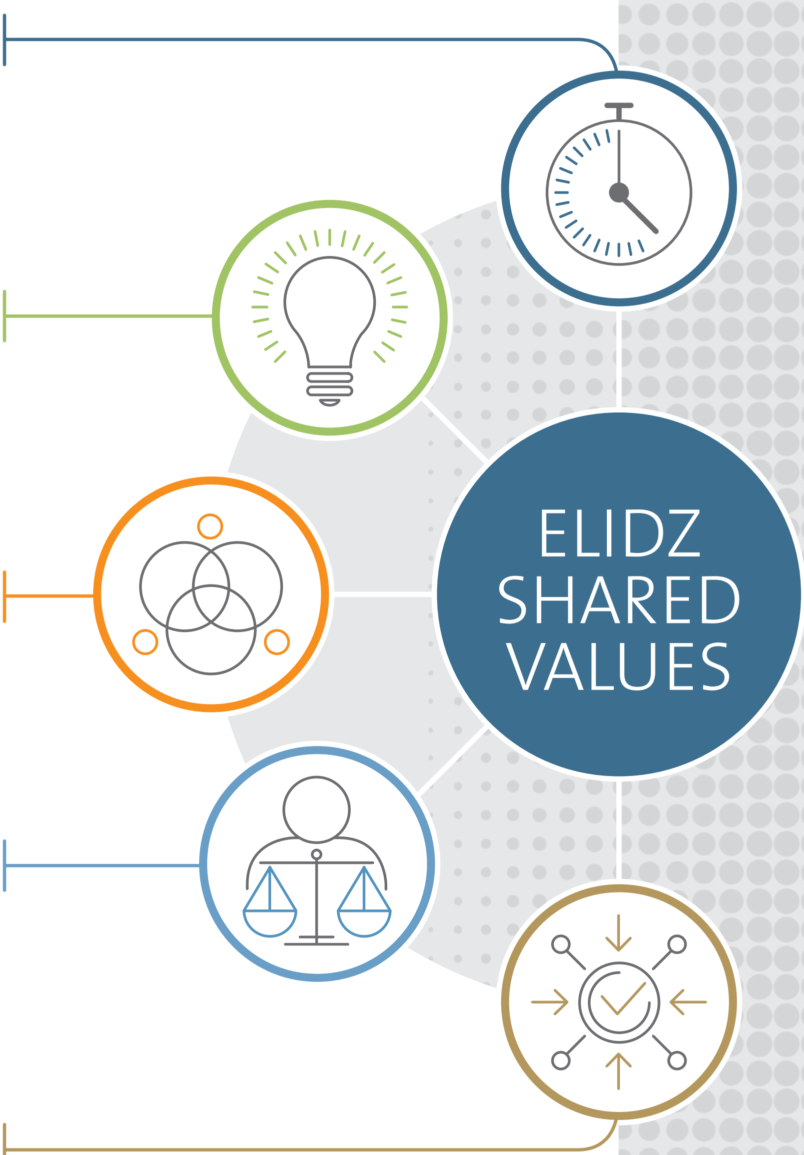
"We actively lead in building productive synergies and collective expertise with our key stakeholders, exploiting our knowledge and continuous learning."

ETHICAL BY NATURE

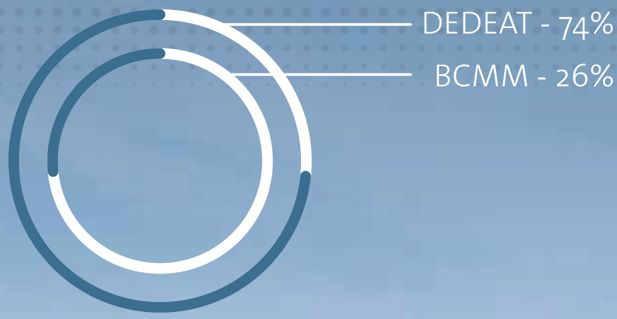
"We are responsible and accountable for how we do business, how diligently we utilise all resources entrusted to us and how we manage our operations in a manner that assures the safety and reliability of our industrial precinct and its services."

INSPIRED BY ***IMPACT***

"We are not satisfied with our performance unless it has a lasting and meaningful impact in uplifting the lives and future potentials of the citezens we have been created to serve."



“...shareholders comprise of the Eastern Cape Department of Economic Development (DEDEAT) and the Buffalo City Metropolitan Municipality (BCMM), which hold the shareholding in the proportions of 74% and 26% respectively..”



1.7 LEGISLATIVE MANDATE

In terms of the scheduling requirements of the Public Finance Management Act (PFMA) legislation, the ELIDZ is listed as a Schedule 3D provincial public entity. This authorises the entity to operate as a provincial government business enterprise (PGBE) and renders it accountable to the provincial legislature for the performance of its programmes of activity and oversight of its utilisation of public funds.

ELIDZ's participation in the national dti's Special Economic Zones (SEZ) programme and its utilisation of various resources (including the national programme incentive benefits) proceeds on the basis of two key enabling authorisation instruments. These are: –

- the conferring of a SEZ Designation approval to the geographic area under ELIDZ's operation as an industrial development zone (IDZ), as required by the SEZ Act; and
- award of an SEZ Operator Permit by the dti, authorising the ELIDZ to undertake the functions and activities of an SEZ operator, as also set out in the legislation.

In view of its dual linkages to policymaker principals in the national and provincial government spheres and its responsiveness to both national and provincial strategic economic development objectives, the ELIDZ enters into formal institutional oversight agreements with both provincial government (through DEDEAT) and with national government (through the dti).

Legislatively, the ELIDZ's public institutional arrangements are governed by the Special Economic Zones Act (Act No. 16 of 2014) and the regulations and guidelines to the Act, as issued by the dti.

The Act caters for the operation of a number of different types of economic zone implementations, including that of Industrial Development Zones (IDZs), and prescribes governance, management, strategic and financial planning and entity reporting obligations that SEZ projects must observe in relation to the national SEZ programme.

IDZ programming had originally been established in terms of programme regulations to the Manufacturing and Development Act (MDA), Act 187 of 1993 which provided the foundational direction for zones initiatives, as an economic intervention of Government. Following an extended phase of policy and legislative development, South Africa introduced the Special Economic Zones (SEZ) Act 16 of 2014 as the new legislative framework for Special Economic Zones, which now includes the Industrial Development Zones projects.

The President of South Africa issued a proclamation (No. R 6 of 2016, dated 9 February 2016), which proclaimed the commencement of the SEZ Act with effect from 9 February 2016. Regulations to the SEZ Act have also been made and published.

POLICY FRAMEWORKS

In executing the IDZ Programme mandate, and in discharging the interests of its various government shareholders and broader programme stakeholders, the ELIDZ seeks to optimise its industrial development initiatives through the alignment and co-ordination of activity with economic planning and development policies and planning instruments that span three spheres of government:

- **National** industrial policy goals, priorities and action plans, as formulated and supported by the DTI, specifically through the:
  - Special Economic Zones Policy Statement
  - SEZ Operator Conditions of Permitting;
  - (Future) SEZ Programme Strategy (as provisioned in the SEZ Act, but not yet issued)
  - National Industrial Policy Framework (NIPF) and related strategies; and
  - Industrial Policy Action Plan (IPAP), and ultimately via responsiveness to the:
  - National Development Plan (NDP).
- **Provincial** economic growth and development planning (as directed and administered by DEDEAT). Specifically, reference is made to policy intents and direction given within:
  - Provincial Development Plan (PDP Vision: 2030);
  - DEDEAT Policy Speech;
  - The Eastern Cape Provincial Industrial Development Strategy (PIDS);
  - Provincial Economic Development Strategy (PEDS) and
- **Local government** integrated development planning initiatives, as directed and administered by Buffalo City Metropolitan Municipality (BCMM) via its:
  - Metro Growth and Development Strategy (MGDS)
  - Integrated Development Plan (IDP).

1.8 ORGANISATIONAL STRUCTURE

CHIEF EXECUTIVE OFFICER

MANAGER: OFFICE OF THE CEO

OFFICE OF THE CHIEF EXECUTIVE OFFICER

Functional Area	EM	MG	SP	AS	T
Office of the CEO	1	1	-	2	4
Company Secretarial Support	-	1	-	-	1
Corporate Strategy and Planning	-	1	-	-	1
Project Portfolio Management	-	1	1	-	2
Assurance	-	1	-	-	1
Total Filled Positions	1	5	1	2	9
Research	-	-	1	-	1
Total Vacant Positions	-	-	1	-	1
Total Positions	1	5	2	2	10

CHIEF FINANCIAL OFFICER

FINANCIAL MANAGEMENT

Functional Area	EM	MG	SP	AS	T
Financial Management	1	-	-	2	3
Financial Control & Reporting	-	-	1	2	3
Financial Management, Reporting & Administration	-	1	1	2	4
Management & Cost Accounting	-	1	-	-	1
Supply Chain Management	-	1	3	-	4
Total Filled Positions	1	3	5	6	15
	-	-	-	-	-
Total Vacant Positions	-	-	-	-	-
Total Positions	1	3	5	6	15

CHIEF OPERATING OFICER

OPERATIONS

Functional Area	EM	MG	SP	AS	T
Zone Operations	1	-	1	1	3
Sector Development & Investment Promotion	-	4	-	-	4
Project Management & Coordination	-	1	3	-	4
Property Portfolio Management	-	1	1	-	2
Maintenance & Facilities Management	-	2	3	2	7
Investor Support Services Management	-	1	2	2	5
Science & Technology Park	-	1	2	2	5
Laboratory	-	-	4	2	6
Total Filled Positions	1	10	16	9	36
Zone Operations	-	-	1	-	1
Laboratory	-	1	-	-	1
Maintenance & Facilities Management	-	-	1	-	1
Total Vacant Positions	-	1	2	-	3
Total Positions	1	11	18	9	39

EXECUTIVE MANAGER: CORPORATE AFFAIRS

CORPORATE AFFAIRS

Functional Area	EM	MG	SP	AS	T
Corporate Affairs	1	-	-	2	3
Human Capital & Legal Services	-	1	3	-	4
Corporate Communications	-	1	3	1	5
Information Communication & Technology Management	-	1	4	-	5
Safety, Health & Environmental Management	-	1	3	1	5
Records Management	-	1	1	1	3
Total Filled Positions	1	5	14	5	25
Human Capital & Legal Services	-	-	1	-	1
Total Vacant Positions	-	-	1	-	1
Total Positions	1	5	15	5	26

EM: EXECUTIVE MANAGER
MG: MANAGEMENT
SP: SPECIALIST
AS: ADMIN / SUPPORT
T: TOTAL

PART B:

PERFORMANCE **INFORMATION**

2.1 AUDITOR GENERAL'S REPORT

Report of the auditor-general to the Eastern Cape Provincial Legislature on the East London Industrial Development Zone SOC Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the East London Industrial Development Zone SOC Ltd set out on pages 74 to 121, which comprise the statement of financial position as at 31 March 2020, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the East London Industrial Development Zone SOC Ltd as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

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

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

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..

Events after the reporting date

7. We draw attention to note 37 to the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the entity's future prospects, performance and cash flows. Management have also described how they plan to deal with these events and circumstances.

Material impairments – trade debtors

8. As disclosed in note 4 to the financial statements, material losses with a balance R21,4 million were incurred as a result of a provision for impairment allowances of irrecoverable trade debtors.

Material impairments – other financial assets

9. As disclosed in note 3 to the financial statements, material losses of R23,1 million were incurred as a result of a provision for impairment allowances of irrecoverable debts.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Report on the audit of the annual performance report

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 predetermined objectives for selected programmes 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 approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

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 the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2020:

Programme	Pages in the annual performance report
Programme 1: operations	40 - 44

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

18. I did not identify any material findings on the usefulness and reliability of the reported performance information for programme 1: operations.

Report on the audit of compliance with legislation

Introduction and scope

19. 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.

20. I did not identify any material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

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

23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I performed, I conclude that there is a material misstatement in this other information, I am required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

24. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

25. I did not identify any significant deficiencies in internal control.

Auditor General

30 September 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

   - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
   - conclude on the appropriateness of the use of the board of directors, which constitutes the accounting authority, 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 East London Industrial Development Zone SOC Ltd 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 an entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

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

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

> *...the financial statements present fairly, in all material respects, the financial position of the East London Industrial Development Zone SOC Ltd as at 31 March 2020, and its financial performance and cash flows for the year then ended ...*

2.2 SITUATIONAL ANALYSIS

2.2.1 Service delivery environment

The closure of the 2019/20 year marked the end of what proved to be a hugely challenging five-year strategic term for the ELIDZ. The commencement of the new five-year strategic term -- running to end March 2025 – has also ushered in a phase that, even as it gets under way, is overshadowed by factors that are presenting a sobering outlook, not only for the operations of the ELIDZ but also for the larger SEZ programme and for the national economy itself. As at the end of the period under review, the ELIDZ had continued to the majority of its 5-year targets that had underpinned its Vision 2020.

2.2.1.1 COVID-19

The closing weeks of the past financial year, in particular, plunged the entity -- and the whole nation -- into an entirely new and unknown paradigm with the emergence of the Covid-19 virus global pandemic and the introduction of mitigative measures including social and business lockdowns.

The world became a new and radically altered place almost overnight and authorities at all levels are still scrambling to understand and react to what is being contemplated as the "next normal". Many analysts across the world are grappling to understand or attempt to gauge what the short-, medium- and long-term fallouts will be locally and internationally.

In these respects, how the SEZ will perform to land new investments and grow employment and other socio-economic benefits in the world of tomorrow has become somewhat foggy.

The gravity of the coronavirus impacts is yet to be fully comprehended or calculated since South Africa has yet to reach the apex of the pandemic crisis. Currently it remains unclear how to arrive at any firm prediction over when the virus might be contained and subside. At the same time, there remains the worrying prospect that protective measures and regulations may not prove enough to insulate the country from the possibility of multiple waves of the outbreak of the virus.

From the prospective of the operation and mission of the SEZ, there are larger issues that are also at play. Global travel, trade and communication have all been severely disrupted during the COVID-19 lockdowns that world economies have almost universally implemented.

How, and how deeply, this will reshape the future of commerce and industry will only really be known with the passage of time. But the implications can be expected to be major for the resumption (or alternatively the shrinkage or even demise) of previously robust and trusted global supply chains and industrial logistics.

These factors lie at the very heart of the execution of an industrialisation stimulus programme that is premised on the attraction of the foreign direct investment (FDI) and the nurturing of export production and competitiveness. If nothing else may be certain, it is self-evident that the investment attraction game is going to become very tough to excel in, moving forward.

2.2.1.2 NATIONAL OUTLOOK

As disconcerting as all these pandemic-related developments have been, it should be observed that the generally gloomy outlook as ELIDZ embarks on its new five-year strategic term has its genesis in a broader range of ills that have been brewing over a much longer period.

The succession of collapses in the going concern health statuses of major SOEs operating at the very nerve centre of the economy and South Africa has paid the very dear price of repeated down gradings in the country's sovereign debt ratings internationally, making it more difficult and more expensive to raise capital and service existing debt levels.

The developments have exacerbated other underlying shortcomings within the public sector, not the least of which has been the worsening capacity of the country to assure its industrialists of the steady and reliable supply of energy at affordable tariffs. Once more, this strikes at the core of the fulfilment of the mission of the SEZ programme and SEZ locations in seeking to woo inward investments and promote and support industrial expansions. The continued economic pressures in the country further threaten government's adequate provision of industrial support measures such as infrastructure funding, industrial incentives and other measures which are a vital component of the ELIDZ's value proposition to targeted industrialists.

2.2.1.3 INTERNATIONAL CLIMATE

Adverse conditions for the outlook for industrial stimulus have also not been confined to developments unfolding within the borders of South Africa itself. Over the closing five-year term there has been a growing disquiet over mounting global geo-political tensions and posturing that could damage access (and re-entry) to international markets for an indefinite time to come.

At the centre of these tensions is the increasingly inflammatory relations between global superpowers the United States and China with the adoption of far more protectionist policies and strategies to keep American industries on home soil. Many geopolitical hotspots of concern have surfaced (or resurfaced) across the globe, including tensions between China and India as well as between North and South Korea.

Global trade has also been buffeted by other major scale disruptive events, including the United Kingdom's protracted Brexit move, which has changed the face of the European Union and spawned trade uncertainty in that region.

As the ELIDZ embarked on its 2025 planning, the geopolitical tensions appeared to be reaching fever pitch and it is difficult to predict how global trade in the coming years may finally be stunted, stalled, reshuffled or otherwise impacted.

2.2.1.4 *MITIGATION OF ADVERSE PERFORMANCE AND SERVICE DELIVERY FACTORS*

Many of the external environmental challenges besetting institutions like the ELIDZ arise as global and country-level reputational concerns, where the individual economic zone entities have limited reach or influence to render responses that are directly mitigative in nature.

The potential harm caused to investor confidence by unexpected industrial downturn cycles, ailing and fragile economies, country-to-country political tensions, international crime and corruption and other similar ills often must be accepted as highly unwelcome -- but inevitable elements within the fabric of doing business today.

For their part, SEZ's (and their public owners) can and should operate as strong advocates for sound policy direction and helpful regulatory postures by government. They can and must take such measures as are possible within their own operations to maintain and model good business practices and clean governance.

And SEZ entities can look for participation opportunities alongside other organisations in the public and private spheres to add their voice and lend their weight to campaigns that, among others, would seek to champion the following:

- Development of tight and meaningful relations with investor prospects (and their industry networks and supply chains) so as to be current and well-informed of ruling investor sentiments and trends.
- Active in practicing believable communications programming that finds every opportunity to move with speed to dispel misinformation, correct exaggerated negative sentiment and address information gaps.
- Intentional effort to nurture an attitude of partnership with SEZ-locating enterprises, where the SEZ operator's capacity to reflect industry concerns upwards into structures of government at the municipal, provincial and national level is leveraged as value-add to the customer.
- Generally adopting a stance that demands a high level of service and after-care standards so as to offer positive customer experiences as antidote measures to environmental factors that may be less than desirable.

In some instances, challenges impacting the service delivery environment are faced that do allow for directly mitigative measures to be implemented by the SEZ operator.

A case in point relates to the coronavirus pandemic, where the ELIDZ moved with rapidity to give effect to health and safety measures within the Zone. These were addressed both in relation to:

- the continued operation of essential industrial activities in the zone and their support with utilities supply and other services
- the safe management of continuing construction activity in support of a recovery in time delays relating to the readying of tenant facilities for auto component tenants anxious to gear up for the pending MBSA model change, and
- the active monitoring and reaction to incidents of COVID-19 infections within the work forces of SEZ Enterprises and of the ELIDZ itself so as to minimise individual and collective exposure risks.

2.2.2 Organisational Environment

Operating as a multi-services delivery organisation, the quality of ELIDZ's human resources is viewed as a strategic imperative -- and employees are therefore regarded as one of the greatest assets in the organisation.

Various activities are undertaken each year to manage employee-related matters and, for the 2019/20 financial period these focused on assistance and communication in respect to legal compliance awareness and in relation to initiatives in support of improvement in the wellness of employees.

The efforts were aimed at improving productivity generally, as well as responding to address some specific concerns relating to the general health status of the workforce.

The compliance-related initiatives in the year were activated in response to some employees moving to formalise a desire to exercise collective labour law rights. This resulted in the introduction of a majority representative trade union into the workplace.

This is the first such relationship of its kind for the ELIDZ and educational and awareness activities in support of it were approached with reliance on communication of the labour law and its principles. It is envisaged that this relationship will deepen and be mutually beneficial to all parties.

Wellness programming was also given emphasis and was initiated after the observation of increasing sick leave levels, which became apparent from trend data emerging at the close of the financial year. Increasing absenteeism is concerning and is under review to ensure appropriate measures are put in place to avoid any future impact on the achievement of performance outcomes.

2.2.3 Key policy developments and Legislative changes

Various legislative changes were effected during the period of review. These included the publication of the following:

- Amended B-BBEE codes
- A standard for Uniformity in Engineering and Construction Works Contracts
- A new framework on fruitless and wasteful expenditure

These amendments resulted in the review of various internal policies and procedures in order to give effect to the changes.

There were also new legislative developments that arose after the period under review and which would affect future financial periods.

The first development that arose related to the commencement of certain sections of the Protection of Personal Information Act, 2013 from 1 July 2020. The organisation has one year from the commencement date to ensure that the processing of personal information conforms to the provisions of the Act.

A second development that arose related to the emergence of the COVID-19 virus, which has resulted in a worldwide pandemic, affecting economic, social and health care systems globally. In response to the pandemic, a number of directives, guidelines and regulations have been published in order to mitigate the risks associated with the spread of the virus.

The ELIDZ has developed a framework that incorporates all applicable directives into plans, processes and procedures of the organisation. This framework also considers health and safety aspects, screening and testing, the financial impact of COVID-19 on the organisation, budgetary implications, investor support and hygiene protocols.

2.3 STRATEGIC OUTCOME ORIENTED GOALS

At the commencement of its five-year strategic planning term, the ELIDZ reviews and re-sets the outcome-oriented goals of the institution to serve as the core strategic agenda for the ensuing cycle.

Ordinarily, the Goals and Objectives of the entity should remain largely stable for the duration of the five-year planning term. However, this has not been possible under the current planning climate, which has been characterised by substantial uncertainty concerning unfolding legislative, policy and programming changes affecting SA's economic zones sector.

In light of this, the ELIDZ's Board assented to a revision of the high level goals of the organisation following the October/November 2016 annual strategic planning review. An enhanced set of five High Level Goals were adopted to best focus the strategic management and operations of the organisation for the remainder of the five-year term, 2015/16 –2019/20.

These goals are set out below:

STRATEGIC GOAL 1	DEVELOP A STRATEGIC INDUSTRIAL COMPLEX
Goal Statement	*Access land to establish an industrial complex offering strategic economic advantages that enable the attraction and location of targeted industries in the manufacturing and tradable services sectors.*
Justification	The development and operation of a purpose-built and designated area to arm strategically targeted South African industry with a platform of competitive economic advantages exists as a foundational purpose for government's implementation of its Special Economic Zones (SEZ) programming. SEZ policy also promotes optimal integration of SEZ sites and their industries into the local and regional economy, via backward and forward linkages that exploit and grow existing industrial sector activity and the effective utilisation of existing supporting local and regional infrastructures and institutions.
Supporting Strategies (Strategic Objectives)	1.1 **Acquire, designate and appropriately zone strategic parcels of land for the planned future investment and expansion of ELIDZ strategic targeted industries.** 1.2 **Transact ELIDZ's land assets to locate targeted manufacturing and services industry investments occupying an additional 54.4 hectares of the ELIDZ's net tradable land extent by 2019/20.**

STRATEGIC GOAL 2	IMPLEMENT INFRASTRUCTURE DELIVERY
Goal Statement	*Implement an integrative industrial infrastructure delivery programme to support development of targeted industrial activities.*
Justification	Deliberate and strategic investment of public funds into industrial infrastructure implementation forms a cornerstone element of the national industrial development policy and action plan initiatives of government. Within the Special Economic Zones (SEZ) Programme infrastructure delivery is seen as a key lever for stimulating foreign and domestic private sector investment that is supportive of South Africa's long-term industrialisation aims and strategies.
Supporting Strategies (Strategic Objectives)	2.1 **Extend the ELIDZ's manufacturing and services capacity and productive output through the construction and delivery of 10 new infrastructure/ superstructure development projects by the end of 2019/20.**

STRATEGIC GOAL 3	ATTRACT STRATEGIC INVESTMENT
Goal Statement	*Attract and retain domestic and foreign investments that lift the competitiveness of Eastern Cape economic output and create decent work and other economic and social benefits in the region.*
Justification	Securing domestic and foreign fixed investment is a primary outcome imperative of the Special Economic Zones (SEZ) Programme as this promotes and supports the localisation and mastery of desirable industrial capabilities that position targeted sectors and industries for greater competitiveness in global markets. This, in turn, is achieved, among others, through improved access to global markets and value chains and via the introduction of new industrial technologies and through industrial innovation and productivity enhancement.
Supporting Strategies (Strategic Objectives)	**3.1 Prioritise, target and promote investment by domestic and foreign investors to secure 23 new investors contributing R2.3 billion worth of private sector investment into the zone.** **3.2 Target and promote investments by domestic and foreign investors that will increase levels of direct employment by zone enterprises to 5 758 by the end of 2019/20.** **3.3 Attract and nurture strategic investors that increase the levels of export-oriented production to 37% of total zone production and generate other economic benefits for the region by the end of 2019/20.**

STRATEGIC GOAL 4	PROVIDE A GLOBALLY COMPETITIVE LOCATION
Goal Statement	*Optimise incentive benefits and operate industrial facilities, services and support systems that provide a globally competitive location that stimulates the generation of new and innovative economic activities.*
Justification	Participants in the Special Economic Zones (SEZ) programme are expected to combine a range of elements (including State-funded infrastructure, industrial incentive offerings and complementary industrial support measures) to present locating industries with a relevant suite of locational benefits that will underpin their productivity and competitiveness, especially in respect to entering and competing successfully in global markets.
Supporting Strategies (Strategic Objectives)	**4.1 Enable 75% of ELIDZ zone enterprises to participate in the award of available IDZ/SEZ incentive benefits by the end of 2019/20.** **4.2 Establish and operate SEZ Facilities, Services and Support Measures to deliver strategic benefits that will ensure 75% customer satisfaction by the end of 2019/20.** **4.3 Qualify 13 industrial development and innovation opportunities for market exploitation in the period 2015/16 to 2019/20.**

STRATEGIC GOAL 5	BUILD ORGANISATIONAL CAPABILITY, RESILIENCE AND EXCELLENCE
Goal Statement	*Manage a highly efficient organisation that optimises its assets to ensure organisational resilience, excellence and long term sustainability.*
Justification	As an organisation managing and disbursing public funds, it is critical that the ELIDZ takes deliberate action to optimise the management of its activities and the utilisation of its human, property and other assets to achieve maximum possible positive outcomes and returns. Its responsiveness in this regard also correlates with the pressing need for organisations at all spheres of government to improve their efficiency and impact in view of the current financial climate and the significant financial pressures and constraints on the fiscus.
Supporting Strategies (Strategic Objectives)	**5.1 Grow ELIDZ income from Services and optimise returns on the ELIDZ property portfolio to generate total income of R660m for the period 2015/16 to 2019/20.** **5.2 Extend the economic transformation impact of the ELIDZ's operations through targeted procurement, enterprise development and social upliftment programmes that produce a Level 1 B-BBEE status by 2019/20.** **5.3 Pursue and retain best practice management systems and policies to support the efficient operation of the ELIDZ.**

2.4 PERFORMANCE INFORMATION BY PROGRAMME

2.4.1 Programme 1: Operations

The main purpose of the Zone Development Programme is the attraction of targeted investors and investments, development and provision of the infrastructure and customised superstructure solutions to those targeted investors. Key industry clusters have been identified and specific business strategies are in place to secure targeted investors and support them with the necessary infrastructure. The direct impact will be the development of an Industrial Development Zone with world class infrastructure and the creation of employment opportunities as well as the stimulation of economic growth in the region.

Functions co-ordinated under this programme include:

- Project Management and Co-ordination;
- Investment Analysis;
- Investment Facilitation;
- Sector Development;
- After-care Services Management;
- Infrastructure Development; and
- Property Portfolio Management

To operate a commercially viable, effective, attractive and sustainable, specialized industrial destination through the pursuit of value – adding strategies, effective planned preventative maintenance, facilities management, as well as planned expansions and alterations to existing infrastructure and factories in the zone. We are looking to develop and implement extensive after care programmes in order to retain existing customers. To further augment EL IDZ sustainability, we strive to increase the range of centralized service offerings to our current and future investors and to decrease the cost of doing business. Functions to co-ordinated the Operations programme include:

- Customer Relations Management;
- Help Desk;
- Maintenance, Facilities & Operations Management;
- Investor Support Services Management;
- Safety, Health, Environmental & Security Management;
- GIS and Data Administration.

2.4.1.1 Sub-programme 1A: Industrial Development

Programme Purpose:

- Sector Development and Investment Promotion
- Project Management: Industrial Development
- Industrial Innovation and Competitiveness
- Sector Skills Development
- Laboratory Services

Strategic Goal:	**Goal 1: Develop a strategic industrial complex**						
Programme/Strategic Objective:	**1.1 Acquire, designate and appropriately zone strategic parcels of land for the planned future investment and expansion of ELIDZ strategic targeted industries**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
1.1.1 Uncommitted land stock available as a percentage of the total land requirement of pipeline investors at the advanced negotiation stage	New KPI	451.87%	948.6%	120%	823,49%	+586,2%	See Note 1

Strategic Goal:	**Goal 1: Develop a strategic industrial complex**						
Programme/Strategic Objective:	**1.2 Transact ELIDZ's land assets to locate targeted manufacturing and services industry investments occupying an additional 54.4 hectares of the ELIDZ's net tradable land extent by 2019/20**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
1.2.1 Additional hectares of land taken up for economic activity by targeted manufacturing and services industries.	9.76Ha	32.05Ha	11.97Ha	11.4Ha	14,06Ha	+23,3%	See Note 2

NOTES:

1. The ELIDZ has shown a decrease in the percentage of uncommitted land stock over the financial period when compared to the previous financial year. This is due to the amount of available land decreasing over the period due to land transactions being concluded as well as the corresponding infrastructure activity. This, along with movement in the investment pipeline from advanced negotiation stage to the final stage, has the effect of reducing the percentage of uncommitted land stock available.

2. The target for hectares of land taken up has been achieved due to successfully transacting 7 investment agreements that occupy 14ha of land during the financial year. In relation to the 5-year target, the ELIDZ has now successfully exceeded the target of 54.4ha with an actual of 80ha as at the end of this financial year.

Strategic Goal:	**Goal 2: Implement infrastructure delivery**						
Programme/Strategic Objective:	**2.1 Extend the ELIDZ's manufacturing and services capacity and productive output through the construction of 10 new infrastructure/superstructure development projects by the end of 2019/20.**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
2.1.1 Number of new superstructure and infrastructure projects implemented.	New KPI	2	3	6	6	0%	See Note 3
2.1.2 Number of reported construction jobs attributable to annual construction activity	75	520	1549	3000	2048	-31,7%	See Note 4

3. The ELIDZ was able to meet the target of 6 completed projects. There were 5 projects completed by the ELIDZ and 1 private project completed. There were further projects scheduled for completion at the end of March 2020 which were unable to be concluded due to the COVID-19 lockdown restrictions.

4. The ELIDZ anticipated an achievement of 3000 construction jobs during the period. This was not possible due to a delay in a construction project resulting in it not commencing as well as 2 projects drawing to a close requiring less staff to be on site than previously anticipated. Further to this, construction activity was brought to a halt during March due to the outbreak of COVID-19 resulting in no further employment activity.

Strategic Goal:	**Goal 3: Attract strategic investment**						
Programme/Strategic Objective:	**3.1 Prioritise, target and promote investment by domestic and foreign investors to secure 23 new investors contributing R2.3 billion worth of private sector investment into the zone.**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
3.1.1 Number of investment agreements signed between ELIDZ and the approved investors per annum	4	5	5	5	7	+40%	See Note 5
3.1.2 Periodic value of investments signed between IDZ operator and IDZ Tenant enterprises per Annum, as pledged by approved investors at the time of agreement signing.	R1,060m	R1,360m	R819.5m	R320m	R1,363m	+325,9%	See Note 6

5. Efforts by the ELIDZ to have approved investors sign off on lease agreements yielded the desired outcomes leading to seven investments signed. These investments, namely MBSA, Wheel Assemblers, Valeo, Ebor, TI Fuel Systems, TI Pipes and TEM Tooling were at the end of the period already constructing their facilities in the zone. All of these investments are in the automotive sector. This performance is higher than the projected 5-year target of 23 investments with an actual of 26 investment agreements concluded as at the end of this financial period.

6. The ELIDZ has exceeded the target for investment value by securing R1,363m in investment. The value of investment amount for the period surpasses the targeted amount for the year quite significantly. This is largely due to the nature of automotive sector investments which tend to be highly capital intensive. At the end of the 5-year strategic cycle, the ELIDZ has comfortably exceeded the R2.3 billion target with an achievement of R5,4 billion.

Strategic Goal:	Goal 3: Attract strategic investment						
Programme/Strategic Objective:	3.2 Target and promote investments by domestic and foreign investors that will increase levels of direct employment by zone enterprises to 5758 by the end of 2019/20.						
Sub-Programme:	1A: Industrial Development						
Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from 2019/20 Target	Comment on deviations
3.2.1 Number of reported direct manufacturing and service jobs in existence as at financial year end by the ELIDZ investors, ELIDZ Operator and its service providers.	2364	4186	4666	5758	4794	-16,7%	See Note 7

7. The ELIDZ has failed to achieve the targeted number of manufacturing and services jobs with an underperformance of -16,7%. There are two factors that have contributed to this. The first factor is that there was a lull in the first two years of the 5-year strategic cycle, which saw no building of new tenant facilities. As a result of this no new investors were operationalised during this two-year period which in turn impacted negatively on employment. Secondly, some of investors that signed in Year 4 (Nulatex and Meek Mines) are still struggling with full operationalisation of their plants. An upswing in construction and the successful establishment of new investors in the zone is forecasted for this year and this is likely to see a corresponding improvement in the employment figures with some growth in employment over the previous financial year.

Strategic Goal:	Goal 3: Attract strategic investment						
Programme/Strategic Objective:	3.3 Attract and nurture strategic investors that increase the levels of export-oriented production to 37% of total zone production and generate other economic benefits for the region by the end of 2019/20						
Sub-Programme:	1A: Industrial Development						
Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from 2019/20 Target	Comment on deviations
3.3.1 Percentage of IDZ zone enterprises' production that is export bound	New KPI	48.72%	59%	37%	10%	-73%	See Note 8

8. The percentage of export bound production has been calculated at 10% which is significantly lower than what was achieved during the previous financial period. This is largely due to the non-participation by a number of exporting manufacturers located within the zone who did not provide information from which the calculation is determined. Inclusion of their information would improve the result.

Strategic Goal:	Goal 4: Provide a globally competitive location						
Programme/Strategic Objective:	4.1 Enable 75% of ELIDZ zone enterprises to participate in the award of available IDZ/SEZ incentive benefits by the end of 2019/20						
Sub-Programme:	1A: Industrial Development						
Performance Indicator	Actual Achievement 2016/2017	Actual Achievement 2017/2018	Actual Achievement 2018/2019	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from 2019/20 Target	Comment on deviations
4.1.1 Percentage of qualifying operational zone enterprises enabled to benefit from the IDZ/SEZ suite of incentives	New KPI	64%	54%	75%	80%	+6,7%	See Note 9

9. The ELIDZ has successfully assisted investors with applications for SEZ incentives resulting in 80% of qualifying investors being awarded incentives relating to corporate tax and employment tax. The incentives applicable are in line with Section 12R of the Income Tax Act which were approved by National Treasury. Designation approvals were also issued in terms of section 6(a)(ii) of the Employment Tax Incentive Act (ETI).

Strategic Goal:	Goal 4: Provide a globally competitive location						
Programme/Strategic Objective:	**4.2 Establish and operate SEZ facilities, service and support measures to deliver strategic benefits that will ensure 75% customer satisfaction by the end of 2019/20.**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
4.2.1 Percentage customer satisfaction rating	Not evaluated	76.4	75.2%	75%	77,5%	+1%	See Note 10

10. The Customer Satisfaction survey was carried out by an external service provider to ensure independent evaluation. The score of 77.5% which has been achieved exceeds the target. This shows marginal improvement since the beginning of the 5-year cycle and is attributable to the ELIDZ's commitment to creating and delivering solutions for investors on their platform. The ELIDZ endeavours to provide a high level of customer service in order to maintain its reputation as an investment destination of choice.

Strategic Goal:	Goal 4: Provide a globally competitive location						
Programme/Strategic Objective:	**4.3 Qualify 13 industrial development and innovation opportunities for market exploitation in the period 2015/16 to 2019/20**						
Sub-Programme:	**1A: Industrial Development**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
4.3.1 Number of prototypes produced in the Science and Technology (STP)	2	2	1	1	1	0%	See Note 11
4.3.2 Number of industrial innovation solutions generated per annum from issued innovation challenges.	0	0	0	2	0	-100%	See Note 12
4.3.3 Number of hosted incubation facilities	New KPI	3	3	3	2	-33,3%	See Note 13
4.3.4 Number of skills development beneficiaries trained in the Science and Technology Park.	New KPI	117	87	120	122	+1,6%	See Note 14

11. The ELIDZ was able to achieve the target with one prototype being concluded during the financial period. During the financial year an additional call for expressions of interest was carried out with 2 developers being awarded approval. This bodes well for further prototypes being concluded in the upcoming financial periods.

12. The ELIDZ has not achieved the targeted number of innovation solutions. This performance indicator continues to be difficult to achieve as there were challenges which were issued where there were no solutions offered in previous years whereas during this year, 2 solutions were provided but not accepted due to the financial implications thereof.

13. The ELIDZ started off the year hosting 3 incubators at the ELIDZ STP, namely Eciti, Cortex and Chemin. At the end of the fourth quarter, 2 incubators are operating. These are Cortex and a new incubator, Cisco, which started operating during the fourth quarter. Eciti and Chemin have suspended operations and relocated respectively.

14. The ELIDZ has exceeded the number of skills beneficiaries trained for the financial period. The training has been in the areas of renewable energy, ICT and manufacturing. The ELIDZ has gained experience in provision of training and sourcing and selection of suitable service providers for training topics over the financial year. This experience will be put to use going forward.

2.4.1.2 Sub-programme 1B: Zone Operations

Programme Purpose:

- Maintenance and Facilities Management
- Investor Support Services
- Property Portfolio Management

Strategic Goal:	Goal 5: Build organisational capability, resilience and excellence						
Programme/Strategic Objective:	**5.1 Grow ELIDZ income from Services and optimise returns on the ELIDZ property portfolio to generate total income of R660m for the period 2015/16 to 2019/20.**						
Sub-Programme:	**1B: Zone Operations**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
5.1.1 Total revenue income attributable to core IDZ Operations (Lease Transactions)	New KPI	R54.41m	R70m	R81m	R72.0m	-11%	See Note 15
5.1.2 Average Annual Property Portfolio Yield (property lease transactions)	6.14%	8.15%	7.3%	4%	4,97%	+24,3%	See Note 16
5.1.3 Average vacancy rate per annum in IDZ-constructed operational Tenant Facilities	1.86%	1.90%	2 %	2%	0,92%	+54,2%	See Note 17
5.1.4 Annual increase in gross income from all Zone Services receipted per annum.	New KPI	R72m	R85m	R91m	R99.5m	+9.3%	See Note 18

15. The ELIDZ has not been able to achieve its revenue target for the financial period due to the developments with investors whereby payment holidays were granted to certain investors. This has had the effect of reducing lease revenue as demonstrated in the under-performance in the zone contributing to the favourable positive variance in rental revenue income. The forecasted targets didn't take any payment holidays into account.

16. Desired yields on lease agreements is greater than 4%. With an actual of 4,97%, the ELIDZ has exceeded the targeted property portfolio yield by ensuring that lease agreements signed provide yields greater than 4%. This bodes well for sustainability of the ELIDZ in that a higher yield improves rental revenue expectations.

17. The ELIDZ has achieved the targeted average vacancy rate for the financial period by ensuring that the majority of all lettable property is leased to tenants. A concerted effort to reduce vacancy also contributes to the sustainability of the ELIDZ by ensuring that rental revenue is received on lettable space.

18. The ELIDZ has exceeded the targeted income from zone services due to higher than anticipated consumption of utilities as well as a higher than anticipated price of utilities. There is continued effort to improve revenue from services offered by the ELIDZ in that it contributes to achieving financial sustainability.

Strategic Goal:	Goal 5: Build organisational capability, resilience and excellence						
Programme/Strategic Objective:	**5.2 Extend the economic transformation impact of the ELIDZ's operations through targeted procurement, enterprise development and social upliftment programmes that produce a Level 1 B-BBEE status by 2019/20**						
Sub-Programme:	**1B: Zone Operations**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
5.2.4 Number of Intern / learnership contract opportunities offered per annum within the operations of IDZ-appointed Service Provider organisations (including construction contractors).	5	5	16	5	15	+200%	See Note 19

19. The ELIDZ exceeded the targeted performance on interns by service providers due to an increase in the amount of construction projects taking place at the ELIDZ where construction service providers are encouraged to employ interns as part of the tender conditions. The favourable variance of 200% is encouraging as it demonstrates the transfer of skills to youth in the construction and engineering sectors.

2.4.2 Programme 2: Institutional Support

2.4.2.1 Sub-programme 2A: Office of the CEO

Programme Purpose:
- Corporate Governance and Compliance
- Corporate Strategy and Planning
- Research
- Programme Portfolio Management
- Performance Information Management
- Assurance (Risk)

2.4.2.2 Sub-programme 2B: Corporate Affairs

Programme Purpose:
- Legal Services
- Safety, Health, Environmental and Quality Management
- Human Capital and Employee Relations
- Records Management
- Corporate Communications and Marketing
- Information and Communications Technology

Strategic Goal:	**Goal 5: Build organisational capability, resilience and excellence**						
Programme/Strategic Objective:	**5.2 Extend the economic transformation impact of the ELIDZ's operations through targeted procurement, enterprise development and social upliftment programmes that produce a Level 1 B-BBEE status by 2019/20**						
Sub-Programme:	**2A: Institutional Support**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
5.2.1 Number of active bursaries in ELIDZ Bursary Award Programme	10	11	11	7	11	+57.1%	See Note 20
5.2.2 Cumulative Number of Corporate Social Investment (CSI) projects administered in ELIDZ CSI Programme	13	9	12	8	15	+87,5%	See Note 21
5.2.3 Percentage of employment-related expenditure spent on targeted training initiatives to develop identified organisational core competency areas.	4.21%	4.27%	5.2%	3%	6,31	+110.3%	See Note 22
5.2.5 Number of Intern / learnership contract opportunities offered per annum within the operations of the ELIDZ organisation.	39	39	45	28	41	+36,6%	See Note 23

20. The ELIDZ was able to exceed the targeted number of active bursaries for the financial period due to bursaries being carried over from the previous financial year and the awarding of new bursaries to deserving students.

21. The ELIDZ has exceeded the targeted number of CSI projects for the financial year. This has been made possible through leveraging partnerships with community, achieving the projects planned in the CSI programme and employee volunteerism. While only 8 projects were targeted for the year, the efforts of the ELIDZ employees and partnerships resulted in the execution of 15 successful projects over the year.

22. The ELIDZ has exceeded the targeted performance for training expenditure for the financial period. This was an active decision in order to improve the organizational B-BBEE rating where budget was made available and an internal target, higher than 3% was set. The favourable variance of 110.3% has contributed to maintaining the organisational B-BBEE rating.

23. This over-achievement can be explained due to the nature of the internship programme at the ELIDZ which spans over 2 years – 45 internships were recorded during the previous financial year and therefore, many of these were carried through into this financial period. The ELIDZ is highly committed to youth development and skills transfer and this is evident in the performance of this indicator over the 5-year cycle to date.

2.4.2.3 Sub-programme 2C: Financial Management

Programme Purpose:
- Management and Cost Accounting
- Financial Management
- Financial Control and Reporting

Strategic Goal:	Goal 5: Build organisational capability, resilience and excellence						
Programme/Strategic Objective:	**5.2 Extend the economic transformation impact of the ELIDZ's operations through targeted procurement, enterprise development and social upliftment programmes that produce a Level 1 B-BBEE status by 2019/20**						
Sub-Programme:	**2C: Financial Management**						
Performance Indicator	**Actual Achievement 2016/2017**	**Actual Achievement 2017/2018**	**Actual Achievement 2018/2019**	**Planned Target 2019/20**	**Actual Achievement 2019/20**	**Deviation from 2019/20 Target**	**Comment on deviations**
5.2.6 Annual assessed ELIDZ B-BBEE status	Level 2	Level 5	Level 2	Level 2	Level 2	Achieved	See Note 24

24. After a change to the manner in which the B-BBEE levels were calculated during 2018/19, the ELIDZ was forced to revise the targets in line with the Level 5 rating from 2017/18. Through a concerted effort to improve training and support of SMMEs, the ELIDZ was able to maintain the targeted B-BBEE level.

2.4.3 Strategies to overcome areas of underperformance

The ELIDZ finds itself underperforming in the areas of employment opportunities in the construction space as well as manufacturing and services jobs. There has also been underperformance on revenue from lease transactions and in the number of hosted incubators.

In addressing the underperformance on construction jobs, the ELIDZ is actively developing both infrastructure and superstructures in order to accommodate investor requirements and improve the attractiveness of the zone as an investment destination. These endeavours will contribute to providing construction employment opportunities that will directly affect the performance against the targets.

The underperformance on manufacturing and services jobs continue to be an area of underperformance and is affected by several factors, some of which are not directly in the control of the ELIDZ. The state of the economy has had a negative effect on the financial position of some investors and the zone has seen instances of contraction in employment. Despite this, there has been a number of new investors signed and once they begin their operations, this will increase the number of manufacturing and services jobs within the ELIDZ. The continued attraction, settlement and operationalization of manufacturing and services enterprises within the ELIDZ will serve to improve the number of jobs within the zone.

The ELIDZ remains committed to developing entrepreneurs through its incubator programme and is actively engaging business and industry in order to establish incubators in order to nurture and develop small businesses and entrepreneurs. Despite not achieving the target for innovations, the ELIDZ will use the experience gained from understanding the issues and difficulties from solution issuers and challenge respondents alike. This approach will contribute to revising the platform for all participants.

The underperformance of lease transaction revenue arose due to circumstances that were not foreseen whereby tenants were awarded payment holidays. These tenants have undertaken measures to address their financial position and the ELIDZ is therefore able to improve on the collection of lease revenue. Continued engagement with investors will assist in managing and planning for instances where tenant financial obligations are compromised.

2.4.4 Performance linked to budget

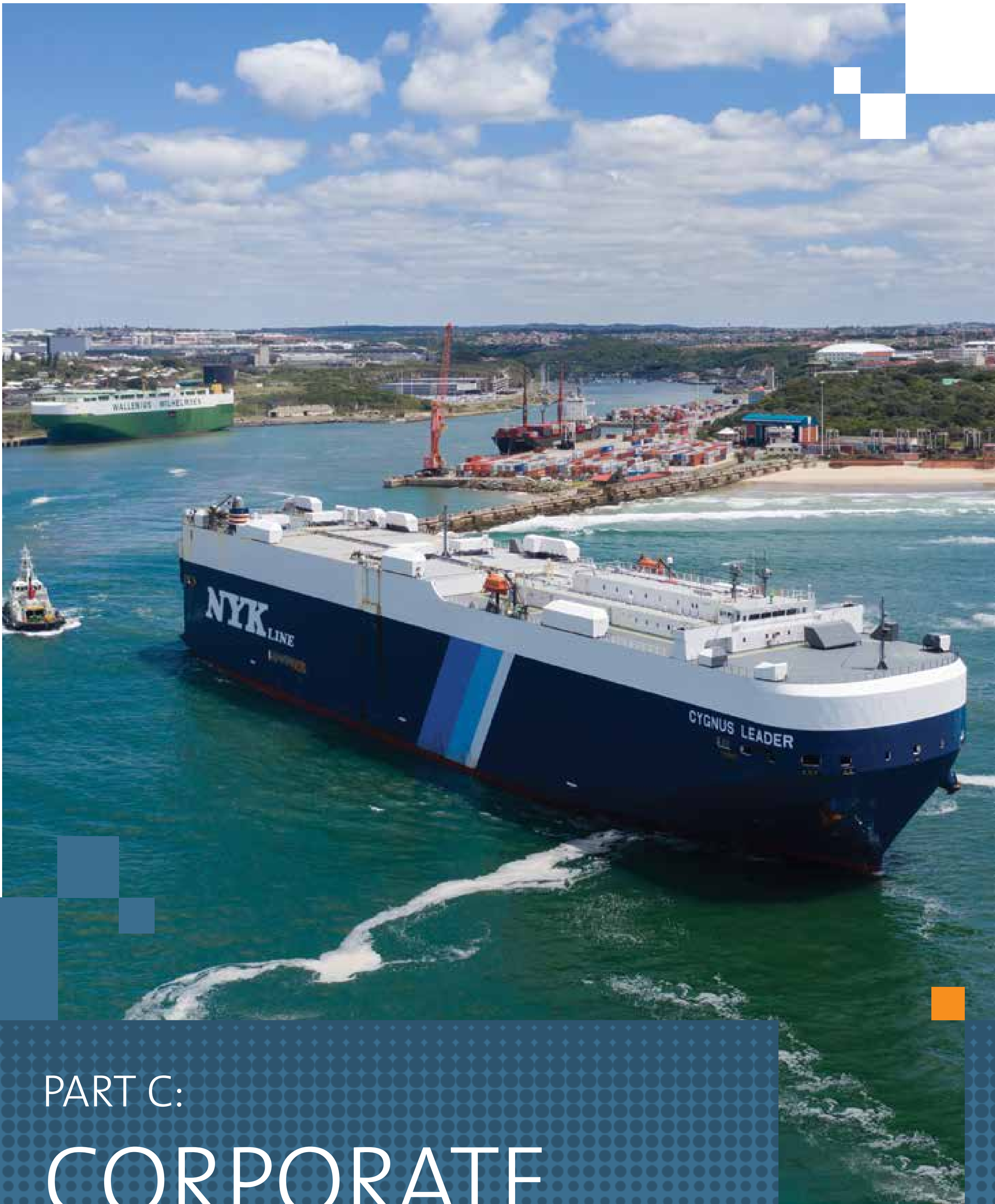
	2018/19			2019/20		
Programme	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**	**Budget**	**Actual Expenditure**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Operations	150,232	146,728	3,504	161,079	160,474	606
Programme 2: Institutional Support	95,891	95,827	46	111,960	108,931	3,029
Total	**246,123**	**241,995**	**4,128**	**273,039**	**269,404**	**3,635**

2.5 REVENUE COLLECTION

Source of Revenue	2018/19 Budget	2018/19 Actual Revenue	2018/19 Over/(Under Collection)	2019/20 Budget	2019/20 Actual Revenue	2019/20 Over/(Under Collection)
	R'000	R'000	R'000	R'000	R'000	R'000
Rentals	62,915	70,578	7,663	81,166	72,025	-9,141
Zone Levies	1,847	1,596	-251	2,040	2,247	207
Sale of Land						
Utilities Income	75,67	76,49	820	81,308	90,109	8,801
Other Income	2,7	3,808	1,108	3,000	3,661	661
STP Revenue	4,4	3,314	-1,086	5,000	3,966	-1,034
Total	**147,532**	**155,786**	**8,253**	**172,514**	**172,008**	**-506**

2.6 CAPITAL INVESTMENT

Project	Beginning of the year	Expenditure	Transferred from/to	Grant Receipts	Interest Received	Funded through Own Revenue	Closing Balance
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Berlin Land	-	-628,643	-	-	-	628,643	**-**
New Factory	792,123	-	-	-	-	-	**792,123**
Kemba	658,554	-	-	-	-	-	**658,554**
Bulk Electricity Upgrade	125,105,762	-50,053,621	-	-	-	-	**75,052,141**
Wind Farm	11,505,699	-	-	-	-	-	**11,505,699**
MT2 fish cultures	10,596,965	-	-	-	-	-	**10,596,965**
Yanfeng Extensions	2,362,702	-	-2,362,702	-	2,362 702	-	**2,362,702**
Yekani	46,786,085	-	-	-	-	-	**46,786,085**
MBSA	222,787,937	-201,398,457	-	-	-	-	**21,389,480**
D-Fence	78,890,700	-67,947,623	-	-	-	-	**10,943,077**
Nulatex	1,445,392	-505,615	-	-	-	-	**939,777**
TI Automotive	106,919,358	-100,072,341	-	-	-	-	**6,847,017**
Ebor Systems	97,252,179	-78,576,245	-	-	-	-	**18,675,934**
Valeo	163,552,849	-124,297,081	-	-	-	-	**39,255,768**
Voetstalpine	43,364,462	-	-	-	-	-	**43,364,462**
Yanfeng New Factory	75,437,960	-24,445,025	-	-	-	-	**50,992,935**
Polytec	84,554,724	-75,237,364	-	-	-	-	**9,317,360**
Auria	64,156,959	-76,646,726	-	84,834,939	-	-	**72,345,172**
Interest	19,683,463	-	-	-	60,794,962	-	**80,478,425**
Linde Wieman	-	-13,502,540	-	9,510,536	-	-	**-3,992,004**
MSC Hardstand	-	-12,414,440	-	-	-	12,414,440	**-**
Automould	-	-	-	5,969,370	-	-	**5,969,370**
Sundale	-	-	-	13,043,478	-	-	**13,043,478**
Total	**1,155,853,874**	**-825,725,721**	**-2,362,702**	**113,358,323**	**63,157,664**	**13,043,083**	**517,324,521**



PART C:

CORPORATE **GOVERNANCE**

3.1 INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. It defines the distribution of rights and responsibilities among the different stakeholders and participants in the organisation, it determines the rules and procedures for making decisions on corporate affairs (including the process through which the organisation's objectives are set) and provides the means of attaining those objectives and monitoring performance. Importantly it defines where accountability lies throughout the organisation.

In addition to legislative requirements based upon the ELIDZ's enabling legislation and the Companies Act of 2008, corporate governance is applied through the prescripts of the PFMA and in accordance with the principles contained in the King IV Report on Corporate Governance and the Protocol on Corporate Governance, 2002.

The ELIDZ is committed to upholding the highest standards of corporate governance by complying with legislation applicable to it as well as aligning itself to non-binding rules, codes and standards such as the King report and governance protocol. Parliament, the Executive and the Board of the ELIDZ are responsible for corporate governance.

3.2 PORTFOLIO COMMITTEES

Parliament exercises its role through evaluating the performance of the ELIDZ. It does this by interrogating the AFS of the organisation and other relevant documents, which may be tabled from time to time.

The Standing Committee on Public Accounts reviews the AFS and the audit reports of the external auditor, which in the case of the ELIDZ, is AGSA.

The Portfolio Committee exercises oversight over the service delivery performance of the ELIDZ and as such reviews the non-financial information contained in its annual report. The committee is concerned with service delivery and enhancing economic growth.

The ELIDZ met with the Portfolio Committee on 11 July 2019 for the purposes of a budget vote meeting and on 15 November 2019 for the consideration of annual and financial oversight reports.

3.3 EXECUTIVE AUTHORITY

The Executive Authority is authorised in terms of the provisions of the PFMA to exercise oversight over the ELIDZ.

The Executive Authority has the power to appoint Board members and is also responsible for ensuring that the members of the Board have the skills and experience necessary to perform the functions and fulfil the duties of directors.

3.4 BOARD OF DIRECTORS

01 02 03 04 05

01. COUNCILLOR P. NAZO
Chairperson of the Operations and Risk Committee, Member of the Governance Committee and the Finance Committee

Current employment:
Portfolio Head for Spatial Planning and Development at the Buffalo City Metropolitan Municipality

Skills: Local Economic Development, Community Relations, Development Communications, Public Relations, Project Management and Local Government Management

Affiliations: Eastern Cape Geographical Name Change Committee, Metro Growth Development Strategy 2030 Chair, Member of the Institute of Directors in Southern Africa (IoDSA)

02. MS S. NKUNGWANA
*Member of the Finance Committee**

Current employment:
Senior Manager: Economic Research and Development, DEDEAT

Skills: Economic Development, Research

Affiliations: Member of IoDSA

04. MR A. KANANA
Chairperson of the Audit Committee and Member of the Governance Committee

Current employment:
Chief Executive Officer of Land Bank

Skills: Audit, Finance and Public Sector Governance

Affiliations: Member of South African Institute of Chartered Accountants (SAICA), Member of IoDSA

03. MR E. JOOSTE
Chairperson of the Finance Committee, Member of the Audit Committee and the Governance Committee

Current employment:
EVJ Consulting (Pty) Ltd

Skills: Public Finance, SCM & Governance. B.Com(Acc), International Executive Development Programme (IeDP)

Affiliations: South African Institute of Professional Accountants (SAIPA) Institute of Internal Auditors South Africa (IASA), Member of IoDSA

05. MR S. KONDLO
Executive Director - Ex Officio

Current employment:
Chief Executive Officer of the ELIDZ

Skills: Engineering and Business Management

Affiliations: SAIAE, WISA, Board Member of TCTA, Board member of BCMDA, Member of IoDSA

* *Moved from being a member of the Operations and Risk Committee to a member of the Finance Committee during the course of the year.*

> *The ELIDZ is directed and controlled by a Board, which comprises of an appropriate mix of non-executive directors who have the necessary skills and experience to strategically guide the company.*

06. PROFESSOR M.W. MAKALIMA
Chairperson of the ELIDZ Board and Chairperson of the Governance Committee

Current employment:
Private Academic Research

Skills: Academic, Public Administration, Social and Economic Development, International Relations, Leadership and Project Management

Affiliations: Member of IoDSA

07. MS N. MNCONYWA
*Member of the Operations and Risk Committee and the Audit Committee**

Current employment:
Senior lecturer in Accounting, University of Fort Hare

Skills: Public Sector Governance and Finance

Affiliations: SAICA, IRBA, Member of IoDSA

08. MR B. MPONDO
Member of the Operations and Risk Committee

Current employment:
Managing Director of Safiri (Pty) Ltd

Skills: Transport Planning, Development Planning, Project Management

Affiliations: Member of IoDSA

09. MR M. MFULENI
Member of the Audit Committee

Current employment:
Chief Executive Officer of Imbizo Group

Skills: Manufacturing and Development, Telecoms and IT Consulting

Affiliations: Member of IoDSA, Chairman BayTV, President Black Technology Forum (BTF)

10. COUNCILLOR V GQODI
Member of the Operations and Risk Committee

Current employment:
Councillor at BCMM

Skills: Local economic development, community relations

Affiliations: Member of IoDSA

* *Moved from being a member of the Finance Committee to a member of the Operations and Risk Committee during the course of the year.*

The Board of Directors is the accounting authority of the ELIDZ and constitutes a fundamental base for the application of corporate governance principles. The ELIDZ is directed and controlled by a Board, which comprises of an appropriate mix of non-executive directors who have the necessary skills and experience to strategically guide the company.

The role and function of the Board of the ELIDZ is as follows:

- To act as the focal point for and custodian of corporate governance;
- To inform and approve the strategy of the Company;
- To provide effective leadership based on an ethical foundation;
- To ensure that the Company is and is seen to be a responsible corporate citizen;
- To ensure that the Company's ethics are managed effectively;
- To ensure that the Company has an effective and independent audit committee;
- To be responsible for the governance of risk;
- To be responsible for information technology governance;
- To ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards;
- To ensure that there is an effective risk-based internal audit;
- To appreciate that stakeholders' perceptions affect the Company's reputation;
- To ensure the integrity of the Company's annual report;
- To report on the effectiveness of the Company's system of internal controls;
- To act in the best interests of the Company;
- To appoint the Chief Executive Officer and establish a framework for the delegation of authority. The Board shall ensure that a succession plan is in place for the CEO and other members of executive management.

3.4.1 Board Charter

The Board of the ELIDZ has a charter setting out its role and responsibilities. The charter was drafted in accordance with the provisions of the Companies Act, the PFMA, the principles contained in the King Code and the Memorandum of Incorporation of the Company.

The Board charter of the ELIDZ confirms:

- The role and function of the Board
- The appointment and terms of office of Board members
- The process for termination of office of Board members
- The structure and function of Board committees
- The roles and responsibilities of the Chairperson of the Board, the Chief Executive Officer and the Company Secretary
- The process for performance evaluations of the Board and its Directors
- The procedure for meetings of the Board
- The rules regarding remuneration of Directors

The charter furthermore confirms that the Board is responsible for:

- Corporate governance
- Determining the ELIDZ's strategic direction
- Control of the company
- Ensuring that management cultivates a culture of ethical conduct
- Determining the values to which the company will adhere and incorporating these values into a code of conduct
- Ensuring that integrity permeates all aspects of the ELIDZ's operations and that the Company's vision, mission and objectives are ethically sound
- Aligning its conduct and the conduct of management with the values that drive the Company's business
- Considering the legitimate interests and expectations of the Company's stakeholders in its deliberations, decisions and actions

The documents which inform the Board charter form part of the Board induction process and training program. Compliance with the charter is also monitored by way of the work plans of the Board and its committees.

3.4.2 Composition of the Board

The Board of the East London IDZ comprised of nine non-executive directors as at 31 March 2020. The Chief Executive Officer is an ex officio member of the Board. The Executive Authority is responsible for appointing members of the Board and the Chairperson of the Board, and also determines the conditions of their service. The directors are drawn from diverse backgrounds and bring a wide range of experience and professional skills to the Board and its sub-committees.

The evaluation of the Board, its committees and the individual Directors is performed on an annual basis.

The Board met several times during the financial year in order to discharge its responsibilities. The following schedule contains a list of meetings attended by each Director:

Name	Designation	Date appointed	Date retired	Age	Qualifications	Area of expertise	Non-Executive /Independent Non-Executive	No. of Board meetings attended	No. of committee meetings attended
Professor MW Makalima	Chairperson of the Board and Chairperson of the Governance Committee	26/01/2016	N/A	72	BA (Hons) (MA)	Public sector	Independent Non-Executive	9/9	5/5 Governance Committee
Cllr P Nazo	Chairperson of the Operations and Risk Committee, member of the Finance Committee, member of the Governance Committee	26/10/2011	N/A	57	Postgraduate Diploma in Social Security, Diploma in Practical Labour Law, Certificate in Management Practice	Municipal sector	Non-Executive	8/9	4/5 Governance Committee 4/4 Operations and Risk Committee 6/7 Finance Committee
Mr A Kanana	Chairperson of the Audit Committee and member of the Governance Committee	24/10/2012	N/A	38	BComm (Hons) (CA) SA	Finance and public sector governance	Independent Non-Executive	7/9	4/6 Audit Committee 3/5 Governance Committee
Mr E Jooste	Chairperson of the Finance Committee, member of the Audit Committee, member of the Governance Committee	01/11/2013	N/A	59	BComm Acc	Finance and public sector governance	Independent Non-Executive	8/9	6/6 Audit Committee 5/5 Governance Committee 7/7 Finance Committee
Ms N Mnconywa	Member of the Audit Committee, (moved from being a member of the Finance Committee to a member of the Operations and Risk Committee during the course of the year)	26/09/2016	N/A	48	BCom (Hons), CA(SA), Higher Diploma in Education, Post Graduate Certificate in Accounting, Masters in Accounting Sciences	Finance and public sector governance	Independent Non-Executive	8/9	6/6 Audit Committee 2/7 Finance Committee (2/2 during period of appointment) 3/4 Operations and Risk Committee (3/3 during period of appointment)
Cllr V Gqodi	Member of the Operations and Risk Committee	11/10/2017	N/A	34	N/A	Municipal sector	Non-Executive	9/9	4/4 Operations and Risk Committee
Ms S Nkungwana	Member of the Finance Committee (moved from being a member of the Operations and Risk Committee to a member of the Finance Committee during the course of the year)	31/10/2018	N/A	42	Bcomm (Hons)	Public sector	Non-Executive	6/9	3/7 Finance Committee (3/6 during period of appointment)
Mr M Mfuleni	Member of the Audit Committee	31/10/2018	N/A	49	Diploma (Theology)	Private business	Independent Non-Executive	9/9	6/6 Audit Committee
Mr B Mpondo	Member of the Operations and Risk Committee	31/10/2018	N/A	45	BSc (Hons) Town and Regional Planning	Private business	Independent Non-Executive	6/9	3/4 Operations and Risk Committee

3.4.3 Changes in the Board Composition in 2019/20 FY

There were no changes in the composition of the Board during the 2019/20 FY

3.4.4 Committees

The Board has the authority to delegate its power to executive structures and board committees. A delegation of authority framework is in place to facilitate this delegation. The Board has accordingly established the following sub-committees for the purposes as outlined below:

- The Governance Committee;
- The Audit Committee;
- The Finance Committee;
- The Operations and Risk Committee.

3.4.4.1 Governance Committee

This committee consists of four non-executive board members. The Committee is responsible for:

- Monitoring execution of the Company's strategic plans;
- Performing the functions of a governance committee;
- Performing the functions of a nominations committee;
- Drawing matters within its mandate to the attention of the Board as the occasion requires;
- Reporting, through one of its members, to the Shareholders at the Company's Annual General Meeting on matters within its mandate;
- Reporting on a quarterly basis, through the Chairperson of the Committee, to the Board of Directors, on all matters submitted to the Committee for consideration and the outcome of each deliberation.

3.4.4.2 Audit Committee

The Audit Committee is tasked by the Board to carry out its statutory duties in terms of Section 77 of the PFMA, Treasury Regulation 27.1 and Section 94(7) of the Companies Act of 2008, as well as all other duties assigned to it by the Board.

The committee is comprised of four non-executive directors. The Chief Executive Officer, Chief Financial Officer, internal auditors and external auditors are standing invitees to the meetings.

The main objective of this committee is to provide the Board with assurance that the internal controls are appropriate and effective and to monitor the component parts of the audit and compliance process. The specific role of the audit committee is to assist the Board in discharging its responsibilities and to, amongst other things:

- Safeguard assets;
- Maintain adequate accounting records;
- Develop and maintain effective systems of internal control;
- Promote the independence of both the external auditors and internal audit function;
- Review the scope and outcome of audits;
- Ensure that the Board makes informed decisions and is aware of the implications of such decisions regarding accounting policies, practices and disclosures;
- Provide as much assistance and information as possible to the Board to enable it to discharge its responsibilities appropriately.

3.4.4.3 Finance Committee

The committee is comprised of three non-executive directors. The Committee is responsible for:

- Reviewing policies and strategies relating to financial activities including the application for and utilisation of grants;
- Deliberating on issues relating to the financial budget of the Company including the preparation of annual operating and revenue budgets and periodic budget reviews;
- Awarding of tenders in accordance with the provisions of the Company's procurement policy and the delegation of authority matrix of the Board;
- Reviewing the implementation of procurement procedures;
- Determining and monitoring procurement targets;
- Performing the functions of a remuneration committee.

3.4.4.4 Operations and Risk Committee

The committee is comprised of four non-executive directors. The Committee is responsible for:

- Deliberating on issues relating to business development and in particular the attraction and placement of investment;
- Performing the functions of a social and ethics committee in terms of the Companies Act of 2008;
- Enquiring into the process of risk identification and the measures in place to contain these risks;
- Reviewing and recommending to the Board revisions to business plans and targets as a result of investment trends;
- Reviewing and recommending to the Board investor after-care strategies aimed at retaining and expanding investment in the Company and the provision of appropriate resources;
- Reviewing and recommending to the Board strategies aimed at developing small medium and micro enterprises (SMMEs) aimed at improving local participation in manufacturing;
- Reviewing and recommending to the Board strategies aimed at developing streamlined business services support to investors;
- Reviewing and recommending to the Board strategies aimed at facilitating customer satisfaction;
- Reviewing and evaluating all investment proposals;
- Considering national and international developments in the fields of trade and investment;
- Considering local, provincial and national legislative policy developments in the field of investment promotion and facilities;
- Considering potential risks associated with an investment;
- Monitoring and evaluating all programmes and policies aimed at meeting the objectives and targets for development and operations of the zone.

Committee	No. of meetings held	No. of members	Name of members
Governance Committee	5	4	Professor MW Makalima (Chair) Cllr P Nazo Mr E Jooste Mr A Kanana
Audit Committee	6	4	Mr A Kanana (Chair) Mr E Jooste Ms N Mnconywa Mr M Mfuleni
Finance Committee	7	3	Mr E Jooste (Chair) Cllr P Nazo Ms S Nkungwana
Operations and Risk Committee	4	4	Cllr P Nazo (Chair) Ms N Mnconywa Cllr V Gqodi Mr B Mpondo

3.4.5 Remuneration of Board Members

Board members are remunerated in terms of a non-executive director remuneration policy. The rates of remuneration are in accordance with the National Treasury Guidelines issued on 24 May 2013. Board members that are in the employ of the Executive Authority are not remunerated for their services as Directors.

Board members are remunerated according to the following rates:

- Chairperson of the Board – R12 500 per sitting of the Board
- Member of the Board – R7 500 per sitting of the Board
- Statutory Committee chairs (Audit/Operations and Risk) – R9 500 per sitting of the committee
- Statutory Committee members (Audit/Operations and Risk) – R6 375 per sitting of the committee
- Chairperson of committee (other than Audit/Operations and Risk) – R8 500 per sitting of the committee
- Member of committee (other than Audit/Operations and Risk) – R6 375 per sitting of the committee
- Attendance of Board workshops, meetings with the Auditor-General, the MEC and the Portfolio Committee, adhoc meetings with the chairperson and special approved requests for board members to work on certain matters – R2 800 per hour for the Chairperson of the Board, R1 667 per hour for statutory committee chairs (Audit/Operations and Risk), R1 250 per hour for other members of the Board or Committee
- Attendance at external stakeholder workshops and presentations – R705 per hour for the Chairperson of the Board, R606 per hour for the Board and committee members
- Members of the Board furthermore receive a monthly contribution towards their airtime at the rate of R319 for the Chairperson of the Board and R213 for the members of the Board
- Members of the Board that travel from out of town receive an out of town travel allowance of R1 277 per round trip
- Members of the Board are reimbursed for fuel used to attend ELIDZ commitments at the published AA rates.

Name	Remuneration	Other allowance	Other re-imbursements	Total
MW Makalima	333,221	1,521	-	**334,742**
P Nazo	215,931	-	-	**215,931**
A Kanana	140,748	10,216	-	**150,964**
EV Jooste	238,991	-	-	**238,991**
N Mnconywa	180,579	-	-	**180,579**
V Gqodi	153,270		-	**153,270**
B Mpondo	76,500	15,324	-	**91,824**
S Nkungwana	-		-	**-**
M Mfuleni	128,250	10,216	-	**138,466**
Total Board Fees 2019/20 FY				**1,504,767**

3.5 RISK MANAGEMENT

ELIDZ has had an approved risk management policy and strategy in place for the duration of the 2019/20 financial year. Risk assessments are conducted regularly in order to determine the effectiveness of the risk management strategy and to identify new and emerging risks.

The Risk Management Committee assessed the overall system of risk management, especially the mitigation of unacceptable levels of risk. The Committee met quarterly to review the organisational risk register and provide updates on implementation of risk management action plans.

3.5.1 Board and Sub-committee oversight

The Board has continued to perform their oversight role in respect of risk management. High priority risks are allocated to the relevant Board sub-committee thereby allowing for greater oversight and monitoring of action plans. The Operations and Risk Committee advised management and those charged with governance on risk management and independently monitored the effectiveness of the system of risk management. Assurance was further provided by internal audit through their independent review of the ELIDZ risk management processes.

A reduction was noted in the overall entity residual risk as a result of action plans implemented during the period. This has transmitted into improvements in the entity's performance as well as a significant improvement in the internal control environment.

The ELIDZ Risk Register consisted of 77 risks.

At the beginning of the financial year the risk were prioritised based on the extent of the residual risk which was mainly a result of the impact, the probability and strength of controls to mitigate the risks.

Below is an illustration of the various priorities:

RESIDUAL RISK OVERVIEW

PRIORITY 1 - **14%**

PRIORITY 2 - **20%**

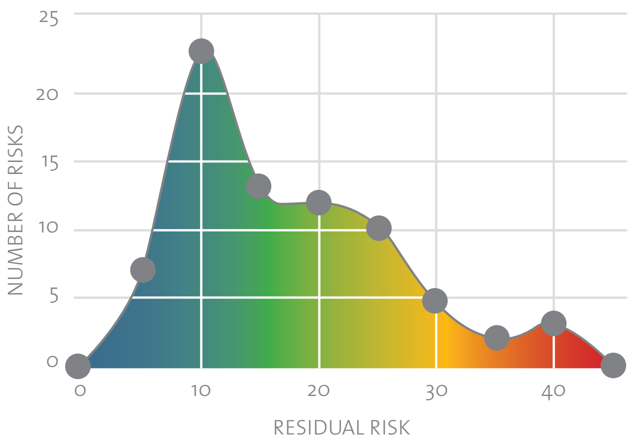
PRIORITY 3 - **18%**

PRIORITY 4 - **29%**

PRIORITY 5 - **19%**

The majority of the ELIDZ risks are included in the P4 and P5 risk categories (37 out of 77 risks) – these risks are adequately mitigated through controls in place. This is consistent with the organisational controls assessment where 40 out of 77 controls have been rated as satisfactory and above.

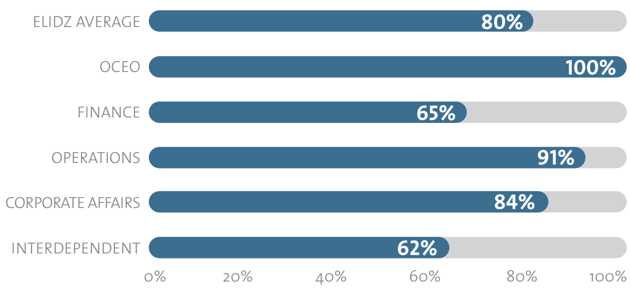
ORGANISATIONAL RESIDUAL RISK DISTRIBUTION



At the end of the 4th quarter, ELIDZ had implemented 80% of its risk improvement action plans.

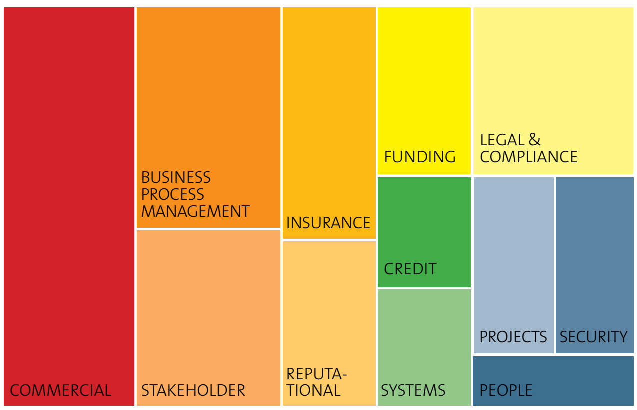
Below is a summary of the overall status of controls implementation at 31 March 2020.

% IMPLEMENTATION OF ACTION PLANS



At the end of the 4th quarter, ELIDZ's areas of residual risk are as follows:

ELIDZ RISK ENVIRONMENT



3.6 COMPANY SECRETARY

In terms of Section 88 (2) (e) of the Companies Act, I certify that the company has filed with the Companies and Intellectual Property Commission all such returns and notices in terms of the Act, and all such returns appear to be true, correct and up to date.

"I certify that the company has filed with the Companies and Intellectual Property Commission all such returns and notices..."

Palmer

Jo-Anne Palmer
Company Secretary

3.7 SOCIAL AND ETHICAL RESPONSIBILITY

The ELIDZ is a Schedule 3D entity. Schedule 3D entities are referred to as government business enterprises or SOCs. These entities generate income, but may be substantially funded from sources other than a provincial revenue fund, i.e. self-funding and/or other government funding. While entities such as the ELIDZ have less autonomy than the schedule 2 and other schedule 3 public entities, they are still run in accordance with general business principles.

COMPLIANCE WITH LEGISLATION AND BEST PRACTICE

As an SOC, the ELIDZ is committed to not only complying with the Companies Act No 71 of 2008 (as amended in 2011) but also applicable voluntary and leading best practice in Corporate Governance as contained in the **King IV Report on Corporate Governance for South Africa (King IV Report).** [1]

3.7.1. Legislation and Best Practice Applicable to Social and Ethics Committee

Both the Companies Act and the King IV Report highlight the need for an active and operational Social and Ethics Committee.

3.7.1.1. THE COMPANIES ACT ON SOCIAL AND ETHICS

The Companies Act, The Companies Amendment Act (Act No. 3 of 2011) (hereafter the Companies Act) and the Companies Regulations of 2011 all highlight the key responsibilities for South African Companies.

Section 7 (b) of the Companies Act constitutes the Social and Ethics Committee as a statutory and board committee that is mandated with promoting the development of the South African economy by encouraging transparency and high standards of corporate governance as appropriate, given the significant role of enterprises within the social and economic life of the nation.

It further highlights the mandate of the Social and Ethics Committee as the following:

1. To monitor the company's activities with regard to the following five areas of social responsibility:
   (i) social and economic development;
   (ii) good corporate citizenship;
   (iii) the environment, health and public safety;
   (iv) consumer relationships; and
   (v) labour and employment.
2. To draw matters within its mandate to the attention of the Board as required.
3. To report to the shareholders at the company's annual general meeting on the matters within its mandate.

3.7.1.2. THE KING IV REPORT ON SOCIAL AND ETHICS

Sustainable Development is one of the philosophies that underpin the King IV Report. The report defines Sustainable Development as development that meets the needs of the present without compromising the ability of future generations to meet their need. Centred on Integrated thinking and value creation, the King IV Report highlights Corporate Citizenship as one of the key pillars of sustainable Developments. Corporate Citizenship in this context refers to the organisation's rights, obligations and responsibilities towards the society and the natural environment on which society depends.

Of the 10 Principles highlighted in the King IV Report – two key principles are focused on the role of the Social and Ethics Committee. Principle 2 focuses on the development, monitoring and reporting on the organisation's Ethics Framework, while Principle 3 is focused on Corporate Citizenship policies, practice and oversight.

There are no differences between the provisions made in the Companies Act and those made in the King IV Report with respect to the role of the Social and Ethics Committee. The King IV Report, however, provides a comprehensive framework and guidance on the role of the Social and Ethics Committee and this has been extensively used in this document to guide the ELIDZ's Social and Ethics Agenda for the 2019/20 Financial Year.

3.7.2. ELIDZ Social and Ethical Responsibility Agenda 2019/20

3.7.2.1. PRIORITY 1: ESTABLISHMENT OF AN ORGANISATIONAL ETHICAL CULTURE

Principle 2 of the King IV Report requires that the governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. The King IV Report recommends seven key practices in this regard. For the purposes of this document, these have been categorised into four key areas namely:

- The Review and Development of an ethics Regulatory framework
- The Communication of Ethics policies and organisational commitment to key stakeholders.
- Execution , Reporting and Oversight
- Disclosures

[1] King IV Report on Corporate Governance for South Africa 2016. The Institute of Directors Southern Africa NPC.

3.7.3 The Review and Development of Ethics Regulatory Framework for the Organisation

RECOMMENDED PRACTICES

1. The governing body should assume responsibility for the governance of ethics by setting the direction for how ethics should be approached and addressed by the organisation.
2. The governing body should approve codes of conduct and ethics policies that articulate and give effect to the direction on organisational ethics
3. The governing body should ensure that the codes of conduct and ethics policies :
    a. encompass the organisation's interaction with both the internal and external stakeholders and the broader society
    b. Address the key ethical risks of the organisation

ELIDZ'S SOCIAL RESPONSIBILITY FOCUS AREAS

BUSINESS ETHICS & TRANSPARENCY

Following the review of the Ethics Regulatory Framework during 2018/19, the ELIDZ has identified a number of policy and practice gaps that it would like to augment by the end of 2019/20. Key to this is the need every part of the organisation to not only know and subscribe to the organisational values, but to live them.

As part of its 5-year-strategy planning process the ELIDZ included the review, retesting and realignment of its organisational values as key enablers for the delivery of its strategy and the foundation of a conducive culture . The amended values together with the organisational core ideology were approved by the board in February 2020. This will assist in shaping an organisational culture inculcation programme that will be prioritised in 2020.

As at the end of Q4 an Benchmarking on the Development of an Integrated Annual Report (from a private sector perspective) was finalised and a 2-year programme which will see the ELIDZ achieve a successful assurance of the ELIDZ's integrated reporting practices was developed. An internal committee has been set up in this regard and the monitoring of these milestones will be integrated into the Social and Ethics programme for the new year. The board and management undertook a risk identification process at the beginning of the financial year and as part of this various ethical risks were considered. The controls for these risks were assessed and mitigation plans were also put in place. Key to these were fraud related risks. As at the end of the financial year these risks remain low and the ELIDZ's controls remain effective.

An Ethics Framework which takes into account the new values was developed during this period. An ELIDZ Ethics Review was undertaken and based on the review of the ELIDZ policies and interviews with board, management and staff, the ELIDZ was assessed as an organisation that possesses characteristics of both a compliant organisation and an organisation that reflects integrity (Between Level 3 and Level 4 on the barometer).

A Supplier Code of Conduct is in place. An audit to assess the ELIDZ's compliance to King IV was undertaken in Q4. The audit which looked at the ELIDZ's Corporate Governance Framework, Its Board Charter and Board subcommittees and terms of reference and the extent to which these policies comply with the King IV guidelines.

ELIDZ 2019/20 INDICATORS	ACTUAL PERFORMANCE	STATUS
100% of eligible employees to complete Annual Declaration in line with ELIDZ Ethics Framework. Analysis and Exception reporting to Executive Management. **Induction and re-induction of all ELIDZ employees.**	All of the declarations were sourced during Quarter 1, an analysis of the declarations was undertaken in Quarter 3 and no exceptions were noted. Induction of new employees and interns was undertaken in Quarter 2 and in Quarter 4.	✓
Training programme to ensure awareness of ethics regulatory framework to be developed by end of Q3 and all 2019/20 initiatives to be fully implemented by end of the FY.	Training programme developed and under implementation. Focus on Quarter 4 was on the new values framework.	✓
Development and Implementation of an annual Fraud Prevention Plan	Fraud Prevention Plan developed and approved in Quarter 1 of the financial year and was fully implemented.	✓
% of reported Fraud Hotline Reports investigated and closed	No matters reported to Fraud Hotline for further investigation since beginning of financial year.	✓
# of investigated and confirmed fraudulent cases against the ELIDZ	0 fraud cases reported, investigated and confirmed against the ELIDZ	✓
# of fraud related findings reported by the Auditor General of South Africa	0 fraud related findings reported by the AGSA during the 2018/19 audit	✓
# of fraud awareness campaigns implemented	One campaign currently active on intranet and website.	✓
# of organisation wide fraud training initiatives undertaken	Awareness Training conducted as part of employee Induction and Re-Induction.	✓

Completed | *In progress* | *Target not met*

WORKPLACE
(EMPLOYMENT PRACTICES)

ELIDZ EMPLOYMENT PRACTICES

The ELIDZ's employees are an integral part of the ELIDZ's Value Delivery Mechanism are at the core of ensuring that the ELIDZ remains competitive, cutting edge and able to deliver to customer and shareholder value.

- With this realization, the ELIDZ's Human Capital Strategy is centered on ensuring that the organization:
- Attracts skilled and suitable employees that share the ELIDZ's value system
- Invests in the education and development of its employees
- Retains its skilled and experienced employees through reward and recognition of loyalty and performance
- The ELIDZ is further committed to ensuring:
  - Diversity of the workplace
  - Integrated wellness of its employees
  - Compliance with relevant legislation and best practice with regard to Human Capital Management.

ELIDZ 2019/20 INDICATORS	ACTUAL PERFORMANCE	STATUS
70% of Employment Equity Plan implemented by the end of 2019/20	48% - A large number of the numerical goals were not achieved. Certain factors impacted on this, namely • Targeted candidates not having applied; • Targeted candidate having failed to satisfactorily pass the interview and assessment stages of the recruitment processes; and • No or limited vacancies at certain levels.	✗
10% staff turnover	1.16% by the end of the financial year	✓
10% staff vacancy rate	4.44%	✓
3% of employment-related expenditure spent on targeted training initiatives	6.31%	✓
70% employee satisfaction index	71,94%	✓

Completed	(green)	*In progress*	(grey)	*Target not met*	(yellow)

ECONOMY
(ECONOMIC DEVELOPMENT & TRANSFORMATION)

As a state owned entity that is mandated with diversifying the province's manufacturing base, the ELIDZ is conscious of its inherent responsibility to deliver on this mandate in a manner that would also extend and deepen the economic transformation impact of not only its operations, but also that of its tenanted industries.

The ELIDZ demonstrates its commitment to being a catalyst for economic development through:

- The Design and Development of investor solutions that would increase the competitiveness of manufacturing entities that locate in the ELIDZ
- The attraction of strategic investments that would create jobs and other socio-economic benefits for the Eastern Cape Province.
- The incubation of new sectors and technologies in the ELIDZ's Science and Technology Park
- Responsible Procurement of goods and services.

ELIDZ 2019/20 INDICATORS	ACTUAL PERFORMANCE	STATUS
28 intern/learnership contract opportunities offered per annum within the operations of ELIDZ organisation	There were 41 internship/ learnership opportunities offered within the ELIDZ operations by the end of Quarter 4.	✔
Level 2 B-BBEE rating by the end of 2019/20 FY	Level 2 B-BBEE rating was achieved	✔
30% of sub-contractable construction work to subcontracted to designated groups for all tenders above R30 million	There was total of nine contracts valued at R1,3 billion that were implemented in 2019/20. Three of the contracts had achieved completion and of these contracts, 2 had achieved the 30% target. The only company that did not achieve the target was WBHO on the TI contract. As a result of the key lessons learnt from these first contracts where the new preferential procurement framework was implemented, the ELIDZ had strengthened its process for the six other contracts to include, prior packaging of SMME opportunities, increased monitoring of contractors and introduction of penalties for non-compliance. As at the end of the year, on six of these contracts, the spend on 51% black owned enterprises had already exceeded 30% despite these projects still being ongoing. Overall, the spend on 51% black owned companies was 43%.	✔
15 intern opportunities created by ELIDZ consultants by end of 2019/20	Fifteen internship opportunities were created by ELIDZ contractors and service providers. The improved performance is as a result of the ELIDZ's inclusion of internship placement requirements as part of the contractual obligation for construction and consultant contracts.	✔
30% local procurement	87% local procurement for the period	✔
3 incubates hosted on the ELIDZ platform by the end of 2019/20	Two incubators were operational by the end of the financial year. The ELIDZ lost two incubators located in the zone during the period under review. The incubators, Chemin and ECITI, both funded by ECITI closed their operations due to funding challenges. In Quarter 4 another incubator, a Cisco incubator was established in the STP. The ELIDZ is also currently sourcing funding for the development of an auto sector incubator in partnership with AIDC.	✘
120 skills development beneficiaries trained in the ELIDZ Science and Technology Park by end of 2019/20	There were 122 skills development beneficiaries trained at the ELIDZ STP by the end of Quarter 4.The funding by the Department of Labour has enabled the increased performance.	✔
1 prototypes developed in the ELIDZ Science and Technology Park by end of 2019/20	There was one prototype developed in the STP.	✔
5758 manufacturing and services jobs active in the ELIDZ by end of 2019/20	As at the end of the financial year there were 4,794 manufacturing and services jobs that were active in the zone.	✘
3000 construction jobs created in the zone by end of 2019/20	2,048 construction jobs created in the zone by end of 2019/20	✘
Annual Zone Impact Census undertaken by end of Quarter 4	Census was undertaken and completed.	✔

Completed	(green)	*In progress*	(grey)	*Target not met*	(yellow)

COMMUNITY DEVELOPMENT

- The ELIDZ continues to **prioritise the development of surrounding communities through its Corporate Social Investment projects** and significant impact has been achieved in this regard.
- It can be seen that there has been an **emphasis on initiatives in Ward 46 followed by initiatives in BCMM and the greater EC province** respectively as identified in the CSI Plan that has been internally developed.
- There is also a **strong support of educational initiatives such as Rally to Read and the provision of learning materials to schools** followed by a support for youth and sport development.

ELIDZ 2019/20 INDICATORS	ACTUAL PERFORMANCE	STATUS
75% customer satisfaction index by end 2019/20	77.5% customer satisfaction index was achieved.	✓
7% year-on-year growth in ELIDZ Corporate Social Investment	-26%	✗
8 CSI initiatives implemented by end 2019/20	15 CSI initiatives in education support, community development and sports development were implemented during the financial year.	✓
7 bursaries awarded to neighbouring communities	11 Bursaries were awarded to neighbouring communities by the end of Quarter 4.	✓

Completed		*In progress*		*Target not met*	

ENVIRONMENTAL IMPACT MANAGEMENT

- The ELIDZ has invested in strategic human and financial resources dedicated to ensuring that SHEQ sustainability management best practices. The ELIDZ has maintained the following requirements:
- ISO 9001:2015 Quality Management System
- ISO 45001:2018 Occupational Health and Safety Management system.
- ISO14001:2015 Environmental Management System

ELIDZ 2019/20 INDICATORS	ACTUAL PERFORMANCE	STATUS
# of SHE citations for ELIDZ Corporate	There were no SHE citations for the period under review.	✓
Monitoring, communication, response and tracking of all zone enterprises SHE non-conformances and incidents as required.	The ELIDZ continues to maintain, monitor and report on any tenant SHE risks and non-compliance. The organisation has initiated ongoing meetings with tenant SHE officers to ensure shared understanding of legal obligations and create awareness of ELIDZ's intent to increase the risk monitoring scope. SHEQ non-compliance internal audits were undertaken in Quarter 3. All non-conformances picked up were tracked utilising the ELIDZ's new tracking system and were all addressed.	✓
Ensure Environmental due diligence is performed for 100% of investments presented to board for approval	Environmental due-diligence undertaken for all investments taken to board for approval.	✓
100% of SHEQ certifications retained.	External Audits were done in Quarter 4 and all certifications have been retained. All non-conformances identified have been responded to and progress on these is tracked.	✓

Completed		*In progress*		*Target not met*	


east london idz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3.8 AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2020.

3.8.1 Audit Committee Members and Attendance

The Audit Committee consists of the members listed hereunder and has met as reflected below.

Name of the members	Number of meetings attended
Mr A. Kanana (Chairperson)	4 of 6
Mr E. Jooste (Member)	6 of 6
Ms N. Mnconywa (Member)	6 of 6
Mr M. Mfuleni (Member)	6 of 6

3.8.2 Audit committee responsibility

The Audit Committee reports that it has adopted an appropriate formal terms of reference as its Audit Committee Charter, that it has regulated its affairs in compliance with this Charter and that it has discharged all of its responsibilities contained therein. The Audit Committee further reports that it has conducted its affairs in line with the requirements of the PFMA and Treasury Regulation 3.1.13.

The Audit Committee has an oversight function with regards to:

- Financial Management and other reporting practices;
- Internal controls and management of risks;
- Compliance with laws and regulation;
- The external audit and;
- The internal audit function.

In the conduct of its oversight duties, the Audit Committee has, inter alia, reviewed and is satisfied with the effectiveness of the following:

- Finance functions;
- The expertise, resources and experience of the finance function;
- The effectiveness of the CFO;
- Internal control, management of risks and compliance with legal and regulatory provisions;
- The effectiveness of the internal control systems;
- The effectiveness of the system and process of risk management, including the following specific risks:
  financial controls; fraud risks relating to financial reporting; information technology risks relating to financial reporting; and effectiveness of the entity's compliance with legal and regulatory provisions;
- Financial and sustainability information provided; and
- The adequacy, reliability and accuracy of financial information provided by management.

3.8.3 Effectiveness of Internal Control

The Audit Committee is satisfied:

- That the internal audit function is operating effectively and that it is addressing the risks pertinent to the Company in its audits;
- Of the independence and objectivity of the external auditors;
- Of the quality of the external audit; and
- That accounting and auditing concerns are identified as a result of internal and external audits, including reportable irregularities in line with the principles of combined assurance, as outlined in the King IV report on corporate governance.

The following internal audit work was completed during the year under review:

- Quarterly review of financial statements;
- Quarterly review of performance reports;
- Performance management review;
- AFS review;
- Dashboard review;
- Human resource management;
- Compliance review;
- SCM review;
- Going concern review;
- Asset management;
- Costing model;
- Fraud hotline review;
- Follow up reviews (all audits).

The Audit Committee is of the opinion, based on the explanations given by management and information gathered by the committee through its extended oversight programme as well as internal audit reports, that:

- The systems and process of risk management and compliance processes are adequate, effective, efficient and transparent;
- The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities is maintained; and
- Having considered the matters set out in section 94(8) of the Companies Act No. 71 of 2008, that it is satisfied with the independence and objectivity of the external auditors.

The ELIDZ has submitted monthly and quarterly reports to the Executive Authority.

3.8.4 Evaluation of Financial Statements

The Audit Committee has evaluated and discussed the AFS of the ELIDZ for the year ended 31 March 2020 and, based on the information provided to it, considers that the statements comply, in all material respects, with the requirements of the Companies Act and the PFMA. The Audit Committee concurs with the Board of Directors and management that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

The Audit Committee has therefore, at its meeting held on 22 July 2020, recommended the adoption of the financial statements by the Board of Directors.

The Audit Committee concurs with and accepts the AGSA's report on the AFS and is of the opinion that the AFS should be accepted and read together with the report of AGSA.

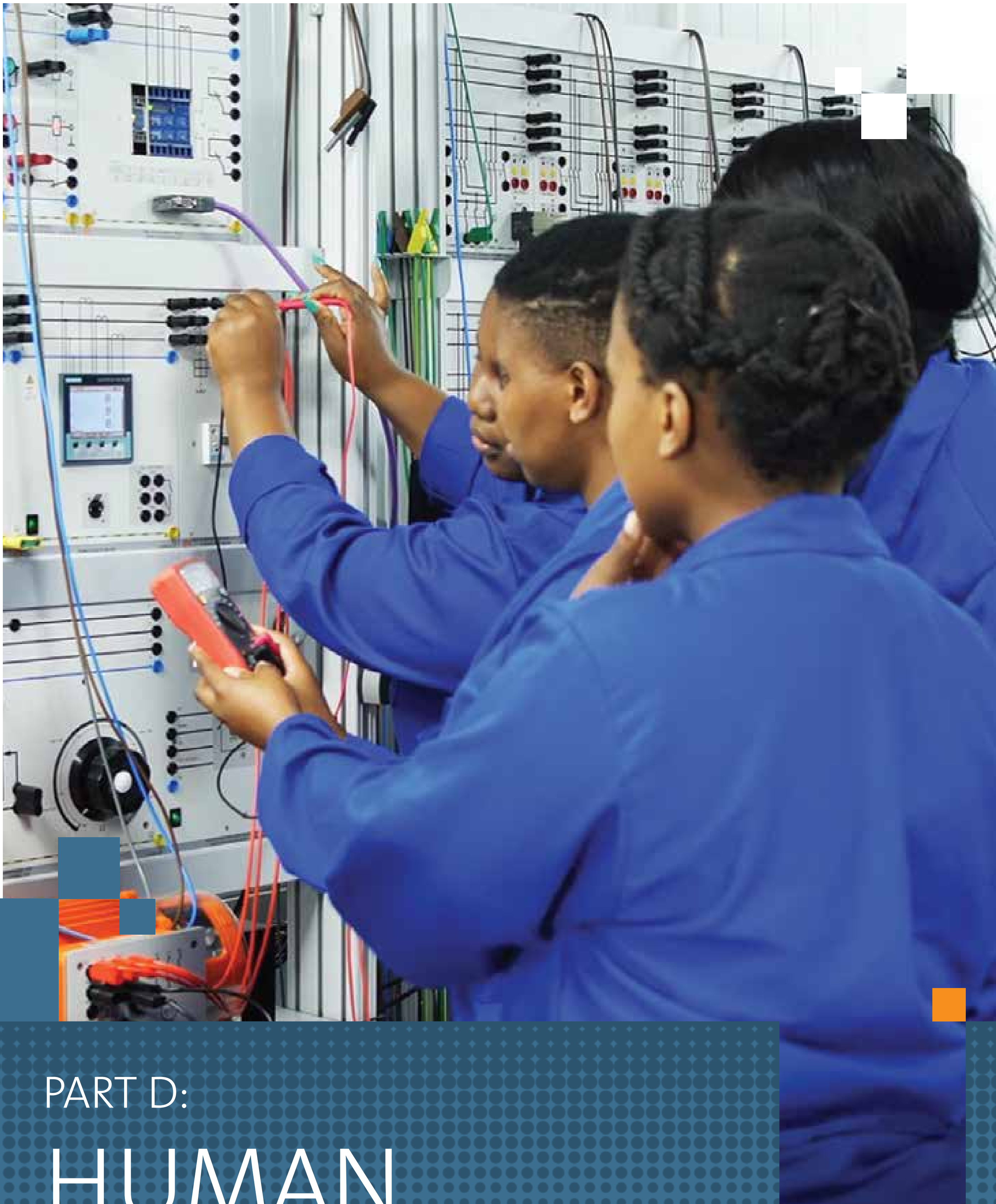
3.8.5 Auditor-General

The Audit Committee has met with AGSA to ensure that issues that were raised are being resolved by management.

On behalf of the Committee:

Mr A Kanana
Chairperson: Audit Committee

> *"The systems and process of risk management and compliance processes are adequate, effective, efficient and transparent"*



PART D:

HUMAN **RESOURCES**

4.1 INTRODUCTION

ELIDZ employees are crucial assets in driving the achievement of the company's strategic goals. As such, the ELIDZ continues to implement various measures to ensure the optimisation of such. The ELIDZ issues a quarterly Human Capital Management Report to the Board's Governance Committee, which also serves as the Social, and Ethics and HR Committee. The report, amongst other things reports on the following:

- The company's employment relationships;
- The company's contribution towards the educational development of its employees

4.2 HUMAN RESOURCES OVERSIGHT STATISTICS

4.2.1 Personnel cost by programme

EXPENDITURE: Personnel Costs by Programme: 2019/20

Programme/activity/objective	Total Expenditure for the entity (R)	Departmental exp. as a % of total exp.	No. of employees	Average Personnel cost per employee (R)
Office of the CEO	14,432,870	18%	9	1,603,652
Corporate Affairs *(Legal Services, Safety, Health, Environmental and Quality Management, Human Capital and Employee Relations, Records Management, Corporate Communications and Marketing and Information and Communications Technology)*	22,209,812	28%	25	888,392
Finance	13,044,729	16%	15	869,649
Operations	30,906,750	38%	37	835,318
TOTAL	**80,594,160**	**100%**	**86**	**937,141**

4.2.2 Personnel cost by salary band

EXPENDITURE: Personnel Costs By Salary Bands: 2019/20

Programme/activity/objective	Personnel Expenditure (R)	% of personnel exp. to total personnel cost	No. of employees	Average Personnel cost per employee (R)
Top management	4,154,946	5%	1	4,154,946
Senior management	8,699,994	11%	3	2,899,998
Professionally qualified and experienced specialists and mid-management	34,023,390	42%	23	1,479,278
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	26,770,280	33%	36	743,619
Semi-skilled and discretionary decision making	5,561,425	7%	15	370,762
Unskilled and defined decision making	1,384,124	2%	8	173,016
TOTAL	**80,594,160**	**100%**	**86**	**937,141**

Salaries, overtime, home-owners allowance and medical assistance by programme
The ELIDZ does not pay a homeowners allowance
R 29 628 in overtime was paid during the Financial Year ended 31 March 2020

Number of employees whose salary positions were upgraded due to their posts being upgraded
None during the year under review
Employees whose salary level exceed the grade determined by job evaluation
None during the year under review

4.2.3 Performance rewards

Programme//activity/objective	Performance rewards (R)	Personnel Expenditure (R)	% of performance rewards to total personnel cost
Top management	609 158	3 545 788	17%
Senior management	1 297 598	7 402 396	18%
Professionally qualified and experienced specialists and mid-management	3 995 725	31 921 461	13%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	2 920 028	24 668 351	12%
Semi-skilled and discretionary decision making	695 427	3 459 496	20%
Unskilled and defined decision making	143 359	1 384 124	10%
TOTAL	**9 661 295**	**72 381 617**	**13%**

4.2.4 Training costs

Programme / activity / objective	Personnel Expenditure (R)	Training Expenditure (R)	% of Training Expenditure to total Personnel Expenditure	No. of employees trained	Avg training cost per employee (R)
Top management	3 545 788	209 139	5,90%	1	209 139
Senior management	7 402 396	174 335	2,36%	3	58 112
Professionally qualified and experienced specialists and mid-management	31 921 461	1 243 149	3,89%	23	54 050
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	24 668 351	1 932 489	7,83%	36	53 680
Semi-skilled and discretionary decision making	3 459 496	750 763	21,70%	15	50 051
Unskilled and defined decision making	1 384 124	258 378	18,67%	8	32 297
TOTAL	**72 381 617**	**4 568 252**	**6,31%**	**86**	**457 329**

4.2.5 Employment and Vacancies

Programme / activity / objective	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	2019/2020 Vacancies (Budgeted)	% of Vacancies
Office of the CEO	9	10	9	1	10%
Corporate Affairs	25	26	25	1	3.85%
Finance	15	15	15	-	0.00%
Operations	35	39	37	2	5.13%
TOTAL	**84**	**90**	**86**	**4**	**4.44%**

Programme / activity / objective	2018/2019 No. of Employees	2019/2020 Approved Posts	2019/2020 No. of Employees	2019/2020 Vacancies	% of Vacancies
Top management	1	1	1	-	0.00%
Senior management	3	3	3	-	0.00%
Professionally qualified and experienced specialists and mid-management	22	24	23	1	1.11%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	35	39	36	3	3.33%
Semi-skilled and discretionary decision making	15	15	15	-	0.00%
Unskilled and defined decision making	8	8	8	-	0.00%
TOTAL	**84**	**90**	**86**	**4**	**4.44%**

4.2.6 Employment changes

EMPLOYMENT CHANGES: ANNUAL TURNOVER RATES BY SALARY BAND & CRITICAL OCCUPATION FOR THE PERIOD 01 APRIL 2019 TO 31 MARCH 2020

SALARY BAND	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	-	-	1
Senior management	3	-	-	3
Professionally qualified and experienced specialists and mid-management	22	1	-	23
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	35	2	1	36
Semi-skilled and discretionary decision making	15	-	-	15
Unskilled and defined decision making	8	-	-	8
TOTAL	**84**	**3**	**1**	**86**

4.2.7 Reasons for staff leaving

EMPLOYMENT CHANGES: REASONS WHY STAFF ARE LEAVING		
REASON	**Number**	**% of total no, of staff leaving**
Death	-	-
Resignation	1	1.16%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
Total	**1**	**1.16%**
Total number of employees who left as a % of the total employment	**1**	**1.16%**

4.2.8 Labour relations

PRECAUTIONARY SUSPENSIONS:

None.

LABOUR REFERRALS TO THE CCMA DISPUTES:

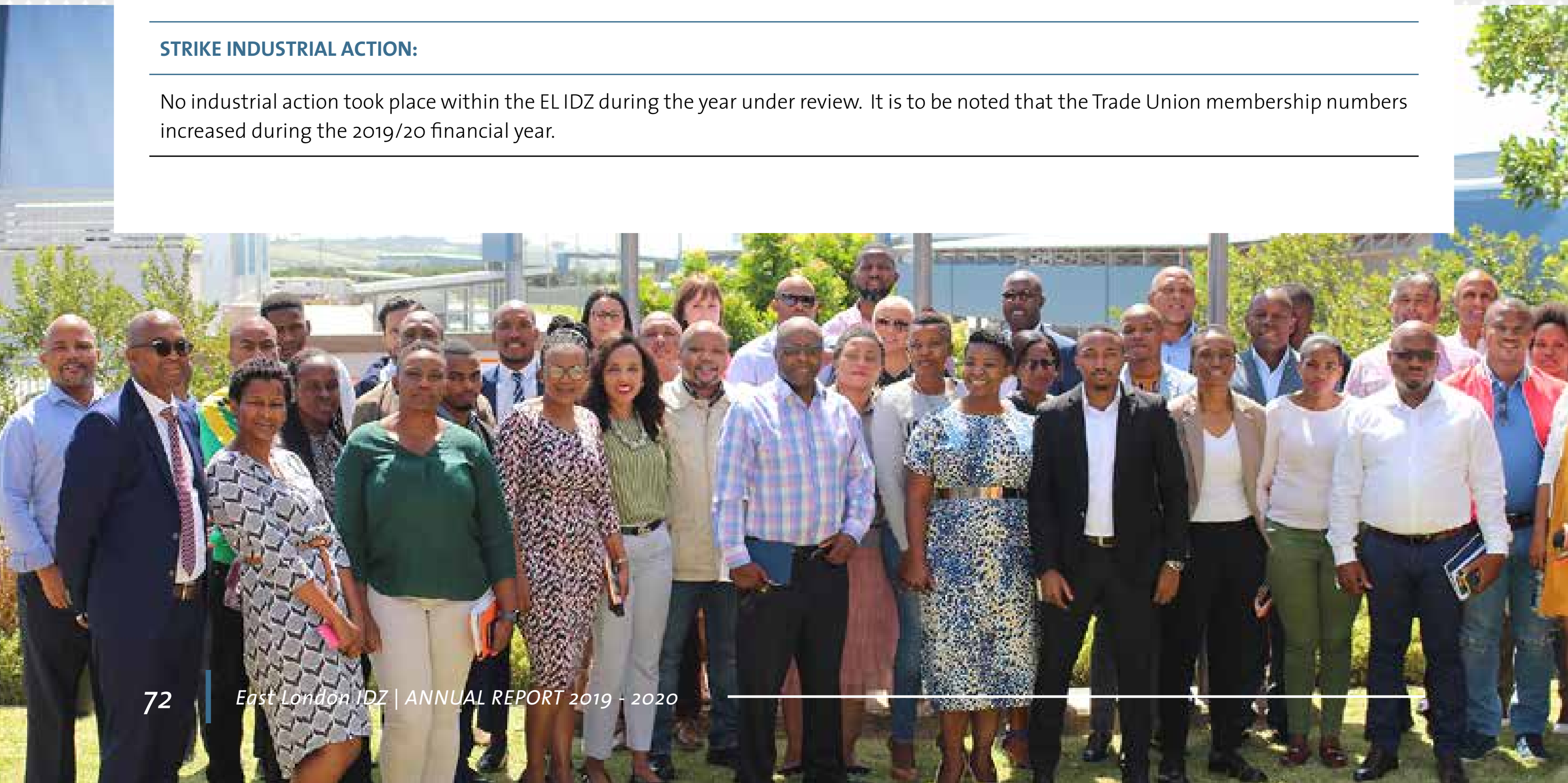
One (1) alleged unfair labour practice was referred to the CCMA during the 2017/18 financial year and this is still at arbitration stage.

INTERNAL DISCIPLINARY CASES:

Two (2) disciplinary hearings were conducted during the 2019/20 financial year as a result of allegations of misconduct. These were finalised with the employees having been absolved of all charges.

STRIKE INDUSTRIAL ACTION:

No industrial action took place within the EL IDZ during the year under review. It is to be noted that the Trade Union membership numbers increased during the 2019/20 financial year.



4.2.9 Employment equity

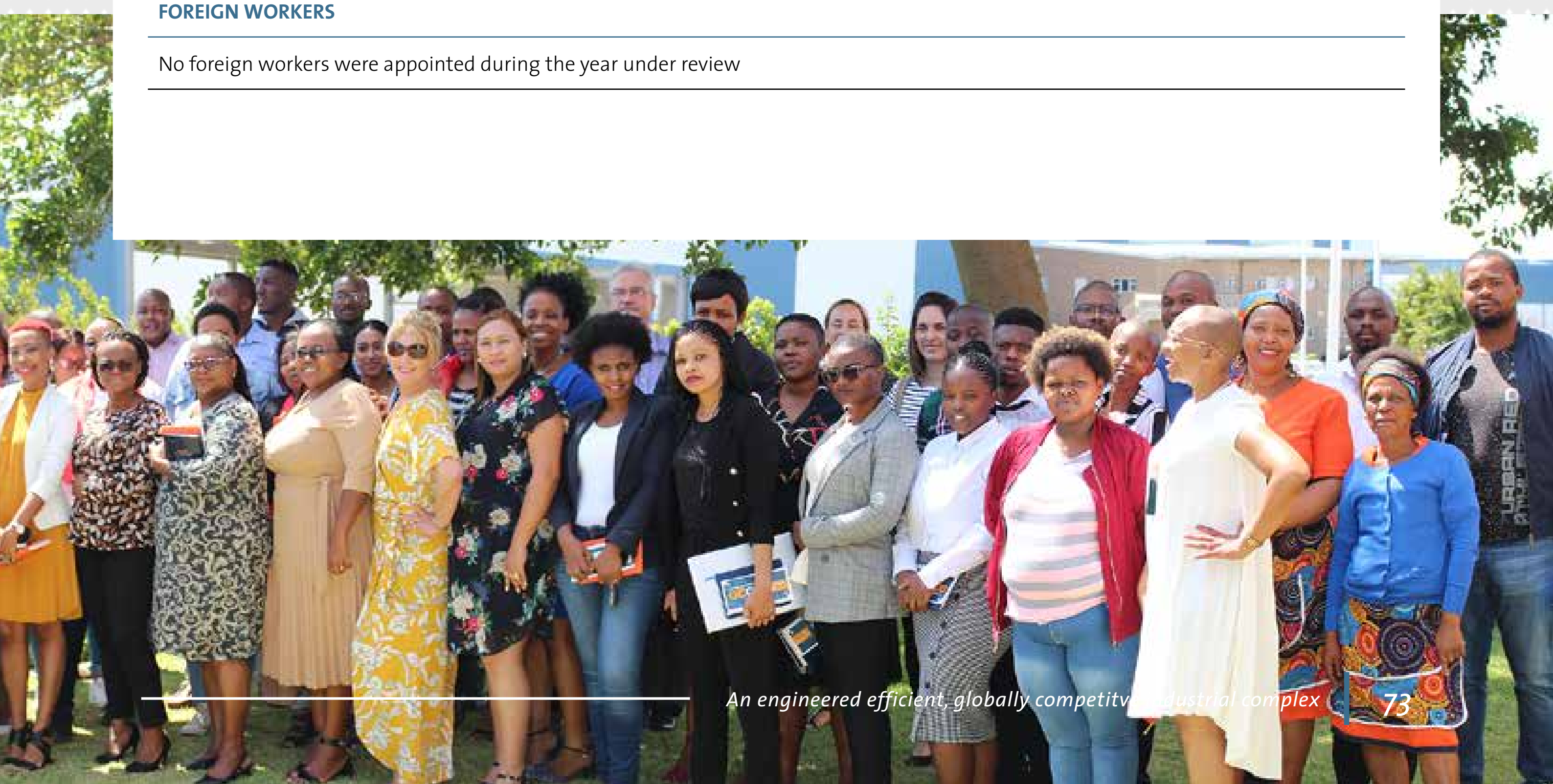
EMPLOYMENT EQUITY ANALYSIS (AS AT 31 MARCH 2020)

OCCUPATIONAL BANDS	MALE				Sub Total	FEMALE				Sub Total	Grand Total
	AFRICAN	COLOURED	INDIAN	WHITE		AFRICAN	COLOURED	INDIAN	WHITE		
Top management	1	-	-	-	1	-	-	-	-	-	1
Senior management	2	-	-	-	2	1	-	-	-	1	3
Professionally qualified and experienced specialists and mid-management	7	2	2	3	14	5	1	-	3	9	23
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	9	1	1	3	14	19	2	-	1	22	36
Semi-skilled and discretionary decision making	4	-	-	-	4	9	2	-	-	11	15
Unskilled and defined decision making	-	-	-	-	-	8	-	-	-	8	8
Total permanent	22	3	3	6	35	42	5	-	4	51	86
Temporary employees	-	-	-	-	-	-	-	-	-	-	-
Grand total	**22**	**3**	**3**	**6**	**34**	**42**	**5**	**-**	**4**	**51**	**86**

NOTE: We have one (1) white disabled male under the Skilled Technical & Academically Qualified Workers, Junior Management, Supervisors, Foremen & Superintendents category

4.2.10 Foreign workers

FOREIGN WORKERS
No foreign workers were appointed during the year under review



PART E:

ANNUAL FINANCIAL ***STATEMENTS***

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Legal form of entity	Public entity (PFMA)
Nature of business and principal activities	The development and management of the Special Economic Zone (SEZ) in East London
Directors	MW Makalima (Chairperson) EV Jooste A Kanana S Kondlo (Ex-officio) P Nazo N Mnconywa V Gqodi S Nkungwana M Mfuleni B Mpondo
Registered office	Acacia House Palm Square Bonza Bay Road 5201
Business address	Lower Chester Road Sunnyridge East London 5201
Postal address	P.O Box 5458 Greenfields East London 5208
Bankers	Standard Bank
Auditors	Auditor General of South Africa
Secretary	Ms. Jo-Anne Palmer
Preparer	The financial statements were internally compiled under the supervision of: Gift Matengambiri CA (SA) Chief Financial Officer
Specific governing legislation	Public Finance and Management Act 1 of 1999 The Special Economic Zones Act 16 of 2014

INDEX

The reports and statements set out below comprise the financial statements presented to the shareholders:

GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act
SEZA	Special Economic Zone Act

BOARD OF DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the board of directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the entity's cash flow forecast for the 12 months to 31 March 2021 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the entity's financial statements.

The financial statements set out on pages 74 to 121, which have been prepared on the going concern basis, were approved by the board on 31July 2020 and were signed on its behalf by:

Professor MW Makalima
Board chairperson

BOARD OF DIRECTORS' REPORT

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

1. Nature of business

The entity is engaged in the development and management of East London's special economic zone, investment attraction and investment management. It operates in the coastal Buffalo City Metropolitan in the Republic of South Africa.

2. Going concern

The assets of the entity exceeds its liabilities by R2 704 139 598 (2019: R2 297 663 638) and the entity has maintained profitability for at least four years.

The board of directors are satisfied that the entity has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The board of directors have satisfied themselves that the entity is in a good financial position and that it has access to sufficient own generated revenue and grants to meet its foreseeable cash requirements.

The Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) has committed to meet the ELIDZ's operational needs for the next three years to augment own generated revenue. The own generated revenue contribution to the operating budget continues to grow year on year. In addition, ELIDZ continues to engage with Department of Trade, Industry and Competition (DTIC) to secure 100% funding for capital projects that qualify under the Special Economic Zone (SEZ) funding mechanisms. At the end of financial year, the company had adequate capital funds in its bank accounts to complete projects that were at different stages of completion.

The Special Economic Zones Act, Act 16 of 2014, and the Regulations made in terms thereof, came into operation on 9 February 2016. In terms of the Act and its Regulations, a period of 3 years was provided for the entity to become compliant with the legislation. As a result, a compliance plan was prepared and submitted to DTI by 8 February 2017 and full compliance was required by 8 February 2019.

In August of 2018 the then DTIC Minister Dr Rob Davies gazetted draft regulations on the Governance and Composition of the Special Economic Zones (SEZs). The proposed regulations seek to provide for the management and operation of the development zone (IDZ) entity not to be separated; for the existing SEZ operator or entity to hold a licence and permit to function as both the management entity and State-owned operator; or for the separation of the SEZ entity from the operator, where a private company is appointed to either operate the SEZ wholly or in part.

3. Subsequent events

The directors wish to bring to the attention of the users the following matters arising since the end of the year:

- A judgement was given on a court case that the company was involved with after year end. The judgement resulted from the assessment by the court of evidence given prior to 31 March 2020. The entity has assessed this event as an adjusting event as the court judgement provides evidence of conditions that existed at year end. In the previous year the entity disclosed a contingent liability as the outcome of the case was unknown and parties were still giving evidence in court. The court judgement was in favour of the entity. Consequently, the entity has not disclosed the contingent liability for the year ended 31 March 2020 as it considers the probability of an outflow of economic benefits to be remote.
- Debtors of the entity are from time to time subjected to litigation by their creditors. These litigation often include applications for the debtors to be placed under business rescue or liquidation. These are some of the factors considered when assessing the recoverability of financial assets. The outcomes of applications against some of the entity's debtors became known after the reporting date. The entity has assessed these outcomes. Where the outcome points to conditions which existed before reporting date, the financial statements have been adjusted to show the impact.
- The company was affected by the global pandemic as a result of the COVID-19 virus. The details of the impact on the entity are disclosed in note 37.

4. Accounting policies

The financial statements have been prepared in accordance with the prescribed Standards of GRAP issued by the Accounting Standards Board as the prescribed framework by National Treasury. Accounting policies are consistent with those adopted in prior year.

5. Share capital

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

6. Dividends

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

7. Board Of Directors

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

Directors	Nationality
MW Makalima (Chairperson)	South African
EV Jooste	South African
A Kanana	South African
S Kondlo (Ex-officio)	South African
P Nazo	South African
N Mnconywa	South African
V Gqodi	South African
S Nkungwana	South African
M Mfuleni	South African
B Mpondo	South African

8. Secretary

The secretary of the entity is Ms. Jo-Anne Palmer.

9. Auditors

Auditor General of South Africa will continue in office in current financial period.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Other financial assets	3	1 391 359	17 487 734
Receivables from exchange transactions	4	52 155 514	46 842 248
VAT receivable	5	14 072 585	-
Prepayments	6	621 702	3 116 411
Cash and cash equivalents	7	576 011 321	1 203 158 748
		644 252 481	**1 270 605 141**
Non-Current Assets			
Investment property	8	2 152 940 581	1 701 120 531
Property, plant and equipment	9	509 924 350	515 131 288
Intangible assets	10	2 507 203	686 795
Other financial assets	3	1 315 932	12 845 189
		2 666 688 066	**2 229 783 803**
Total Assets		**3 310 940 547**	**3 500 388 944**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	20 546 692	17 447 531
Payables from non-exchange transactions	12	1 369 614	683 823
VAT payable	13	-	18 992 346
Unspent conditional grants and receipts	14	574 553 649	1 155 853 860
Provisions	15	10 330 994	9 747 746
Total Current Liabilities		**606 800 949**	**1 202 725 306**
Total Liabilities		**606 800 949**	**1 202 725 306**
Net Assets		**2 704 139 598**	**2 297 663 638**
Share capital / contributed capital	16	1 000	1 000
Accumulated surplus		2 704 138 598	2 297 662 638
Total Net Assets		**2 704 139 598**	**2 297 663 638**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Rendering of services	17	99 492 001	84 342 837
Rental of facilities and equipment	18	76 214 411	76 259 133
Sundry income	19	492 193	763 207
Interest received	20	4 195 251	1 316 120
Total revenue from exchange transactions		**180 393 856**	**162 681 297**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	916 454 312	367 162 922
Total revenue		**1 096 848 168**	**529 844 219**
Expenditure			
Employee related costs	22	(90 217 813)	(83 747 671)
Depreciation and amortisation	9&10	(27 715 171)	(28 432 752)
Impairments losses on property plant and equipment	9	(24 561 850)	-
Lease rentals on operating lease	23	(936 527)	(992 359)
Debt Impairment and bad debts written off	24	(39 435 053)	(2 044 902)
Fair value adjustments	25	(323 852 050)	(141 552 137)
Loss on non-current assets disposal	9	(1 285 666)	(24 230)
General Expenses	26	(182 368 078)	(159 714 439)
Total expenditure		**(690 372 208)**	**(416 508 490)**
Surplus for the period		**406 475 960**	**113 335 729**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
Balance at 01 April 2018	**1 000**	**2 184 326 909**	**2 184 327 909**
Changes in net assets			
Surplus for the period	-	113 335 729	113 335 729
Total changes	-	113 335 729	113 335 729
Balance at 01 April 2019	**1 000**	**2 297 662 638**	**2 297 663 638**
Changes in net assets			
Surplus for the year	-	406 475 960	406 475 960
Total changes	-	406 475 960	406 475 960
Balance at 31 March 2020	**1 000**	**2 704 138 598**	**2 704 139 598**
Note(s)	16		

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Sale of goods and services		170 885 339	150 153 878
Grants		335 154 101	935 152 901
Interest income		4 195 251	1 316 120
		510 234 691	1 086 622 899
Payments			
Employee costs		(90 217 813)	(83 747 671)
Suppliers		(221 316 049)	(161 947 260)
		(311 533 862)	(245 694 931)
Net cash flows from operating activities	28	**198 700 829**	**840 927 968**
Cash flows from investing activities			
Construction and purchase of property, plant and equipment	9	(52 236 344)	(11 343 333)
Proceeds from sale of property, plant and equipment	9	4 495 985	26 827
Construction of investment property	8	(775 672 100)	(258 047 900)
Purchase of other intangible assets	10	(2 435 797)	(266 180)
Net cash flows from investing activities		**(825 848 256)**	**(269 630 586)**
Net increase/(decrease) in cash and cash equivalents		**(627 147 427)**	**571 297 382**
Cash and cash equivalents at the beginning of the year		1 203 158 748	631 861 366
Cash and cash equivalents at the end of the year	7	**576 011 321**	**1 203 158 748**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	91 347 583	-	**91 347 583**	99 492 001	**8 144 418**	38
Rental of facilities and equipment	81 166 314	-	**81 166 314**	72 024 605	**(9 141 709)**	38
Total revenue from exchange transactions	**172 513 897**	**-**	**172 513 897**	**171 516 606**	**(997 291)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	100 525 217	2 304 348	**102 829 565**	105 690 724	**2 861 159**	38
Total revenue	**273 039 114**	**2 304 348**	**275 343 462**	**277 207 330**	**1 863 868**	
Expenditure						
Personnel	(89 633 320)	-	**(89 633 320)**	(90 217 813)	**(584 493)**	
Lease rentals on operating lease	(748 690)	-	**(748 690)**	(936 527)	**(187 837)**	
General Expenses	(182 711 859)	-	**(182 711 859)**	(182 368 078)	**343 781**	
Total expenditure	**(273 093 869)**	**-**	**(273 093 869)**	**(273 522 418)**	**(428 549)**	
Surplus before taxation	**(54 755)**	**2 304 348**	**2 249 593**	**3 684 912**	**1 435 319**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(54 755)**	**2 304 348**	**2 249 593**	**3 684 912**	**1 435 319**	
Reconciliation						
Basis difference						
Government grants and subsidies				810 763 588		
Operating lease smoothing				4 189 806		
Depreciation and amortisation				(27 715 171)		
Other income				492 193		
Interest received				4 195 251		
Debt impairment and bad debts written off				(39 435 053)		
Fair value adjustment				(323 852 050)		
Loss on disposal of assets and liabilities				(1 285 666)		
Impairment loss- property plant and equipment				(24 561 850)		
Actual Amount in the Statement of Financial Performance				**406 475 960**		

ACCOUNTING POLICIES

1. Presentation of Financial Statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables and other financial assets

The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on an individual basis, based on historical loss ratios, adjusted for other indicators present at the reporting date that correlate with defaults of the debtor. These annual loss ratios are determined based on the history of defaults by its debtors. Each debtor is allocated a loss ratio based on indicators prevailing at reporting date. The loss ratio is applied to balances owed to estimate the estimated future cashflows receivable from the debtor.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets and intangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable or may have changed from previous estimates. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including entity specific variables together with economic factors such as inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions and Note 1.13 of the accounting policies .

Expected manner of realisation for deferred tax

Deferred tax is provided based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. The entity recognises a deferred tax asset for assessed losses only when the entity expects to have sufficient taxable income to offset the assessed loss in the foreseeable future.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for its depreciable assets. These estimates are based on management's experience, knowledge and current expectations for the use of the depreciable assets. The annual depreciation charge will be adjusted for any changes in these estimates.

ACCOUNTING POLICIES: *1.1 Significant judgements and sources of estimation uncertainty - (continued)*

Selection of an appropriate reporting framework

The entity has re-assessed the assumptions made in determining the appropriate reporting framework to ensure compliance with Directive 12 issued by the ASB. There has been no change in assumptions previously made and GRAP remains the appropriate financial reporting framework for the entity.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes

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

Investment property is initially recognised at cost. Transaction costs that are directly attributable to the acquisition are included in the initial measurement.

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

Fair value

Subsequent to initial recognition the entity measures investment property at fair value. The fair value of investment property reflects market conditions at the reporting date.

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

There are no property interests held under operating leases which are recognised as investment property.

Investment property 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 investment property is included in net surplus or deficit when the item is derecognised. Any gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The company has established guidelines to determine which components they consider as significant. These guidelines are applied to each item of property plant and equipment recognised by the entity. At each reporting period these guidelines are reviewed to align with information that is available and reliable. Any changes in the guidelines are accounted for as a change in accounting estimate and as such are adjusted for prospectively in the financial statements

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

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

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

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

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

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

ACCOUNTING POLICIES: *1.3 Property, plant and equipment - (continued)*

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

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

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings	Straight line	40 years
Infrastructure networks	Straight line	10 to 50 years
Plant and machinery	Straight line	5 to 25 years
Furniture and fixtures	Straight line	20 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 to 15 years
IT equipment	Straight line	3 to 10 years
Laboratory and other property, plant and equipment	Straight line	5 to 10 years

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

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

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

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

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 26).

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

ACCOUNTING POLICIES: *1.4 Intangible assets - (continued)*

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Patents, trademarks and other rights	Straight line	10 years
Computer software, other	Straight line	3 - 6 years

1.5 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

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

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

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

ACCOUNTING POLICIES: *1.5 Financial instruments - (continued)*

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions
- (Taxes and Transfers), where it is the recipient of the loan

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

ACCOUNTING POLICIES: *1.5 Financial instruments - (continued)*

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

1.6 Prepayments

Prepayments are payments that the entity has made at the reporting date for economic benefits or service potential to be received in future periods. Prepayments are made in accordance with contracts between the entity and third parties.

The entity recognises as an asset the extent to which payments made exceed the value of economic benefits or service potential received.

The entity measures prepayments at the fair value of the consideration paid, to the extent that it exceeds the value of goods or services received.

As the entity receives the related goods or services, it shall reduce the carrying amount of prepayments made by the fair value of those goods or services received. Any related asset or expense will be recognised in accordance with the applicable GRAP standard.

1.7 Tax

Current tax assets and liabilities

The company is subject to tax in accordance with the applicable laws and regulations. Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

1.8 Value added tax

The company is subject to value added tax in accordance with the Value added Tax Act 89 of 1991. Value added tax for current and prior periods is, to the extent that it is due to the Receiver of Revenue, recognised as a liability. If the value added tax is due from the Receiver of Revenue for current and prior periods, that balance is recognised as an asset.

The entity levies (claims) output (input) value added tax on goods and services sold (purchased) in accordance with the provisions of the Value Added Tax Act 89 of 1991 and relevant regulations.

Value added tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the Receiver of Revenue, using the value added tax rates that have been enacted by the end of the reporting period.

1.9 Leases

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

ACCOUNTING POLICIES: - *(continued)*

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

ACCOUNTING POLICIES: *1.10 Impairment of cash-generating assets - (continued)*

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

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

ACCOUNTING POLICIES: *1.11 Impairment of non-cash-generating assets - (continued)*

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

- Whether assets are acquired to earn a commercial return
- Whether assets are acquired to deliver services for which the entity is mandated other than those which generate an economic return

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash- generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash- generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

Identification

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

ACCOUNTING POLICIES: *1.11 Impairment of non-cash-generating assets - (continued)*

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

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

Redesignation

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

1.12 Share capital / contributed capital

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

1.13 Provisions and contingencies

A provision is a liability of uncertain timing or amount. Provisions are recognised when:

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

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

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

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

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

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

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

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

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

An onerous contract is a contract for the exchange of assets or services in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits or service potential expected to be received under it.

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

ACCOUNTING POLICIES: *1.13 Provisions and contingencies - (continued)*

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

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

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

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

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

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

1.14 Commitments

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

A commitment is an agreement or a pledge to assume a financial obligation at a future date. The company has two types of commitments:

- Those for the receipt of goods or services from suppliers and
- Lease commitments to render or receive a service to or from a customer or a supplier.

A commitment arises out of a contractual agreement between the company and another party which entitles the company or the third party to enforce the delivery of the agreed upon goods or services at an agreed amount.

Contractual commitments are not recognised but are disclosed in the notes to the financial statements.

The first category of commitments is disclosed in terms of the accounting standards for investment property (GRAP 16) and property, plant and equipment (GRAP 17). GRAP 16 and GRAP 17 require an entity to disclose the amount of contractual commitments for the acquisition of investment property and property, plant and equipment respectively. The company only discloses capital contractual commitments that is, commitments for the acquisition of non-current assets.

The entity measures and discloses the amount of contractual commitments at the stated contract amount excluding any applicable value added taxes. The entity enters into contractual agreements where the amount of the obligation will be determined at a future date. The entity measures such contractual commitments using an estimate based on available and reliable information at reporting date. Where there are changes in the estimate determined by management at a future date, the change is accounted for in accordance with GRAP 3 Accounting policies, Accounting estimates and Errors.

The second category of commitments is disclosed in accordance with the accounting standard applicable for lease transactions.

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.15 Revenue from exchange transactions

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

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

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;

ACCOUNTING POLICIES: *1.15 Revenue from exchange transactions - (continued)*

- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

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

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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

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

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

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

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

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions and conditions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier. Where there are restrictions or conditions attached to a government grant, the entity recognises revenue to the extent that it has satisfied those restrictions or conditions. A liability is recognised for the portion of government grants representing restrictions or conditions that the entity has not fulfilled.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.17 General expenses

An expense is defined as an outflow of economic resources or service potential during the reporting period that results in a decrease in net assets.

The entity recognises an expense when the related services or goods are received by the entity. The expense recognised is measured at the fair value of the consideration paid or payable.

Expenses incurred during the reporting period are recognised in surplus.

1.18 Investment income

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

1.19 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake

ACCOUNTING POLICIES: *1.19 Accounting by principals and agents - (continued)*

transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal- agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

The entity assesses the materiality of each arrangement in deciding on whether to make the additional disclosures required by GRAP 109. The assessment of materiality is based on the quantitative and qualitative factors as informed by the entity's framework for materiality and significance.

1.20 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and when recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

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

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

The National Treasury further issued instruction note 2 of 2018/19 with the following requirements:

ACCOUNTING POLICIES: *1.21 Irregular expenditure - (continued)*

Irregular expenditure incurred by provincial departments and their entities listed in schedule 3C and 3D should be submitted to the Provincial Treasury for condonation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the Provincial Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.22 Budget information

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

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2019/04/01 to 2020/03/31.

Due to the nature and budgeting requirements of the entity, only the operational budget funded through a grant is made public. To that end, the entity only presents budget information for the statement of financial performance.

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements.

Comparative information is not required.

The company presents a comparison of the budget amounts for which it is held publicly accountable and actual amounts as a separate additional financial statement in accordance with Standards of GRAP. The entity discloses an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts. The entity classifies all variances above 10% of the budgeted amount to be significant and as such the financial statements will include the disclosure for explanations for such variances.'

1.23 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

ACCOUNTING POLICIES: *1.24 Events after reporting date - (continued)*

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.25 Employee benefits

Short term employee benefits

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

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

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

Defined contribution plans

Payments to defined contribution plans are charged as an expense as they fall due. The contributions are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	Ended 2020	Ended 2019

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	Not set	Impact is currently being assessed
Guideline: Guideline on the Application of Materiality to Financial Statements	Not set	Impact is currently being assessed
IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Impact is currently being assessed
GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Impact is currently being assessed

The entity will apply the relevant standards when they become effective.

3. Other financial assets

At amortised cost		
Other financial assets	2 707 291	30 332 923
Non-current assets		
At amortised cost	1 315 932	12 845 189
Current assets		
At amortised cost	1 391 359	17 487 734

Included in the balances above is the effect of time value of money on the expected future cashflows as follows:

Time value of money effect		
Current assets	88 002	1 075 709
Non-current assets	9 100 386	10 817 303
	9 188 388	**11 893 012**

Notes to the Financial Statements: *3. Other Financial Assests - (continued)*

Figures in Rand	Ended 2020	Ended 2019

The first category of the financial asset relates to debt restructuring agreements that the entity entered into with some of its customers that are in financial distress. The restructured debt is interest free and is payable over an agreed period of time. These arrangements are part of an informal business rescue program done by the company in accordance with its debtors' policy. The debt is due for final settlement in the current financial year.

The second category of the financial asset is a leasehold improvement which was done on premises that are occupied by one of our tenants. The improvements were done according to the instructions of the tenant. The tenant has agreed to reimburse the amount that was spent on the tenants request over a period of 20 years and the amount owing will be escalating at a rate of 5.5% per year.

Financial assets at amortised cost

Financial assets at amortised cost impaired

As of 31 March 2020, other financial assets measured at amortised cost of R 25 746 413 (2019: R "0") were impaired and provided for.

The amount of the provision for impairment was R23 171 772 as of 31 March 2020 (2019: R "0").

The ageing of these loans is as follows.

0 to 12 months	12 585 334	-
Not yet due	13 161 079	-

Allowance account for credit losses

Reconciliation of changes in allowance account of financial assets - 2020

	Opening balance	Contributions	Closing balance
Impairment of other financial assets	-	23 171 772	23 171 772

4. Receivables from exchange transactions

Trade debtors	34 212 447	26 432 846
Impairment for bad debts	(21 451 411)	(13 660 643)
Operating lease receivables	35 190 130	31 000 324
Other receivables	3 560 379	338 802
Other debtors including related parties	643 969	297 491
Accrued investment income	-	2 433 428
	52 155 514	**46 842 248**

No receivables have been pledged as security.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(13 660 643)	(12 426 955)
Provision for impairment	(7 790 768)	(1 233 688)
	(21 451 411)	**(13 660 643)**

Trade receivables are subject to a 30 day payment term. The effect of the time value of money is immaterial. The carrying amount of the trade and other receivables approximates their amortised cost.

Notes to the Financial Statements: - *(continued)*

Figures in Rand	Ended 2020	Ended 2019

5. VAT receivable

VAT	14 072 585	-

6. Prepayments

Prepayments	621 702	3 116 411

The prepayments relate to prepaid insurance . The terms of each contract require a prepayment of the contract amount or premium. The service to which the prepayment relates will be rendered in future periods.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 335	3 561
Bank balances	9 104 010	4 673 354
Short-term deposits	566 903 976	1 198 481 833
	576 011 321	**1 203 158 748**

Cash and cash equivalents held by the entity that are ringfenced for capital projects.	574 553 649	1 155 853 860

8. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation & accumulated impairment	Carrying value
Investment property	2 152 940 581	-	2 152 940 581	1 701 120 531	-	1 701 120 531

Reconciliation of investment property - 2020

	Opening balance	Additions	Fair value adjustments	Total
Investment property	1 701 120 531	775 672 100	(323 852 050)	2 152 940 581

Reconciliation of investment property - 2019

	Opening balance	Additions	Fair value adjustments	Total
Investment property	1 584 624 768	258 047 900	(141 552 137)	1 701 120 531

Pledged as security

No investment property is pledged as security.

Notes to the Financial Statements: *8. Investment property - (continued)*

Figures in Rand	Ended 2020	Ended 2019
Investment property in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of Investment property		
Investment property - Cost	382 188 689	193 974 881

Details of property

A register containing the information required by Regulation 25 (c) of the companies regulation 2011 is available for inspection at the registered office of the entity.

Details of valuation

Certain investment property was revalued in the prior year after final close out. The effective date of those revaluations was 31 March 2020 . These revaluations were performed by a team of Letlaka Ndamase, Reg. No 5435/7. The valuer has recent experience in the location and category of the investment property being valued.

The methods used by the company to revalue the investment property are;
(a) The income capitalisation method - for income generating properties.
(b) The direct comparable sales method - for all vacant industrial land and agriculturally zoned farms
(c) The cost method - investment property which is under construction
(d) The depreciated replacement cost (DRC) method - investment property requires refurbishing to generate income (either through sale or rental)

Prevailing open market rental values have been used for the income capitalization methodology with the appropriate capitalization rate as determined by the valuer with guidance from sources such as the Independent Property Databank (IPD), Rode and Associates and the South African Property Owners Association (SAPOA).

For the cost method, the prevailing construction costs as derived from interaction with architects, quantity surveyors, Davis Langdon and to some degree Rode and Associates and SAPOA was used.

For the direct comparable sales method the prices of similar properties which have been recently sold in the same area as the investment property were used after adjusting for unusual prices and the presence or absence of characteristics which are likely to influence prices.

There has been no change to the valuation techniques since the last valuation was performed.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Amounts recognised in surplus or deficit		
Rental revenue from Investment property	74 115 589	74 374 172
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	(17 666 247)	(19 971 057)
Repairs and maintenance	-	(3 072 192)
	(17 666 247)	**(23 043 249)**
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	(2 224 170)	(2 073 566)

Notes to the Financial Statements: - *(continued)*

Figures in Rand	Ended 2020	Ended 2019

9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation & accumulated impairment	Carrying value
Land	3 821 361	-	3 821 361	3 821 361	-	3 821 361
Infrastructure including buildings	719 795 043	(270 019 506)	449 775 537	675 184 142	(224 514 063)	450 670 079
Plant and machinery	64 042 533	(16 973 882)	47 068 651	64 042 533	(13 741 069)	50 301 464
Furniture and fixtures	4 810 813	(3 377 669)	1 433 144	4 749 628	(3 250 403)	1 499 225
Motor vehicles	1 633 192	(818 788)	814 404	1 671 432	(1 114 442)	556 990
Office equipment	587 275	(335 530)	251 745	602 368	(325 338)	277 030
IT equipment	32 214 405	(26 010 264)	6 204 141	32 860 128	(25 415 648)	7 444 480
Laboratory and other property, plant and equipment	3 521 512	(2 966 145)	555 367	4 282 222	(3 721 563)	560 659
Total	**830 426 134**	**(320 501 784)**	**509 924 350**	**787 213 814**	**(272 082 526)**	**515 131 288**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	3 821 361	-	-	-	-	3 821 361
Infrastructure including buildings	450 670 079	50 053 621	(5 442 720)	(20 943 594)	(24 561 850)	449 775 536
Plant and machinery	50 301 464	-	-	(3 232 813)	-	47 068 651
Furniture and fixtures	1 499 225	61 185	-	(127 266)	-	1 433 144
Motor vehicles	556 990	418 460	(120 000)	(41 046)	-	814 404
Office equipment	277 030	20 564	(7 240)	(38 609)	-	251 745
IT equipment	7 444 480	1 572 805	(211 682)	(2 601 462)	-	6 204 141
Laboratory and other property, plant and equipment	560 659	109 709	-	(115 001)	-	555 367
Total	**515 131 288**	**52 236 344**	**(5 781 642)**	**(27 099 791)**	**(24 561 850)**	**509 924 350**

Notes to the Financial Statements: *9. Property, plant and equipment - (continued)*

Figures in Rand	Ended 2020	Ended 2019

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation reversal	Depreciation	Total
Land	3 821 361	-	-	-	-	3 821 361
Infrastructure including buildings	461 447 900	10 183 452	-	-	(20 961 273)	450 670 079
Plant and machinery	53 392 166	-	-	116 352	(3 207 054)	50 301 464
Furniture and fixtures	1 373 770	6 750	-	219 782	(101 077)	1 499 225
Motor vehicles	585 480	-	-	-	(28 490)	556 990
Office equipment	56 078	5 399	-	238 616	(23 063)	277 030
IT equipment	9 254 563	1 102 531	(50 977)	-	(2 861 637)	7 444 480
Laboratory and other property, plant and equipment	611 125	45 201	-	-	(95 667)	560 659
Total	**530 542 443**	**11 343 333**	**(50 977)**	**574 750**	**(27 278 261)**	**515 131 288**

Other information

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Infrastructure and buildings	91 317 912	71 268 861

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Strategic electricals (Berlin)	-	9 671 877

The project is linked to the settlement of an investor in Berlin which did not materialise. The project was put on hold until another investor could be obtained. In the current year some of the assets related to this project were disposed while the remaining were transferred to the existing electrical upgrade project.

Actom - Contract Z6/E1/TRF/03/11 - Transformers	25 494 175	25 494 175

The project is also linked to the development in Berlin stated above.

Wind Farm	-	25 041 050

The ELIDZ entered into a contract with a supplier to deliver a turnkey solution for the windfarm project. The supplier wound up its operations and was unable to complete the project. In the prior year, the ELIDZ was in the process of performing an analysis of work completed in order to appoint another supplier to complete the project.

	25 494 175	**60 207 102**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Wind Farm	479 200	-

In the previous year this project was disclosed as taking significantly longer to complete than expected. In the current year the project was effectively cancelled by the DTI.

	479 200	**-**

Management has assessed the recoverable amount of the work in progress. The carrying amount for one of the projects was assessed as exceeding its recoverable amount. Consequently, an impairment of loss of R24 561 850 has been recognised on the Windfarm project listed above projects. The assessed recoverable amount was based as the fair value less costs to sell the components that make up the project cost.

Notes to the Financial Statements: *9. Property, plant and equipment - (continued)*

Figures in Rand	Ended 2020	Ended 2019

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Total
Opening balance	71 268 862	71 268 862
Additions/capital expenditure	50 053 621	50 053 621
Disposals	(5 442 720)	(5 442 720)
Impairment loss recognised	(24 561 850)	(24 561 850)
	91 317 913	**91 317 913**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within computer equipment	Total
Opening balance	61 085 410	3 457 946	64 543 356
Additions/capital expenditure	10 183 451	-	10 183 451
Transferred to completed items	-	(3 457 946)	(3 457 946)
	71 268 861	**-**	**71 268 861**

Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	(24 958 218)	(21 006 242)

Details of Property, plant and equipment

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

10. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value
Patents, trademarks and other rights	30 000	(8 919)	21 081	30 000	(4 054)	25 946
Computer software, other	11 965 499	(9 479 377)	2 486 122	23 536 616	(22 875 767)	660 849
Total	**11 995 499**	**(9 488 296)**	**2 507 203**	**23 566 616**	**(22 879 821)**	**686 795**

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	25 946	-	(4 865)	21 081
Computer software, other	660 849	2 435 797	(610 524)	2 486 122
	686 795	**2 435 797**	**(615 389)**	**2 507 203**

Notes to the Financial Statements: *10. Intangible assets - (continued)*

Figures in Rand	Ended 2020	Ended 2019

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	-	30 000	(4 054)	25 946
Computer software, other	2 149 857	236 180	(1 725 188)	660 849
	2 149 857	**266 180**	**(1 729 242)**	**686 795**

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

Computer software, other	2 132 000	-

The intangible assets in progress pertain to the entity's electronic document and records management system.

Details of intangible assets

A register containing information required by Regulation 25(3) of the Companies Regulations 2011 is available for inspection at the registered office of the entity. None of the above intangible assets were internally generated, encumbered or pledged as security

11. Payables from exchange transactions

Trade payables	11 229 035	8 436 609
Other payables	1 584 885	1 953 587
Accrued leave pay	3 831 359	3 618 534
Deposits received	3 901 413	3 438 801
	20 546 692	**17 447 531**

Amortised cost of trade and other payables

The carrying amounts of trade and other payables approximate their amortised cost in terms of GRAP 104. In line with the PFMA the company settles trade payables within 30 days. The time value of money impact on the expected outflows is not material.

12. Payables from non-exchange transactions

Other payables from non-exchange transactions	1 369 614	683 823

The payables arise from agreements entered into between the ELIDZ and other organs of state (the funder).The ELIDZ performs a facilitating role for a project on behalf of the other organs of state. The end recipient of the project is usually another organ of state. The ELIDZ receives funds and holds these in trust on behalf of the funder and carries out certain tasks stated in the funding agreements.

13. VAT payable

Tax payables	-	18 992 346

Notes to the Financial Statements: - *(continued)*

Figures in Rand	Ended 2020	Ended 2019

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent grants (DTI)	574 553 649	1 155 853 860

Unspent conditional grant reconciliation

Beginning of the year	1 155 853 860	552 913 492
Grant receipt	168 668 415	837 612 015
Interest received	60 794 962	33 559 711
Conditions met and recognised	(810 763 588)	(268 231 358)
	574 553 649	**1 155 853 860**

The entity receives grants from the Department of Trade and Industry (DTI) for infrastructure development i.e. investment property and other owner occupied infrastructure. If the projects do not commence or are cancelled, the funds are returned to the DTI. The DTI approved the roll over for the SEZ project funds that were unutilised at the end of the previous and current financial year.

See note 21 for reconciliation of grants from National/Provincial Government.

15. Provisions

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus provision	9 747 746	10 330 994	(9 609 500)	(138 246)	10 330 994

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Retentions	348 698	-	-	(348 698)	-
Performance bonus provision	8 473 295	9 747 746	(8 360 896)	(112 399)	9 747 746
	8 821 993	**9 747 746**	**(8 360 896)**	**(461 097)**	**9 747 746**

Retentions

Retentions relate to project amounts which were withheld after the completion of the implementation of a significant part of the ERP system. The retention was recognised when the completed intangible asset was recognised by the entity.

The amount was released in the prior year when the service provider completed the implementation of the insignificant portions of the ERP which were outstanding at the date of initial recognition.

Performance bonus provision

The provision for performance bonus relates to the payment of bonuses to the entity's employees based on the assessment of performance for the financial period ended 31 March 2020. The provision is based on historic data and the outflow is considered to be probable. The settlement of the provision is dependant on key factors such as the performance of employees as well as the timing of the approval of the board of directors. The timing of the settlement is uncertain at the reporting date. Consequently the entity has recognised a provision as the amount and timing of settlement of the obligation is uncertain.

Notes to the Financial Statements: - *(continued)*

Figures in Rand	Ended 2020	Ended 2019

16. Share capital / contributed capital

Authorised

1000 000 Ordinary shares of R0,01 each	10 000	10 000

Reconciliation of number of shares issued:

Reported as at 31 March 2020	100 000	100 000

Issued

100 000 Ordinary shares at R0.01 each	1 000	1 000

The issued share capital consists only of ordinary shares. There is no intention on the part of the entity to repay the capital to the shareholders. The ordinary shares issued can only be sold or transferred to an entity that is an organ of the state. The declaration of dividends is considered at the annual general meeting of the shareholders. Since incorporation the company has not declared any dividends.

17. Rendering of services

Electricity income	77 199 376	64 525 452
Conference hire income	3 169 304	2 943 284
Analytical lab income	3 966 475	3 313 532
Telephone and internet services income	5 511 968	5 572 576
Estate levy income	2 247 207	1 595 744
Water income	4 666 472	4 146 055
Sewerage income	2 731 199	2 246 194
	99 492 001	**84 342 837**

18. Rental of facilities and equipment

Premises and equipment

Premises and equipment	72 024 604	70 753 908
Rental smoothing	4 189 807	5 505 225
	76 214 411	**76 259 133**

19. Other revenue

Sundry Income	492 193	763 207

Notes to the Financial Statements: - *(continued)*

Figures in Rand	Ended 2020	Ended 2019

20. Interest received

Interest received		
Other financial assets	2 704 624	1 005 035
Bank	1 039 341	-
Interest charged on trade and other receivables	451 286	311 085
	4 195 251	**1 316 120**

21. Government grants and subsidies

Operating grants		
Government grant (DEDEAT)	105 690 724	98 931 570
Capital grants		
Government grant (DTI) for infrastructure	810 763 588	268 231 352
	916 454 312	367 162 922

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants recognised	810 763 588	268 231 352
Unconditional grants recognised	105 690 724	98 931 570
	916 454 312	367 162 922

22. Employee related costs

Salaries and wages	67 642 443	63 245 960
Bonus provision	10 244 543	9 635 347
UIF and other contributions	512 038	477 251
SDL	802 382	737 615
Leave pay provision charge	242 369	446 341
Internships	2 629 125	1 895 313
Other short term costs	160 000	45 000
Defined contribution plans	7 984 913	7 264 844
	90 217 813	83 747 671

23. Lease rentals on operating lease

Equipment		
Contractual amounts	936 527	992 359

Notes to the Financial Statements: - *(continued)*

Figures in Rand	Ended 2020	Ended 2019

24. Debt impairment

Contributions to debt impairment provision	30 962 539	1 233 688
Bad debts written off	8 472 514	811 214
	39 435 053	**2 044 902**

The ELIDZ wrote off bad debts of R8 472 514 (2019: R811 214).

25. Fair value adjustments

Investment property (Fair value model)	(323 852 050)	(141 552 137)

26. General expenses

Advertising	454 136	591 894
Auditors remuneration	2 351 327	2 130 620
Bank charges	104 551	95 060
Board fees	1 505 618	1 018 003
Cleaning	382 622	628 643
Computer expenses	194 951	789 979
Consulting and professional fees	6 000 666	7 623 235
Consumables (laboratory and conference centre)	5 286 108	4 805 058
Donations	607 961	816 661
Electricity	67 308 801	53 818 124
Entertainment	358 043	133 819
Insurance	5 226 750	3 548 855
Conferences and seminars	2 306	-
Internal Audit services	788 415	291 999
IT expenses	1 974 083	2 173 667
Medical expenses	294 167	588 333
Motor vehicle expenses	96 855	85 015
Placement fees	176 245	158 606
Postage and courier	152 191	123 046
Printing and stationery	189 329	154 407
Project expenses contracted services	12 124 161	7 221 863
Promotions	792 130	973 331
Rates and taxes	17 666 247	19 971 057
Repairs and maintenance contracted services	25 226 590	24 078 434

Notes to the Financial Statements: *26. General expenses - (continued)*

Figures in Rand	Ended 2020	Ended 2019
Security costs	9 428 934	7 967 583
Sewerage	2 222 407	2 013 557
SHEQ Expenses	3 493 197	3 285 594
Software expenses	6 034 477	3 560 365
Staff welfare	300 421	155 729
Subscriptions and membership fees	419 689	286 491
Telephone and fax	1 208 938	1 172 860
Training	1 939 126	1 849 066
Travel - local	1 715 219	2 025 464
Water	6 341 417	5 578 021
	182 368 078	**159 714 439**

27. Auditors' remuneration

Fees (External audit fees)	2 351 327	2 130 620

28. Cash generated from operations

Surplus	406 475 960	113 335 729
Adjustments for:		
Depreciation and amortisation	27 715 171	28 432 752
Loss on sale of assets and liabilities	1 285 666	24 230
Fair value adjustments	323 852 050	141 552 137
Impairment loss	24 561 850	-
Debt impairment	30 962 539	1 233 688
Bad debts written off	8 472 514	811 214
Movements in provisions	583 248	925 753
Changes in working capital:		
Increase in Receivables from exchange transactions	(5 313 266)	(12 464 367)
Decrease in Prepayments	2 494 709	2 920 303
Decrease/(Increase)in Other financial assets	4 453 861	(8 970 591)
Increase in Payables from exchange transactions	3 099 153	5 143 576
Decrease in VAT liability	(33 064 931)	(32 463 828)
Increase/(Decrease) in Payables from non-exchange transactions	685 791	(447 367)
(Decrease)/Increase in Unspent conditional grants and receipts	(597 563 486)	600 894 739
	198 700 829	**840 927 968**

Notes to the Financial Statements: - *(continued)*

Figures in Rand	Ended 2020	Ended 2019

29. Taxation

No provision has been made for 2020 tax as the entity has no taxable income. The estimated tax loss available for set off against future taxable income is R122 622 593 (2019: R 99 632 875).

Reconciliation of the tax income

Taxable income for the year		
Profit before tax	406 475 960	113 335 729
Permanent differences	(812 860 252)	(268 419 726)
Temporary differences	383 394 574	162 069 474
Unrecognised (Utilised) assessed loss	22 989 718	(6 985 477)
	-	-

Assessed loss carried forward		
Opening assessed loss	(99 632 875)	(106 618 352)
Taxable (loss) /income	(22 989 718)	6 985 477
	(122 622 593)	**(99 632 875)**

Reconciliation of the income tax expense

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 28%

Reconciliation of tax rate (%)		
Applicable tax rate	28	28
Permanent differences		
Expenses not deductible for tax purposes	7	25
Grant income not taxable	(63)	(91)
Other permanent differences	-	1
Temporary differences		
Investment property fair value (gains)/losses	22	35
Operating lease smoothing	-	(1)
Depreciation and wear and tear adjustment	3	6
Provision for doubtful debts	1	-
Other temporary differences	-	(1)
	1	-
Unrecognised/(Utilised) assessed loss for the year	1	(2)
	-	-

Notes to the Financial Statements: - *(continued)*

Figures in Rand	Ended 2020	Ended 2019

30. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	-	2 707 291	2 707 291
Trade and other receivables from exchange transactions	-	16 965 384	16 965 384
Cash and cash equivalent	576 011 321	-	576 011 321
	576 011 321	**19 672 675**	**595 683 996**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	20 546 684	20 546 684
Payables from non-exchange transactions	1 369 614	1 369 614
	21 916 298	**21 916 298**

2019

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	-	30 332 923	30 332 923
Trade and other receivables from exchange transactions	-	15 841 924	15 841 924
Cash and cash equivalent	1 203 158 748	-	1 203 158 748
	1 203 158 748	**46 174 847**	**1 249 333 595**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	17 447 532	17 447 532
Taxes and transfers payable (non-exchange)	683 823	683 823
	18 131 355	**18 131 355**

Financial instruments in Statement of financial performance

2020

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	(4 195 251)	(4 195 251)
Impairment loss	30 962 539	30 962 539
	26 767 288	**26 767 288**

Notes to the Financial Statements: *30. Financial instruments disclosure - (continued)*

Figures in Rand	Ended 2020	Ended 2019

2019

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	(1 005 035)	(1 005 035)
Impairment loss	1 233 688	1 233 688
	228 653	**228 653**

31. Commitments

Authorised capital expenditure

Already contracted and budgeted for

• Property, plant and equipment	42 635 677	113 334 249
• Investment property	274 214 043	401 862 023
• Intangible assets	1 121 000	-
	317 970 720	**515 196 272**

Total capital commitments

Already approved and contracted for	317 970 720	515 196 272

The committed expenditure relates to intangible assets, Investment property and Property, plant and equipment contracts that will be finished in the coming years. The commitments will be financed by grants from DTI, DEDEAT as well as own generated revenues. The commitment amounts are exclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	950 423	947 223
- in second to fifth year inclusive	349 064	1 299 487
	1 299 487	**2 246 710**

Operating leases relates to the lease of equipment with a lease term of three years. The entity does not have an option to purchase the leased equipment at the expiry of the lease period. There are no contingent rentals payable on the lease.

Operating leases - as lessor (income)

Minimum lease receipts due

- within one year	96 163 585	76 783 373
- in second to fifth year inclusive	286 239 997	185 884 367
- later than five years	233 035 559	109 472 116
	615 439 141	**372 139 856**

Leasing arrangements
Operating leases relate to the investment property owned by the entity with lease terms of between 1 to 10 years, with an option to extend for a further 10 years in some instances. All operating lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The operating leases include an escalation clause.

Rental income earned by the entity from its investment properties and direct operating expenses arising on the investment properties for the year are set out in note 8.

Notes to the Financial Statements: *31. Commitments - (continued)*

Figures in Rand	Ended 2020	Ended 2019

The entity owns a metal surface treatment plant that is leased to a lessee for seven years with an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period.

Contingent rentals are based on the number of units produced for property, plant and equipment that is leased out and the percentage of revenue generated for investment property that is leased out.

32. Contingencies

Contingent liabilities

The contingent liability relates to a claim by a current employee for alleged unfair labour practices. The estimated amount of the claim is R166 584. The case is currently before the CCMA. Management and the company's legal representatives consider the likelihood of the action against the company being successful as unlikely.

Should the action be unsuccessful the company does not have insurance to cover the costs and will not receive any re- imbursements for any outflow from the claims above.

Contingent assets

A court judgement was given in favour of the entity wherein a former employee had claimed for damages due to breach and repudiation of their employment contract. The judgement given was with costs, meaning the plaintiff would be liable for the legal and any other costs of the entity deemed appropriate by the court. Although the court judgement was given subsequent to the reporting date, all evidence on the case was presented prior. The entity has therefore classified the judgement as an adjusting event after reporting date in accordance with GRAP 14.

A contingent asset is disclosed for the economic benefits which are probable to flow to the entity for the repayment of the legal fees incurred in defending the case.

33. Related parties

Relationships

Shareholder with controlling interest	Department of Economic Development Environmental Affairs and Tourism (DEDEAT)
Shareholder with significant influence (minority shareholding)	Buffalo City Metropolitan Municipality (BCMM)
Other Related Parties with significant influence	Department of Trade and Industry (DTI) as custodians of the SEZ act, an enabling legislation to the ELIDZ as well as material transactions in the form of capital funding provided to the ELIDZ
Members of key Management	S. Kondlo
	T. Zweni
	G. Matengambiri
	N Makhoba
Non-executive Directors	M. Makalima
	P. Nazo
	A. Kanana
	S. Nkungwana
	E. Jooste
	N. Mnconywa
	V. Gqodi
	B. Mpondo
	M. Mfuleni

The detail of the remuneration of the members of key management and non executive directors is included in note 34 to the financial statements

Notes to the Financial Statements: *33. Related parties - (continued)*

Figures in Rand	Ended 2020	Ended 2019
Related party balances		
Buffalo City Metropolitan Municipality		
Trade payables (Rates, water and electricity)	8 260 865	-
Related party transactions		
Buffalo City Metropolitan Municipality		
Expenditure: Rates and Taxes	17 666 247	20 297 343
Expenditure: Electricity	67 308 801	53 491 838
Expenditure: Water	6 341 417	5 578 021

For directors remuneration refer to note 34
For grant funding received from DEDEAT refer to note 21.
For grant funding received from DTI refer to note 21 and 14

The entity transacts with the minority shareholder, BCMM in its capacity as a provider of municipal services to the zone. Apart from the transactions mentioned below; all other transactions (sewerage, refuse) are at arms-length rates applicable to the general population of the BCMM.

Rates
A 26% rebate is granted by BCMM on the ELIDZ property portfolio.

Water
A 15% special discount rate was offered on bulk purchases by BCMM.

Electricity
ELIDZ obtains its electricity at the Eskom rate plus a 2.5% wheeling charge.

34. Directors and Executive managements' remuneration

Executive

2020	Basic salary	Allowances	Employer contributions	Performance bonus	Total
S Kondlo (Ex-officio)	2 217 052	1 161 519	437 589	609 158	4 425 318
T Zweni	1 839 947	963 953	369 711	499 986	3 673 597
G. Matengambiri	1 428 251	748 264	295 605	400 234	2 872 354
N. Makhoba	1 338 035	701 000	279 366	397 378	2 715 779
	6 823 285	**3 574 736**	**1 382 271**	**1 906 756**	**13 687 048**

2019	Basic salary	Allowances	Employer contributions to funds	Performance bonus	Total
S Kondlo (Ex-officio)	2 227 200	1 148 854	432 818	536 351	4 345 223
T Zweni	1 848 441	953 443	365 679	454 107	3 621 670
G. Matengambiri	1 434 937	740 105	292 382	358 059	2 825 483
N. Makhoba	1 344 326	693 357	276 320	-	2 314 003
	6 854 904	**3 535 759**	**1 367 199**	**1 348 517**	**13 106 379**

Notes to the Financial Statements: *34. Directors and Executive managements' remuneration - (continued)*

Figures in Rand	Ended 2020	Ended 2019

Non-executive

2020	Members' fees	Allowances	Total
MW Makalima (Chairperson)	333 221	1 521	334 742
EV Jooste	238 991	-	238 991
A Kanana	140 748	10 216	150 964
P Nazo	215 931	-	215 931
N Mnconywa	180 579	-	180 579
V Gqodi	153 270	-	153 270
M Mfuleni	128 250	10 216	138 466
B Mpondo	76 500	15 324	91 824
	1 467 490	**37 277**	**1 504 767**

2019	Members' fees	Allowances	Total
MW Makalima (Chairperson)	168 705	4 099	172 804
EV Jooste	192 259	2 556	194 815
A Kanana	82 340	8 302	90 642
P Nazo	166 303	2 343	168 646
N Mnconywa	150 433	2 556	152 989
V Gqodi	123 613	10 218	133 831
M Mfuleni	38 949	9 791	48 740
B Mpondo	43 191	12 345	55 536
	965 793	**52 210**	**1 018 003**

35. Risk management

Financial risk management

The Board has overall responsibility for the establishment and oversight of the company risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Company Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed grants allocated and own generated revenue. The entity manages liquidity risk by continuously monitoring forecast and actual cash flows. Liquidity risk is the risk that the entity may fail to meet its payment obligations as they fall due, the consequences of which may be the failure to meet the obligations to creditors. The company identifies this risk through periodic liquidity gap analysis and the maturity profile of the assets and liabilities. Action is taken in advance to close or minimise the gaps

Notes to the Financial Statements: *35. Risk management - (continued)*

Figures in Rand	Ended 2020	Ended 2019

The Company's exposure to liquidity risk is reduced as it is partly funded by DEDEAT and the DTI. The annual budgets are approved at the beginning of each fiscal year and funding agreements concluded between the parties. Cash flows are monitored monthly against budgets and adjustments are made where necessary. Risk management assessments are conducted to assist with identifying any possible cash flow, liquidity or other risks. In addition, the entity is exploring opportunities for raising more own revenue to ensure the sustainability of the organisation in case the grant is reduced or cut back.

A maturity analysis of ELIDZ's financial instruments as at 31 March 2020 is as follows:

2020 Liquidity gap analysis	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Other financial assets	-	1 391 359	1 315 932	2 707 291
Receivables from exchange transactions	16 965 384	-	-	16 965 384
Cash and cash equivalents	576 011 321	-	-	576 011 321
Subtotal	592 976 705	1 391 359	1 315 932	595 683 996
Liabilities				
Payables from exchange transactions	(16 645 271)	-	(3 901 413)	(20 546 684)
Payables from non-exchange transactions	(1 369 614)	-	-	(1 369 614)
	574 961 820	**1 391 359**	**(2 585 481)**	**573 767 698**

2019 Liquidity gap analysis	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Other financial assets	-	17 487 734	12 845 188	30 332 922
Receivables from exchange transactions	15 841 924	-	-	15 841 924
Cash and cash equivalents	1 203 158 748	-	-	1 203 158 748
Subtotal	1 219 000 672	17 487 734	12 845 188	1 249 333 594
Liabilities				
Payables from exchange transactions	(14 008 731)	-	(3 438 801)	(17 447 532)
Payables from non-exchange transactions	(683 823)	-	-	(683 823)
	1 204 308 118	**17 487 734**	**9 406 387**	**1 231 202 239**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the entity assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

The carrying amounts of financial assets, represent the entity's maximum exposure to credit risk in relation to these assets. The company's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions

Notes to the Financial Statements: *35. Risk management - (continued)*

Figures in Rand	Ended 2020	Ended 2019

There has been no significant change during the year, or since the end of the previous financial year, to the company's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing the risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk.

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge a contract. Credit risk arises from cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures to members, including outstanding receivables and committed transactions. For banks and financial institutions, only well-established institutions with sound financial positions are used. Credit exposures are closely monitored for indications of impairment.

Trade receivables comprise mainly of amounts owing from tenants. Management evaluated credit risk relating to tenants before they were incorporated into the zone. ELIDZ tenants pay deposits at the beginning of their lease terms. At 31 March 2020 ELIDZ holds deposits from tenants amounting to R3 901 413 (2019: R3 438 801) as security for tenants' lease obligations.

The amounts below are before impairment.

Financial assets exposed to credit risk at year end were as follows:

The entity's exposure to credit risk by class of financial asset is as follows:

Receivables from exchange transactions	38 416 795	29 502 567
Cash and cash equivalents	576 011 321	1 203 158 748
Other financial assets	25 879 062	30 332 923

Analysis by credit quality of financial assets is as follows: Neither past due nor impaired

Cash and cash equivalents	576 011 321	1 203 158 748
Receivables from exchange transactions	6 199 103	14 230 962
Other financial asset	132 649	30 332 923
	582 343 073	**1 247 722 633**

Past due and not impaired

Receivables from exchange transactions	7 842 992	1 118 378

Impaired financial assets

Receivables from exchange transactions	24 374 700	14 153 227
Other financial assets	25 746 413	-
	50 121 113	**14 153 227**

Market risk

Interest rate risk

The entity's interest-bearing assets are included under cash and cash equivalents. As the entity has no significant interest- bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates due to short term nature of interest bearing assets.

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with the South African prime rate. The company's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus/deficit.

Interest charged on trade debtors in arrears is linked to the South African prime interest rate.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the potential change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

Notes to the Financial Statements: *35. Risk management - (continued)*

Figures in Rand	Ended 2020	Ended 2019

The sensitivity analysis shows reasonable expected changes in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite percentage adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on surplus.

Estimated increase in rates

Cash and cash equivalents	576 011 321	1 203 158 748
1% thereof:	5 760 113	12 031 587

36. Fruitless and wasteful expenditure

Identified in 2017-18	-	184 718
Opening balance	-	**184 718**
Less: Amount written off - current	-	(184 718)
Closing balance	**-**	**-**

In the year 2015 one of ELIDZ's suppliers ceded their rights to monies owed for services rendered to the ELIDZ to their funders. The ELIDZ made payments directly to the supplier and not the cession holder. The cession holder instituted a claim against the ELIDZ to recover the monies incorrectly paid to the supplier. The court issued a default judgement for the ELIDZ to pay the cession holder, the payment was made during the 2018 financial year. The payment was classified as fruitless and wasteful as it was made in vain and would have been avoided had reasonable care been exercised. The board approved the entire amount for write of in the 2019 financial year.

No fruitless and wasteful expenditure has been identified in the current financial year.

37. Events after the reporting date

The company was affected by the global pandemic as a result of the COVID-19 virus. Several ELIDZ customers were affected by the national lockdown announced by the South African national government. The nationwide lockdown has had a negative impact on the entity's income generating capacity.

A rental abatement was offered as support for April 2020 to those entities whose operations were affected by the restrictions announced by government.

The entity reduced its revenue projections for the financial year ending 31 March 2021 by R5,8million. This revision to the revenue forecasts has not affected the entity's ability to continue as a going concern. Consequently, the financial statements for the year ended 31 March 2020 have been prepared under the going concern assumption.

38. Budget differences

Material differences between budget and actual amounts

- The positive variance of 8,9% from the budgeted revenue from rendering of services is due to increase in usage of utilities by the entity's customers.
- The adverse variance of 11% from budgeted revenue from rental of facilities and equipment is due to rental reliefs granted to the entity's tenants.

The approved budget as presented in the face of the financial statements only includes operating expenditure that the entity funds through own generated revenue and partly by the provincial government through DEDEAT.

The budget excludes capital expenditure for the construction of investment property and property plant and equipment that is mainly funded by the national government through the Department of Trade and Industry.

Changes from the approved budget to the final budget

The difference between the approved and final budget are due to additional grant allocations from DEDEAT with regards to the budgeted revenue from non-exchange transactions. The changes between the approved and final budget for expenditure are a consequence of reallocations within the approved budget parameters.

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