east london idz
business streamlined

2021 | 2022 ANNUAL REPORT

THE EAST LONDON INDUSTRIAL DEVELOPMENT ZONE

AN ENGINEERED EFFICIENT **GLOBALLY COMPETITIVE INDUSTRIAL COMPLEX**

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 2021 / 2022**

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DESIGNATION: Chairperson: ELIDZ Board of Directors

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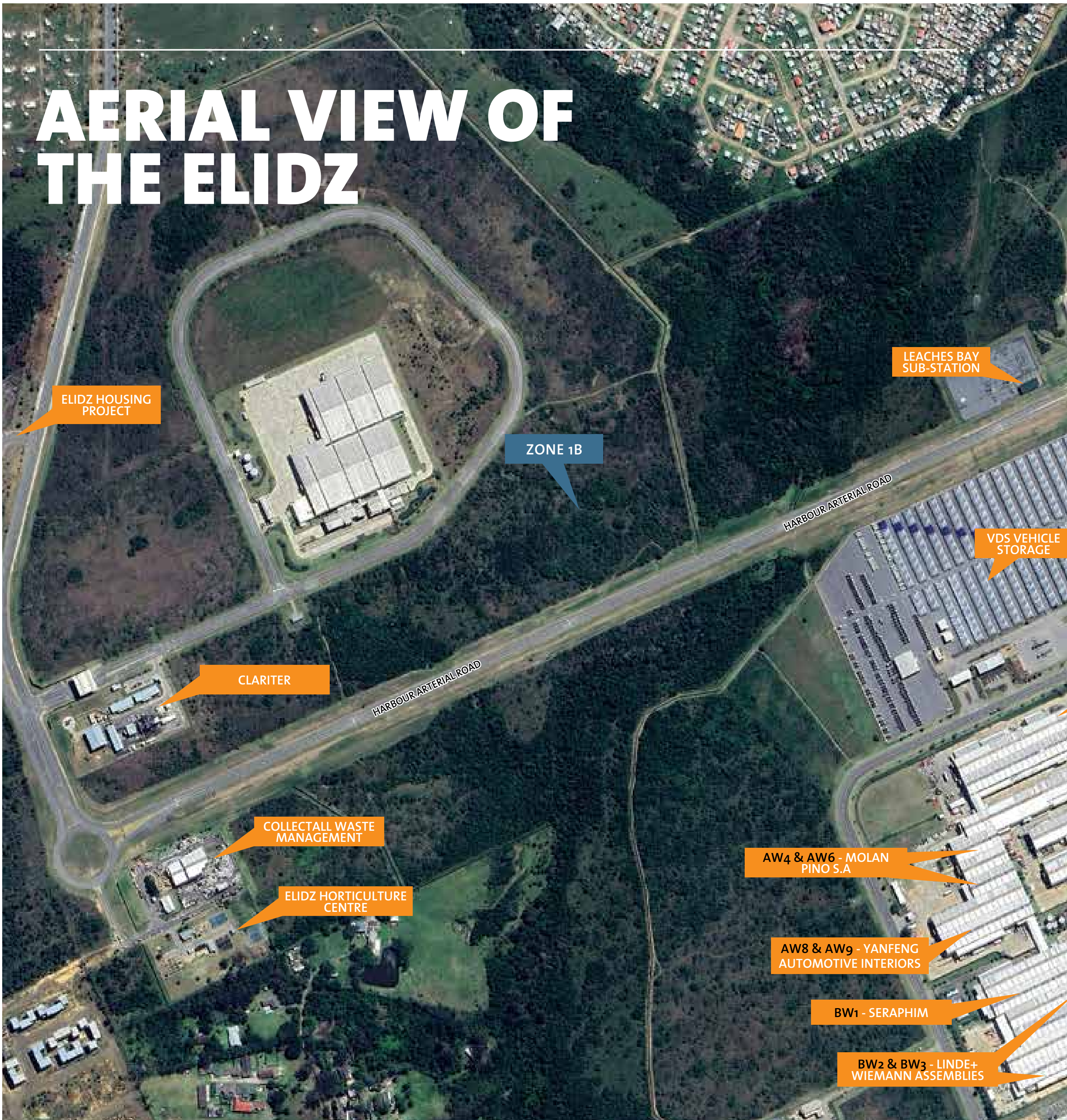
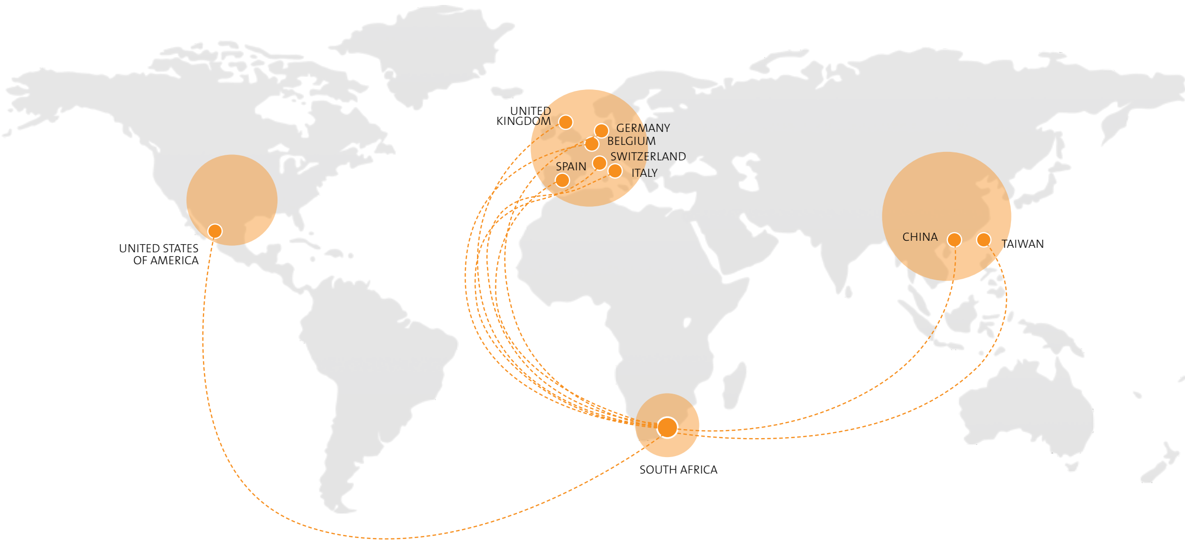
AERIAL VIEW OF THE ELIDZ




ZONE 1E
ELIDZ HEAD OFFICE
CHESTER ROAD
ELIDZ STP
ZONE 1C
HARBOUR ARTERIAL ROAD
ELIDZ MAIN GATES & ADMIN BUILDINGS
ELIDZ INVESTMENT CENTRE / TRANSPORTATION BUILDING
MAINTENANCE STORE
BOYSEN
voestalpine
IKHALA ROAD NORTH
FROTEK
MSC STORAGE
D-FENCE
AUTOMOULD
IKHALA ROAD EAST
RG BROSE
IKHALA ROAD NORTH
UMSIMBITHI ROAD
SUNDALE DIARY
MKHOKHOKHO ROAD
AE1 - FELTEX TRIM
EW1 - TI GROUP
IW4 - Dräger
AE4 - AURIA FELTEX
ZONE 1A
AE6 - FELTEX CARAVELLE
FW1 - MBSA
AE6 - FELTEX FEHRER
IKHALA ROAD SOUTH
ELIDZ CONFERENCE CENTRE / CANTEEN
BE2 - MARTINREA
GW1 - VALEO
WHEEL ASSEMBLERS
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 & CUSTOMERS



FELTEX AUTOMOTIVE TRIM
Mercedes-Benz
EBOR AUTOMOTIVE SYSTEMS (PTY) LTD
FRÖTEK
Fehrer AUTOMOTIVE
Valeo
BOYSEN INNOVATIONEN ABGASTECHNOLOGIE
Sundale
caravelle AUTOMOTIVE CARPETS
Wheel Assemblers
AUTOMOULD
DSV
FOXTEC-IKHWEZI
ZF
RG brose
RSC
Yanfeng Global Automotive Interiors
voestalpine ONE STEP AHEAD.
AIH GROUP
MILLTRANS
AURIA
IAC International Automotive Components
Wallenius Wilhelmsen Solutions
LINDE+WIEMANN
FELTEX
MARTINREA
ONELOGIX VDS
TI Automotive
clariter
BIGFOOT EXPRESS FREIGHT
POLYTEC
msc
TEM Tooling
SERAPHIM
MOLAN PINO
COLLECTALL
KINGFISH ENTERPRISES
Dräger

a.

general information

1.1

ELIDZ 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 **ABBREVIATIONS/ ACRONYMS**

AFS	Audited Financial Statements
AGSA	Auditor-General of South Africa
AIDC	Automotive Industry Development Centre
BBBEE	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 dtic	Department of Trade, Industry and Competition
TR	Treasury Regulations
VAT	Value Added Tax

1.3

FOREWORD BY THE **BOARD CHAIRPERSON**

Professor M.W. Makalima
ELIDZ Board Chairperson

> ***"...the ELIDZ was able to attract to its platform 6 new investors; with an investment value of R969 million, against a set target of R500 million."***

The East London Industrial Development Zone SOC Ltd (ELIDZ) submits its annual report for the 2021/22 financial year; a financial cycle that was overarched by an external operating landscape in which covid-19 related economic and fiscal volatility had become the 'new normal'.

A CHALLENGING ECONOMIC LANDSCAPE

The continued implementation, during this period, of restrictions pertaining to efforts to control the spread of the corona virus; the slowing down of investment inflows into the economy; the extra-ordinary rainy weather conditions that impacted top structure construction activities, had an adverse impact on the entity's planned and actual performance resulting in, for example, delayed maturing and successful landing of new investments on the ELIDZ platform.

These challenges have been further exacerbated by the advent of geo-political tensions that have affected global trade flows and heightened security concerns in the global economy. Add to this, the implementation of increased protectionist economic policies by some leading economies which have had the effect of deepening global divisions and increased the trend towards the localisation of national economies.

The attendant disruption of global supply chains has impacted various multi-nationals, including those that operate on the ELIDZ's platform; resulting in further pressure on an already distressed manufacturing sector. New investments in manufacturing activities went into a low ebb and there was a noticeable decline in greenfield investment projects globally. Compared to the prior year, however, there was a perceptible increase in global FDI inflows, and Africa became a beneficiary of this upward FDI trajectory.

In the face of these emerging challenges, the organization demonstrated impressive levels of resilience and agility which enabled it to weather the storm and keep our ship on an even keel. In this regard, and as one of its package of threat containment mechanisms, the ELIDZ subjected its strategic plan to a vigorous review process which culminated in, among others, the revision of previously set annual targets.

GROWTH IN IMPACT

Despite the challenging economic and fiscal climate experienced during the 2021/22 cycle, the ELIDZ was able to attract to its platform 6 new investors; with an investment value of R969 million, against a set target of R500 million. Of even greater significance, the ELIDZ also opened 12 new factories which are now fully operational; thus giving a much needed boost to the province's economic activity level. It is noteworthy that these private sector companies have already invested R3,27 billion into plant and machinery. Their settling on our platform has begun to make a positive dent on the zone's employment figures; with a projected 2078 jobs within the next two years. The zone also recorded a 34% year-on-year growth in the number of manufacturing and services jobs, from 3945 to 5270. This is a welcome development for the ELIDZ and should be read as an indication that the zone is on a recovery trajectory from the initial adverse impact of Covid-19 on productivity levels.

The expansion, growth and diversification of our investor tenants into new markets is especially encouraging and reinforces the organizations confidence in the credibility and sustainability of its value proposition. A value proposition that is premised on global competitiveness and streamlined business operations. In this regard, during the year under review, the ELIDZ witnessed the launch of a new slice-on-slice cheese processing facility. This development came about as a result of a partnership that was negotiated between Sundale Dairy, an investor already operating on our platform, and Schreiber. Sundale Dairy is a local company that has, over the years, benefitted from the ELIDZ's investor support value proposition, which is anchored on attracting and retaining investors that are globally competitive and are able to maintain their resilience despite our economy's real and perceived challenges.

In this regard, it is worth noting that 70% of South Africa's current supply of slice-on-slice cheese is imported. Therefore, the Sundale and Schreiber partnership is set to change this narrative and narrow the gap between locally produced and imported slice-on-slice cheese, contain currently spiralling retail prices and impact positively on the entity's new jobs creation priority objective. This newly expanded facility's customers include franchises such as Burger King, Mc Donald's South Africa and KFC as well as such retailers as Checkers, OK and Spar. This facility also brings with it an excellent opportunity for achieving backward linkages and will also likely see an increased demand for their products in the province and beyond.

A CATALYST FOR DEVELOPMENT

The key role of the ELIDZ is to ensure that the industries operating on its platform contribute to achieving export-oriented growth and enhancing growth in the province's economic output. As at the end of the 2021/22 financial year, the organization recorded a 53% growth in industrial turnover of zone enterprises. This was a result of the operationalisation of new factories. In this regard, export-oriented production by ELIDZ enterprises grew exponentially by 127% year-on-year, compared to the prior year, largely driven by enhanced growth in the automotive sector.

There was also significant growth on the construction activity front. While the ELIDZ had set out to sub-contract 30% of sub-contractable construction work to designated groups for all tenders above R30 million, the organisation exceeded this target and recorded 55% of sub-contractable work that was allocated to designated groups. Moreover, 89% of the contracts awarded went to local companies. This development is in line with the ELIDZ's commitment to leverage its spend on economic development to effect the transformation of local industries.

Community Development Programmes that are focused on education support, enterprise development, sports development and skills advancement occupy centre stage within the ELIDZ's Sustainable Development Agenda. It is worth noting though that our strategic focus is not narrowly limited to supporting communities that are located within our immediate environment. Our reach extends to other Eastern Cape communities, both rural and urban.

During the year under review, the ELIDZ awarded 11 bursaries to needy and academically deserving Maths and Science university students. 18 Corporate Social Investment Initiatives were also undertaken in the areas of Sports, Education Support and enterprise development. In tandem with these initiatives, the Science and Technology Park continued to prioritise innovation support and incubation, with 250 beneficiaries being trained through the programme.

ORGANISATIONAL RESILIENCE AMIDST UNCERTAINITIES

The overall performance of the ELIDZ for the 2021/22 cycle was a satisfactory one in spite of the economic and fiscal challenges which had become a feature of our operational environment during this period. Much against the rather pessimistic initial forecasting based on the prevailing negative variables, the organization achieved, and in some instances, exceeded our projections.

In this regard, the organisation achieved 86% of the targets that had been set by its shareholders for the year under review. It however recorded an under-performance of 14%; this being due to external factors that lay beyond the actual capacity of the ELIDZ to control. An illustrative example of this dilemma was the inability of the ELIDZ to create the 1800 contraction jobs which had been forecast for this period. This was due to the delayed commencement of a number of projects that had been planned for the year; but for which the ELIDZ was unsuccessful in its bid to secure SEZ programme funding support. This stalled the commencement of planned projects such as the setting up of an ICT Data Centre as well as the implementation of a Manufacturing Incubator. Both projects were considered vital and catalytic in nature towards the realization of the company's Vision 2025 objectives and outcomes. Another disruptive factor was the inclement weather, characterized by unusually heavy rain fall, throughout the better part of the year, which significantly affected construction activity and impaired the SEZ's ability to stimulate the anticipated construction associated employment.

The advent of the Covid-19 pandemic, the impact of which extended into the year under review, inflicted collateral damage on the planning processes of the automotive OEM, Mercedes-Benz; at a critical time when the company was working to ramp up its preparations for the manufacture and launch of the C-class W206 model. This development had a disruptive effect on production shifts, employee incomes as well as employment trajectories right across the automotive supply chain. However, notwithstanding these disruptions, the ELIDZ was able to achieve a decent 33% growth in gross income from its services, while limiting the vacancy rate of existing investment property to 1,46% for the 2021/22 FY.

THE YEAR AHEAD

The foregoing account demonstrates clearly that the prospects of the organisation reaching its targets and achieving its objectives for the present strategic term remain fragile. Therefore, the ELIDZ should spare no effort to shore up and consolidate its proven agility, resilience and performance capabilities to recover lost ground; even though some of the factors that impinge upon its operational success are essentially externalised.

It bears noting that the organization's current operating difficulties are also, to a significant extent, a function of the prevailing global dynamics, including the ongoing geo-political tensions that are playing themselves out in eastern Europe, which have had adverse organisational impacts right across the spectrum.

In our particular instance, and due to the linkages which a significant number of our tenant investors have as components suppliers to the automotive sector, the negative impact of the disruption of global supply chains can be demonstrated by reference to the microchip/semiconductors supply shortages experienced by MBSA. If not rectified, this situation will continue constitute an existential threat to the success of our operations and the stabilization of provincial and regional economies.

The ELIDZ remains confident that it will continue to attract strategic investments and thus contribute to the Metro's efforts to diversify its economic base into new sectors such as ICT and Renewable Energy. An initiative by the ELIDZ to attract and settle a new investor that specialises in the manufacture of energy storage systems has reached an advanced stage. The organisation is also pursuing a process of marketing the implementation of a Data Centre.

The ELIDZ continues to explore mechanisms by which to support and cement the further development of the automotive sector, as one of the key pivots of the provincial economy. From a long-term perspective, the zone is also looking at how the province can be supported to consolidate industrial localization so as to create space for 2nd and 3rd generation tier components manufacturers, currently non in existent in South Africa, so as to promote and prosper this market.

In this connection, the ELIDZ has identified the establishment of an automotive incubator as one of its priorities, to underpin and drive the project of growing the 2nd and 3rd tier automotive supply manufactures. It is envisaged that this initiative will be structured in the form of a partnership, funded by the provincial government and the DTIC.

Coupled with this initiative, the Science and Technology Park has prioritized the mainstreaming of skills development and has already undertaken a province-wide skills audit, for the purposes of identifying existing skills gaps. In a similar vein, the organization will in 2022/23 kickstart a programme to close identified skills gaps through a coordinated skills development programme that delivers an increased availability of advanced technological skills. This, in order to cater for the already existing sectors as well as residual skills capacities for new sectors, such as ICT and Renewable energy.

As a cautionary note to official policy makers and practitioners alike, the reality should be acknowledged that the successful implementation of South Africa's SEZ programme remains imperilled by the prevailing poor state of the national fiscus. This poses a serious challenge and is a constraining factor in respect of the sourcing of funding for the ongoing efforts to attract industrial investments. Needless to say, the prevailing situation also does not bode well for the success of start-up initiatives for new SEZ industry support programming in such areas as innovation, productivity, skills and technology support, etc. These being some of the programmes the organisation is planning to spearhead, within the framework of delivering its five-year strategy.

ANCHORED ON A STRONG ECO-SYSTEM

The adverse conditions outlined above have not and will not paralyze the ELIDZ into stagnation. The growth recorded in the previous 12-months is testimony to this commitment. It bears noting however that these achievements would not have occurred had it not been for the organization's successful partnerships with industry and government; the latter who have been especially generous in their support, both materially as well as motivationally and inspirationally.

As we reflect on and celebrate yet another successful year for the ELIDZ, we are cognisant of the fact that the milestones that have been achieved would not have been possible without the visionary leadership, encouragement and resilience of our funders, namely, the DTIC and DEDEAT as well as our shareholders, DEDEAT and BCMM, who continue to provide an enabling environment for growth, in the face of the headwinds we experienced in the past year.

It would be remise of the Board to omit to acknowledge the role played by our investors who showed fortitude and resilience in the face of a range of industry challenges; that were largely a function of covid-19 related prohibitions and restrictions.

In combination, this eco-system of government, industry and investor community on which the organization has historically anchored its operations has helped in keeping the dream to realize ELIDZ Vision 2025 alive.

The Board of the East London Industrial Development Zone takes this opportunity to acknowledge with appreciation the effective and efficient manner in which management and staff were able to mobilize the organization's internal resources to address and resolve the extraordinary challenges of adapting to and embracing new operational modes and work practices brought about by our 'new normal'. The interventions made went a long way to safeguard the health and safety of the organization's employees as well as those of tenant investors and service providers.

It is clear though that the success of the organization's progress towards reaching its ambitious ELIDZ Vision 2025, for the current five-year term, remains fragile and thus requires the doubling of effort by all role players, to deliver success.

In concluding, I take this opportunity to acknowledge with much appreciation the critical role played by the Board, whose wisdom and generous support enabled the organization to navigate the headwinds of this past year.

Professor MW Makalima

Board Chairperson
Accounting Authority.

> *The zone also recorded a **34% year-on-year growth** in the number of manufacturing and services jobs, from **3945 to 5270**.*

1.4

CHIEF EXECUTIVE OFFICER'S **OVERVIEW**

Simphiwe Kondlo
ELIDZ Chief Executive Officer

ECONOMIC DEVELOPMENT PROSPECTS FOR SEZS

A measure of cautious excitement has been stirred with an anticipation that the potential for industrial development in South Africa (and more widely in Africa) may get a welcome economic boost, thanks to the progress being made with the establishment of the African Continental Free Trade Area (AfCFTA).

Creation of the free trade bloc is poised to unlock freer access to an attractively scaled and dynamically growing African industrial and consumer market. This could be an attractive drawcard for growth-oriented foreign and domestic industrialists alike. It could also give rise to a wider sourcing of more competitive inputs for industries manufacturing from within Africa.

But latest research also highlights that these positive developments are being accompanied by some mixed signals from commentators in certain quarters who are also raising some caution over a new and complex landscape of perceived business risks and possible threats for SEZ projects and their operating entities in the wake of the AfCFTA developments.

A highly instructive edition of the United Nations Conference on Trade and Development (UNCTAD) 2021 Handbook on Special Economic Zones in Africa provides some in-depth data and analyses over what the continental free trade area might possibly mean for the future growth and performance of the SEZ sector in Africa.

The Handbook comments: "Practically, the AfCFTA considers goods produced in SEZs as domestic products, granting them free circulation within the area on par with non-SEZ goods, upon qualification based on rules of origin. Depending on how stringent rules of origin are, this provision could, in theory, aid the process of industrialization and integration on the continent, since SEZs would be allowed to export their products to all AfCFTA member countries."

> ***"The ELIDZ has, for the past 10 years, attracted an annual average of 5 new investors onto its platform. This is testament to the competitiveness and appeal of the zone's value proposition despite the growing competition from new SEZ entrants."***

STATIC AND DYNAMIC BENEFITS AND RETURNS

The integration of SEZs into a Regional Trade Agreement arrangement can potentially equip SEZ-based firms with an array of static and dynamic benefits. These range from enhanced market access for industrial outputs to new opportunities for industrial specialization in Africa and/or for doing business at better economies of scale.

Regulating SEZs through sensible requirements for regional content may also incentivize SEZ-based firms to create supply linkages across the continent, as regional production inputs may allow firms to access the whole African market under preferential treatment (reduced tariffs).

The publication also, however, reports quite candidly on the less-than-stellar performances of many SEZ programme regimes across Africa. Examining specific country-level case studies, the Handbook points to a plethora of context-specific indicative reasons for these zones performing more poorly in comparison to SEZ locations in other continents elsewhere with active SEZ programmes.

Of very great interest to the ELIDZ -- and the orientation it has adopted in its Vision 2025 planning -- is the Handbook's sobering contrast of static-versus-dynamic outcomes performances.

Static outcomes represent direct results of Zones operations, such as the value of fixed capital investment attracted and the growth in industrial turnovers generated as well as employment created.

Africa's static returns are found to be generally quite modest (by international benchmark comparison) and highly variable from country programme to programme. Performance is also seen to be most prone to failures brought about by poor strategic focus, unclear locational comparative advantage and institutional capacity and resourcing issues within the SEZ host economies.

The comparable assessment of performance in relation to the generation of SEZ dynamic returns makes for an even more sobering read.

Dynamic returns typically constitute longer-term, spill-over effects attributable to the attraction of foreign firms with operations that are more mature, utilise more productive production processes and that exercise mastery over more advanced technological capabilities.

The diffusion of these advantages can, in theory, promote structural change with enterprises located both inside and outside of the SEZs -- and so enhance the general competitiveness of the local economy. Technology and skills spill-overs are frequently considered to be more important for the mid- to long-term transformation of the host economies than the direct SEZ benefits.

Studies examining SEZ performance in relation to the actual, indirect economic benefits attained – such as knowledge and skills transfers and their role in facilitating a gradual upgrade of the local industrial economy – have tended to yield negative results (World Bank, 2017b; Alkon, 2018; Frick & Rodríguez-Pose, 2019). This is pointing to what researchers perceive to be the general and widespread inability of zones to contribute quickly and meaningfully to the socio-economic development of the areas they are located in.

This paints a somewhat bleak backdrop for some of the emboldened outcomes and impacts that have newly been integrated into the ELIDZ's long-term Vision 2025 strategic agenda. More so since the Handbook authors voice an expectation that African zone programmes, in particular, are likely to prove to be even more disappointing in delivering dynamic returns compared to other continents, such as Asia and Latin America.

MONITORING NEW DYNAMICS IN THE SEZ SECTOR

The landscape emerging with the AfCFTA developments remains somewhat shrouded in unknowns and speculations and it is certain that the remaining periods of this five-year strategic term will need to pay close attention to the evolving situation.

Some researchers and commentators even question whether the rationale underpinning SEZ programming is wholly compatible and able to mesh with the drive to put industry in Africa onto a new developmental trajectory through the emergence of regional integration within in a continental-wide market.

There are also misgivings as to whether the arrangement will indeed have any beneficial effect on the total FDI volumes that Africa can and will attract. This is because it may simply divert investment inflows that are already Africa-bound from one viable African location to another elsewhere on the continent.

Such a pattern would tend to fuel rivalry and a stronger race in the setting of more attractive incentive offerings between African nations in what is feared may become a zero-gain 'race to the bottom'.

There is also some concern that participation in formative regional value chains could displace industries in their performance in domestic markets (and/or disturb the competitive position of non SEZ-located domestic industries).

Further studies, notes the Handbook, have argued that SEZs and Regional Trade Agreements are driven by conflicting rationales. So SEZs would always tend to be at odds with regional integration efforts (Sargent & Matthews, 2001; Farole, 2011).

Others have noted that collective action problems would tend to only aggravate economic tensions between neighbouring countries (Farole, 2011, Woolfrey; 2013).

As the ELIDZ proceeds with its Vision 2025 programme implementation it will be important to see how AfCFTA policies and practices finally shape up on the ground. It will also be instructive to see how market forces might react in relation to altered supply chain and value chain arrangements and other dynamics impacting the fortunes of African industrial enterprise.

In the interim it will remain vital for the ELIDZ and its relating institutional partners to invest every effort to strengthen and extend our collective reach, expertise, and readiness to respond to the developmental opportunities that may arise. Among others, this drive needs to grapple with the special resourcing needs of the collective state action to unlock innovation, industrial upgrading and the optimum realisation of the human potential of our province.

FINANCIAL REVIEW OF THE ENTITY

The ELIDZ's operating budget for the period 2021/22 was R336,6million. The bulk of this amount (60%) was allocated to the ELIDZ's core operations which included the maintenance of the organisation's facilities, the management of the ELIDZ's property portfolio and the operations of the organisation's STP. The remaining 40% was allocated to the organisation's institutional support and administration programmes. The ELIDZ's operating budget was funded from two main sources, namely the DEDEAT grant as well as income generated from the ELIDZ's own operations. Income from ELIDZ operations include lease income, income from utility services as well as income from other services such as ICT, the STP Laboratory as well as the Canteen and Conferencing Centre.

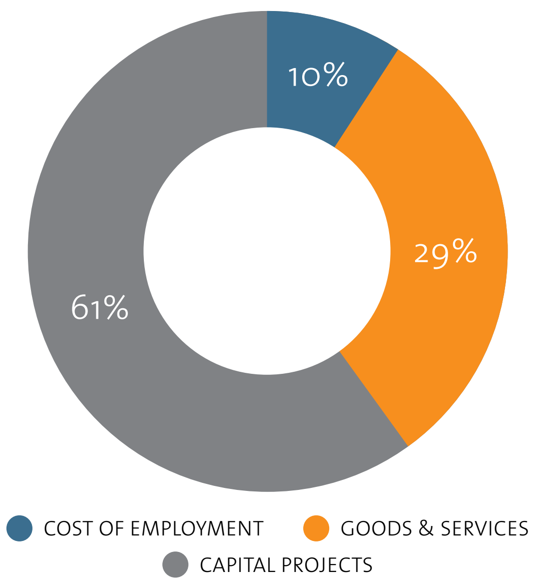
There were several investors that were operationalised during the year and that resulted in an increase in the rental revenue for the organisation. That was despite the liquidation of two investors in the same year, some investors struggling because of Covid 19 and global supply chain challenges in the automotive sector.

The organisation had to increase its budget upwards during the year to cater for additional cost pressure that was not budgeted at the beginning of the year like the payment for Special Investigation Unit (SIU) that started its investigation of the organisation later in the year. The organisation had to give salary increase during the year as well to its employees after the salary freeze, that was applicable to all government employees at the beginning of the year, was lifted during the middle of the year.

The organisation had a capital budget of R525,9 million. Of this, R182,7 million was allocated to finalising capital projects that had reached practical completion at the beginning of the year, but still needed to reach final completion during the year under review. The remaining R343,2 million was allocated to projects that had not yet reached practical completion and were still to be commenced or had commenced during the previous financial year.

Below is a graph that shows the split of different economic classification during the year:

BUDGET BREAKDOWN PER ECONOMIC CLASSIFICATION 2021/22



EXPENDITURE AND INCOME TRENDS

As at the end of the 2021/22 financial year, the ELIDZ had spent 99% of its budget resulting in a positive variance of 1%. Key contributors to the under expenditure included a delayed payment in respect of Microsoft licences purchased. The organisation had previously purchased its licences under a universal contract managed by Treasury, but during the year Microsoft disqualified the organisation from that universal contract. This decision has been appealed as the universal contract is cheaper than an individual contract.

Of the approved capital budget of R525,9 million, the majority of this was for projects which had been approved by the dtic's SEZ fund in the prior year and were already undergoing implementation. These projects were implemented and finalised during the 2021/22 financial year. Additional funding of R20,8 million was received for the Bushveld project and the organisation generated R10,2 million in interest during the year under review.

There were projects still under implementation at the end of the 2021/22 financial year. The closing balance for these capital projects amounts to R171,6 million at 31 March 2022. The closing balance included an amount of R54,7 million for the Data Centre project. The project was funded by the provincial government. The organisation was sourcing additional funding for the Data Centre top structure as the amount received from the provincial government was ringfenced for the equipment.

With respect to revenue, the ELIDZ had targeted to generate revenue of R239,6 million from its operations. As at the end of the reporting period, the ELIDZ had generated R281,9 million from its operations resulting in a positive variance of 3%. The positive variance was mainly due to certain buildings that were completed ahead of schedule and rented during the year.

CAPACITY AND FUNDING CONSTRAINTS

With the development of its new 5-year strategy, one of the ELIDZ's risks is the inability to resource its strategy both in terms of funding and human capital. In response to this risk, the ELIDZ undertook an organisational review and redesign initiative to ensure that the organisation is well resourced. The new organogram saw the augmentation of the ELIDZ's capacity with respect to its mandate around the STP as well as the strengthening of its Business Development activities in response to growing opportunities around ICT services. The ELIDZ will continue striking a careful balance between the implementation of this organogram as well as the optimisation of its existing human capital resources. On the funding front, the ELIDZ strategy assumes that the ELIDZ will mainstream its developmental agenda relating to the STP in response to the need for industrial modernisation and supporting industries to improve capability and skills to respond to the digitisation and technological advancement of economic activities. This output, however, is only possible with the availability of funding support for both the infrastructure and services related to it. The ELIDZ is grateful to the continued support by provincial government who allocated R10 million to the work being done at the STP during 2020/21 and the ELIDZ is hopeful that the impact of that initiative will act as further motivation for provincial government to improving the resourcing of the industrialisation and innovation agenda of the province. Similarly, the ELIDZ has packaged a manufacturing incubator project in partnership with the AIDC. The project has received excellent support from auto players such as MBSA and will see the development of 2nd and 3rd tier suppliers in the sector. The dtic has approved 50% of the funding to construct the incubator, and the other 50% of the funding has been provided by the province. Construction of the project will start in 2022/23 financial year.

The organisation would like to grow SMMEs in the region and in the zone. To that end, the organisation would like to build factory flats that would house the SMMEs. Currently the organisation is fund raising for this initiative but there are no funders that have come on board until there are enough letters of intent from the possible occupants of the factory flats.

REQUEST FOR ROLL-OVER OF FUNDS

The organisation had several projects that were still in progress at the end of the financial year and were funded by the province and dtic. In order to finalise the projects, the organisation has applied for rollover of funds that were committed at year end but not utilised. The following table shows the projects that were in progress and had funds that needed to be rolled over to the following year:

Description	Amount
Dtic funded Projects	116 859 195
Dedeat funded Projects	61 483 908
Own generated funded Projects	19 698 243
Grant Total	**198 041 346**

SUPPLY CHAIN MANAGEMENT

The ELIDZ awarded twenty-two (27) contracts to the value of R292,6 million for the 2021/22 financial year. The bulk of the contracts awarded were initiated by the Zone Operations Department. These contracts were awarded in accordance with ELIDZ SCM policy and applicable National Treasury regulations.

There were no unsolicited bids awarded for the period under review. As part of its procurement policies and to ensure that it extends its developmental impact, the ELIDZ promotes the awarding of contracts to BBBEE enterprises. In line with these aspirations, the ELIDZ set and achieved the following BBBEE performance targets for period under review:

BEE Target	SMEs Target	Black Woman Target
90%	30%	12%
	Actual Achieved	
127%	**31%**	**15%**

In response to the need to do more in terms of shifting the bulk of expenditure to benefit Black Owned Enterprises, the ELIDZ has revised its Preferential Procurement Policy to allow for the following:

- Award of all ELIDZ contracts to BBBEE compliant contractors,
- Specification of the minimum 30% compulsory sub-contracting provision to 51% black-owned enterprises for all contracts that are above R30 million to ensure that opportunities for the participation of designated groups are created,
- Target of ensuring that 30% of its total expenditure is with local enterprises.

The ELIDZ has made meaningful strides with respect to the above, the sub-contractable construction work subcontracted to designated groups for all tenders above R30 million was 55% at the end of 2021/22.

While the above are noted as progressive, it must be noted that there are significant developments that may limit similar performance by the ELIDZ in the future.

The National Treasury issued a communication in February 2022 to all Organs of State advising that the Procurement Regulations 2017 were declared invalid on the basis that the content of the Regulations exceeded what the Minister of Finance could permissibly regulate in terms of section 5 of the Procurement Act and section 217 of the Constitution. The National Treasury took the judgement back to the Constitutional Court for further clarification. On 30 May 2022, the Constitutional Court pronounced that the invalidity was suspended until February 2023.

AUDIT REPORT MATTERS

In 2021/22 financial year the ELIDZ received a clean audit opinion from the Auditor General of South Africa. This was the seventh consecutive audit for the organization and clear indication of strong controls and best practice governance by the entity.

ECONOMIC VIABILITY

The ELIDZ continues to prioritise the growth of its revenue from its operations in order to reduce and eliminate reliance on provincial grant funding over the longer term. This is however influenced by a number of factors including the zone's ability to attract investors, the liquidity of investors on the ELIDZ platform and the availability of funding for the development of investment property in the zone. Since 2019/20, the ELIDZ has increased its revenue generation capability by 64% and continues to improve the own generated revenue cover of its operational budget as indicated above. Just in the last year, the ELIDZ was able to grow its own generated revenue by 36% year-on-year.

	2022	2021	2020	% Change
Rentals	149 821 740	107 763 572	72 024 604	108
Utilities	132 154 742	98 625 669	99 492 001	33
Total	**281 976 482**	**206 389 241**	**171 516 605**	**64**

CONCLUSION

The ELIDZ has, for the past 10 years, attracted an annual average of 5 new investors onto its platform. This is testament to the competitiveness and appeal of the zone's value proposition despite the growing competition from new SEZ entrants. This performance momentum would not be possible without the ELIDZ's enabling stakeholders such as DEDEAT, the dtic and BCMM who continue to lay a solid funding and legislative foundation for the zone. Even during a year which was challenging and stretching in terms of the country's economic resources, the ELIDZ received excellent support from its funders and in return – 6 new investments were secured, there was notable increase in the turnover of zone enterprises and there was notable growth in export-oriented production in the zone. These are critical outcomes for the zone and are fundamental in contribution towards an improved and enabled regional economy. The ELIDZ remains committed to its mandate of being a catalyst for economic development of the region, it remains committed to changing the lives of our citizens and broadening economic participation by all.

Simphiwe Kondlo

CEO: East London IDZ

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 (AFS) audited by the AGSA.

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 AFS have been prepared in accordance with GRAP, and the Companies Act and the PFMA the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the AFS 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 AFS.

The external auditors are engaged to express an independent opinion on the AFS.

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 2022.

Yours faithfully

Simphiwe Kondlo
Chief Executive Officer

Professor M.W. Makalima
Chairperson of the Board

1.6

STRATEGIC **OVERVIEW**

1.6.1 Vision

The ELIDZ the vision, refined at the beginning of 2021-2025 contemplates a more expansive and integrative developmental role for the SEZ within its host region. The vision statement is as follows:

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.*

1.6.2 Mission

ELIDZ's Mission was revised in 2021 to to signal its more expansive orientation and positioning as an agent of industrial development in the region, using the features and attractions of the SEZ industrial platform as the basis of presenting and positioning the host region as a world class investment destination offering.

Following the phase of transitioning of zones from the former IDZ programme into the broader SEZ programme, the Mission now also references the SEZ context explicitly. This is useful particularly for foreign direct investors who will better appreciate the nature of the ELIDZ's business and role.

Finally, the mission highlights the ELIDZ's drive to assist its client industries to excel and prosper, since SEZ Enterprises exist as the primary beneficiaries of the fulfilment of the entity's Mission and the SEZ's overall value creation efforts.

The Mission now reads as follows:

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 building the desired business environment, ELIDZ's strategy recognises that the SEZ platform interfaces across three dimensions of what it views to be an optimal industrial support ecosystem (at the Industrial, Locational and Institutional levels). The SEZ project offers a mechanism for benefits from these three areas to be converged and to deliver added value for targeted industries (see page 21 for a more complete discussion of the industrial support ecosystem).

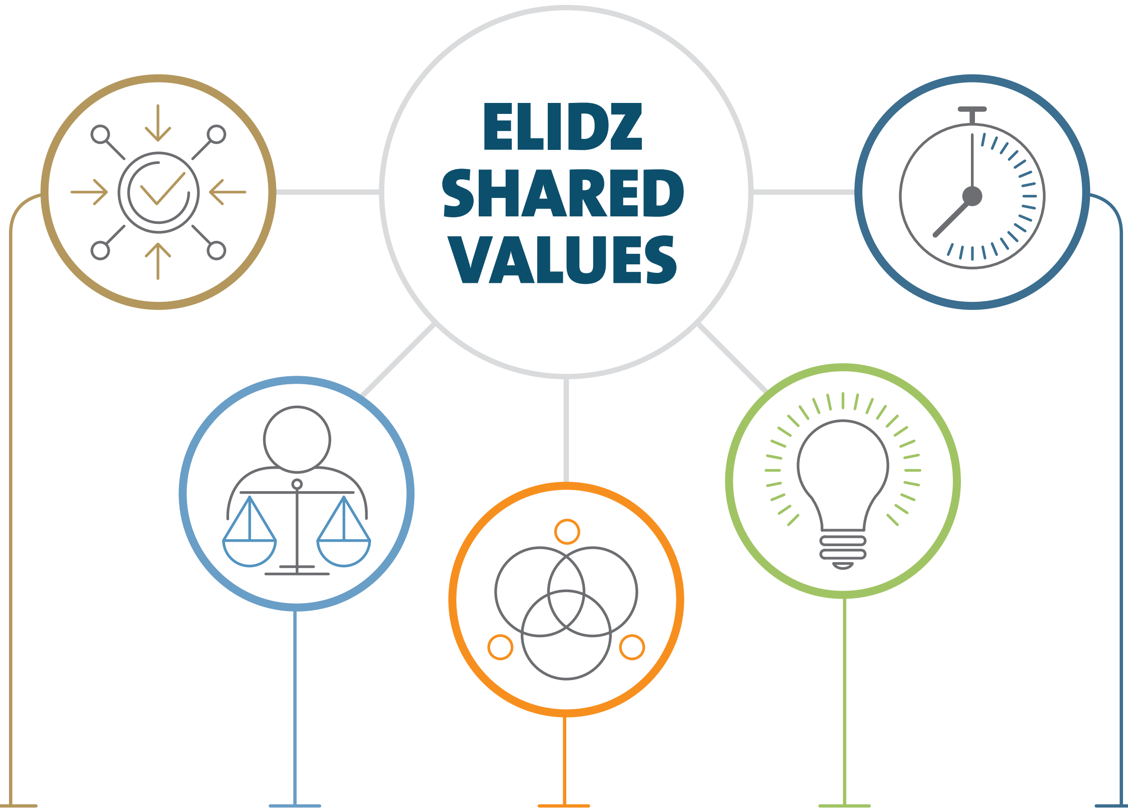
1.6.3 Corporate Values

Although ELIDZ's corporate values are closely shaped by its role as a developmental entity -- and so have been reasonably stabilised for some time -- the current term has afforded opportunity for the values to be flexed and enhanced in line with the new role opportunities opening for the business.

This change has also been done in acknowledgement of internal and external feedback that have emphasised and uplifted certain values that were not directly voiced in the corporate values that were in place for the closing five-year term. These include:

- the entity's orientation and sensitivity to demonstrate a real and meaningful developmental impact; 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 revised corporate values are shown below and are to be factored into ongoing work to actively strengthen and grow a winning culture within the organisation:



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 citizens we have been created to serve."

***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."

BUILDERS OF *SYNERGY*

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

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."

PASSIONATE FOR *EFFICIENCY*

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

1.7

LEGISLATIVE AND OTHER **MANDATES**

ELIDZ develops its organizational priorities on the basis of government's industrial and economic development aspirations, as set out in the high-level strategic planning issued by its principals located within national, provincial and municipal government.

Chapter 7 of the South African Constitution cites the promotion of social and economic development as a core object for local government. In addition, Part A of Schedule 4 to the Constitution lists industrial promotion and regional planning and development as functional areas of concurrent national and provincial legislative competence.

As the entity closes the current five-year strategic term it has pursued high-level priority objectives that have been formulated in terms of the mandated purposes for SEZ project implementation. These are facilitated and enabled under applicable frameworks of policy and planning, as expressed across the three spheres of State as indicated 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).

In considering its strategic agenda and institutional development and growth opportunities for the new five-year term, ELIDZ's Board and Executive management reflected on the scope and direction afforded to the SEZ by its enabling legislation to seek to be more outward-looking and expansive in positioning itself as a provincial industrial development role-player.

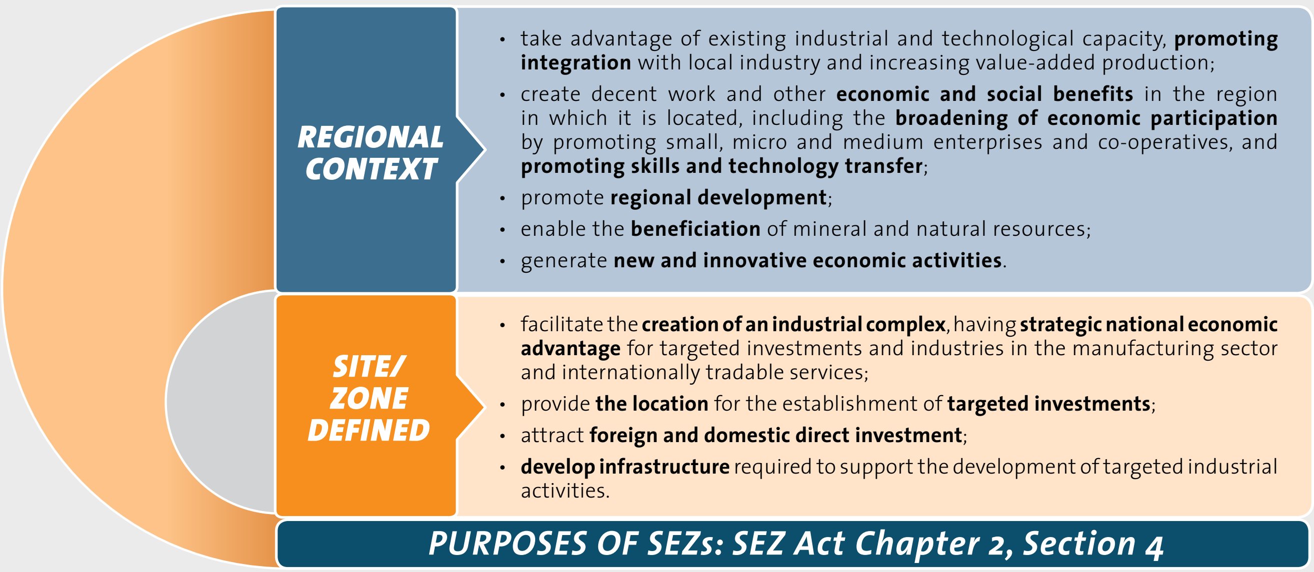


Figure 1- SEZ purpose SEZ Act Chapter 2, section 4, regional and locational context

The graphic above dissects the SEZ Act's purposes of SEZ project implementation and highlights the intertwining interest of the SEZ Programme in its SEZs positioning themselves (and in shaping their programmes and operations) with a view to influencing industrialisation strategically, on both the local (designated SEZ site) footprint as well as in relation to contributions, linkages and support that is provided as part of integrative regional development.

The ELIDZ 2021-2025 Strategic Plan is further aligned to the Provincial Medium-Term Strategic Framework (PMTSF) which essentially is the Implementation Plan of the Provincial Development Plan. The ELIDZ's Mandate, as encapsulated in its revised vision and mission contributes towards the following provincial government priorities:

PMTSF	**Priority 1:**	Economic Transformation and Job Creation
	Priority 2:	Education, Skills and Health
	Priority 6:	A capable ethical and Developmental State
EASTERN CAPE 2030	**Goal 1:**	An innovative, inclusive and growing economy
	Goal 2:	An enabling Infrastructure Framework
	Goal 3:	An innovative and high value agricultural and rural sector

Figure 2- Provincial Development planning alignment

1.8

ORGANISATIONAL **STRUCTURE**

CHIEF EXECUTIVE OFFICER

MANAGER: OFFICE OF THE CEO

OFFICE OF THE CHIEF EXECUTIVE OFFICER

Functional Area	EM	MG	SP	SE	AS	T
Office of the CEO	1	1	1	-	1	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	2	-	1	9
Research	-	-	1	-	-	1
Total Vacant Positions	-	-	1	-	-	1
Total Positions	1	5	3	-	1	10

CHIEF FINANCIAL OFFICER

FINANCIAL MANAGEMENT

Functional Area	EM	MG	SP	SE	AS	T
Financial Management	1	-	-	1	1	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	5	1	15
	-	-	-	-	-	-
Total Vacant Positions	-	-	-	-	-	-
Total Positions	1	3	5	5	1	15

CHIEF OPERATIONS OFFICER

OPERATIONS

Functional Area	EM	MG	SP	SE	AS	T
Zone Operations	1	-	1	1	2	5
Sector Development & Investment Promotion	-	4	-	-	-	4
Project Management & Coordination	-	1	3	-	-	4
Property Portfolio Management	-	1	1	-	-	2
Maintenance & Facilities Management	-	1	4	-	-	5
Investor Support Services Management	-	1	2	-	2	5
Science & Technology Park	-	1	1	-	2	4
Laboratory	-	-	4	2	-	6
Total Filled Positions	1	9	16	3	6	35
Laboratory	-	1	1		-	2
Maintenance & Facilities Management	-	-	1		1	2
Total Vacant Positions	-	1	2		1	4
Total Positions	1	10	18	3	7	39

EXECUTIVE MANAGER: CORPORATE AFFAIRS

CORPORATE AFFAIRS

Functional Area	EM	MG	SP	SE	AS	T
Corporate Affairs	1	-	-	1	1	3
Human Capital & Legal Services	-	1	4	-	-	5
Corporate Communications	-	1	3	1	-	5
Information Communication & Technology Management	-	1	4	-	-	5
Safety, Health & Environmental Management	-	1	1	1	-	3
Records Management	-	1	1	1	-	3
Total Filled Positions	1	5	13	4	1	24
Safety, Health & Environmental Management	-	-	2	-	-	2
Total Vacant Positions	-	-	2	-	-	2
Total Positions	1	5	15	4	1	26

EM: *Top Management / Senior management*
MG: *Professionally qualified & experienced specialists and mid-management*
SP: *Skilled technical & academically qualified workers, junior management, supervisors, foremen & superintendents*
SE: *Semi-skilled and discretionary decision making*
AS: *Unskilled and defined decision making*

b.

performance information

2.1

AUDITOR-GENERAL'S **REPORT**

Report of the auditor-general to 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 126, which comprise the statement of financial position as at 31 March 2022, 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 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 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practise (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

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

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

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

Emphasis of matter

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

Fair Value Adjustments

7. As disclosed in note 23 to the annual financial statements, the entity incurred a fair value adjustment of R137 million (2021: R456 million) as a result of a decline in the value of investment properties

Responsibilities of the accounting authority for the financial statements

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

9. 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

10. 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.

11. 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

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

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

14. 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 programmes presented in the entity's annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 1: operations	36 – 39

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

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

    - programme 1 - operations.

Other matter

17. I draw attention to the matter below.

Achievement of planned targets

18. Refer to the annual performance report on pages 36 to 42 for information on the achievement of planned targets for the year.

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. The other information does not include the financial statements, the auditor's report and those selected programmes 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 on it.

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

24. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

Other reports

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

27. In the previous financial year the board of directors became aware of a signed proclamation by the Republic of South Africa's president. The proclamation approved the Special Investigating Unit (SIU) to investigate allegations of corruption and maladministration at the entity. These proceedings were still in progress at the date of this auditor's report.

Auditor-General

East London
27 August 2022

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes 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 accounting authority
   - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

2.2

SITUATIONAL **ANALYSIS**

2.2.1 Service delivery environment

Significant change factors in the external environment, including the debilitating effects of the corona virus pandemic and an accelerated industrial transition to embrace the digital economy, are serving to disrupt and fundamentally reshape patterns in local, regional and global manufacturing operations.

This is also posing consequences for the performance and outlook for the IDZ's core business of investment attraction.

The continuation of the Covid-19 coronavirus pandemic into yet another trading period has been worrisome for the organisation. In particular, the board and management are concerned and remain vigilant over the effect that the pandemic has had – and continues to have – in delaying the maturing and the successful landing of investments – both from foreign and from domestic investors.

On a positive note, the South African government has responded to focus on a post-coronavirus plan to improve and restore macro-economic stability through the implementation of an aggressive Economic Reconstruction and Recovery Plan. While government's plan to drive for large-scale public investment in key sectors is welcomed, the benefits may take some time to be realised and participation may also not be equally shared by different provinces.

The drive targets the establishment of public-private partnerships for the development of strategic economic infrastructures that are currently challenged by fiscal challenges. The private sector participation is likely to favour opportunities with a stronger commercial rationale (and tend to be less responsive to the more developmentally oriented needs of a province such as the Eastern Cape).

Economic hardships and high unemployment in the South African economy has led to an upturn in business start-ups, but there is, however, strong sentiment that government could do more to support, harness and guide the upswell in entrepreneurial spirit, particularly when it comes to access to funding, markets and other critical factors for business start-up.

Internationally there are rising social pressures to resist the offshoring of economic activity to foreign, lower-production cost countries because of the associated bleeding of jobs in the home country. This is likely to overshadow investment attraction success rates in the foreseeable future.

Globally there are also mounting tensions between trade partners and a stronger tendency toward economic protectionism which is also tending to alter and subdue flows of foreign direct investment between developed and developing economies. This is also fomenting a climate that is likely to spawn trade wars, while also further fuelling the trend towards the onshoring or nearshoring of economic activity.

Global FDI flows in the first half of 2021 reached an estimated $852 billion, showing stronger than expected rebound momentum, according to UNCTAD's Investment Trends Monitor released on 18 October 2021. However, optimism must be tempered by the fact that Developed economies saw the biggest rise by far, with FDI reaching an estimated $777 billion in 2021, three times the exceptionally low level in 2020, the report shows.

Inflows into Africa also rose; most recipients across the continent saw a moderate rise in FDI but a doubling in the total for the region was largely as a result of FDI inflation caused by a single intra-firm financial transaction in South Africa in the second half of 2021.

The investment outlook remains generally weak, with new investment into manufacturing and Global Value Chains remaining at a low level, partly because the world economy has been buffeted by successive waves of the Covid-19 pandemic. Greenfield investment project announcements continued on a downward path (-13% in number, -11% in value during the first three quarters of 2021). Investor confidence in industry and global value chains remains shaky.

Industry developments have led to the disruption and reshaping in the configuration of manufacturing supply chains and logistical arrangements as well as the distribution channels used for local and internationally tradable services delivery.

Challenges and failures in global supply chains experienced in the wake of the coronavirus pandemic are impacting on multi-nationals and companies are looking at a diversification of suppliers, coupled with increased localisation to try and avoid further disruptions, especially in key industries such as health and defence.

Coupled to this are rising security concerns affecting both business operations and international trade through physical risks (piracy, product seizures and the hijacking of container vessels) as well as virtual risks (through industry exposure to increasingly sophisticated cybersecurity attacks).

Talent scarcity has also emerged as a complicating factor and is seen as a significant binding constraint impeding industry operations and growth for many industries. In part this is linked to the very rapid transition into the digital economy with its vastly amplified need for specialised skills and talent that match the new technology landscape.

The ICT sector's dynamism and its emerging opportunities are spurring hope of a new avenue of addressing job creation at scale in South Africa. This comes at a time where high unemployment levels in society are giving rise to mounting social disquiet and pressure for an acceleration in job creation.

This has potential to give impetus to, and be supportive of, the ELIDZ's drive to participate in dynamic ICT growth sub-sectors such as Global Business Services (GBS) and Business Process Outsourcing (BPO) which have good potential of becoming avenues for quick and large labour absorption.

Enthusiasm needs to be tempered, however, by the track record of South Africa's education system in tending to produce numbers of graduates each year with skill sets that are not competitive in a global context.

The fourth industrial revolution is poised to fundamentally re-write how manufacturing happens with a strong and more rapid move into the digitalization of manufacturing operations and business processes and communication. This is supportive of the strong drive to create more efficient production environments.

In the Automotive sector, the evolution of technology is also gaining pace. Self-Driving Vehicles remain a key research focus point for OEMs. The technology is continually evolving and the infrastructure to support these independent machines will need to be implemented globally to ensure customer safety.

In the Renewable Energy sector there is similar transition under way, with a need for industry to reflect and adhere to South Africa's commitment to climate change mitigation and the lowering of carbon emissions.

Technology advances are also serving to improve the costs of renewable energy, especially in the solar photovoltaic (PV) sub-sector where the move to change-over to Renewable Energy is growing in popularity socially as concerns over the environment continue to grow.

The energy output of PV panels has also increased while battery storage technology is also slowly moving closer to becoming economically feasible. System integrations are allowing for more savings to be achieved with renewables plus storage to allow load shedding to be mitigated as well as facilitating peak shaving of power demand.

Advances in technology and products are also making the levels of demand for ICT sector services to rise exponentially. This is rapidly increasing demand for connectivity to the internet which is a strategic business growth area for the ELIDZ.

A process of legislative change is unfolding for the agro-processing industry sector. A National Agriculture & Agro-processing Master Plan is under development but is yet to be published. In the interim, the EC Agriculture Development Plan 2020-2030 continues to be the reference point for provincial priorities.

Legislation & regulations for cannabis (including) hemp are in view which could assist the ELIDZ's cannabis industry development interests. However, the legislative process is viewed by industry players as being complex and onerous.

Sustainability and environmental management best practice were also emerging as significant factors impacting the reputation of global manufacturing and services industries. The sensitivity towards sustainability is likely to play an increasingly important role in industry's choice of investment location and investment partnerships.

Stricter enforcement of emissions controls and regulations has placed industry into a phase of transition and this is notably impacting the ELIDZ's anchor industry of Automotive. Due to growing environmental concerns, governments are actively pursuing the ban of export entry into global markets (by as early as 2035) of vehicles that continue to use Internal Combustion Engines.

Carbon dioxide, a serious environmental pollutant is contributing significantly to climate change and industry is rapidly gravitating towards "greener" production methods and greener industry outputs. Among others, this has ignited a programme by Automotive OEMs who are pursuing the introduction of New Energy Vehicles (NEVs)

The Renewable Energy sector is benefiting from the global move to avoid further investment and support of fossil fuel-based power generation. Nuclear and shale gas are also receiving negative publicity from lobby groups. Large multi-nationals are consequently demanding renewable energy supply as part of their production mix.

Furthermore, industries active in international trade are increasingly finding that access to markets is pivoting on them maintaining impeccable credentials in regard to their environmental, social and governance (ESG) behaviours.

The ELIDZ's planning and value proposition presentation will need to be robust and agile in understanding the emerging landscape and to respond with its own focus on championing industrial accountability and demonstrated commitment to the prudent management of environmental and social issues.

2.2.2 Organisational environment

ELIDZ's planning in the review period was devoted to an enquiry into whether the organisation was assured of having sufficient resources and other enablement to execute fully its Vision 2025 plan. This warranted attention since the planning for the five-year strategic term was intentionally ambitious and so envisaged the activation of various programmes and activities that would be contingent on the securing of suitable additional financial and human resource provisioning (and in ways that typically stretch or surpass the company's traditional resources).

The assessment found that the implementation of the company's approved organisational development (OD) programme was facing significant headwinds as a result of budgetary pressures.

The approved organogram requires the filling of 17 posts (through placement and recruitment). Limited availability of funding for current and further funding (still to be approved) has resulted in the organisation not being able to action the filling of all positions at the same time.

A mitigative provisioning plan was discussed contemplating the distribution of post activations over the remaining three years of the current strategic cycle which can be expected to have some impact on the timing and scale of performance deliverables.

The organisational design and human capital provisioning plan is summarised below:

- Recruitment: 2021/22: 6 positions (1 position already filled, adverts are being finalised for 5 other positions, and placement processes are being implemented)
- Recruitment: 2022/23: 7 positions
- Recruitment: 2023/24: 4 positions
- Ad hoc exits to be attended to on demand
- Recruitment, Selection and Placement Policy revision underway
- Organisational needs to be met through strategic outsourcing of activities to short-term employment and fixed term contracts (as may be appropriate) until such time that resourcing needs have been achieved. This approach would assist the entity to avoid commitment to long-term cost of employment (CoE) expenses until such time as the ELIDZ was assured of having the required funds.

2.3

PROGRESS TOWARDS ACHIEVEMENT OF **INSTITUTIONAL IMPACTS AND OUTCOMES**

2.3.1 Measuring the Impact

The impact that ELIDZ seeks to realise in the Eastern Cape's industrial economy over the longer-term emerges as an aggregated effect of the successful delivery of the SEZ's primary outputs – investments (in both industrial output and in technology), skills development and industrial innovation. The year under review was the second year of the zone's 5-year strategy cycle . Despite it being early days, the work that the ELIDZ is doing in the Science and Technology Park to aid incubation and support innovation of new industries is critical in contributing towards broadened inclusive and transformed economic participation. Similarly the increased investment in the zone has contributed towards growth in fixed capital information.

2.3.2 Measuring Outcomes

Key to the ELIDZ outcome indicators is a measure of the extent to which the zone has attracted new investment into the region.

By the end of the period under review the organisation had attracted over R968,99m worth of investment. It had created 5270 employment opportunities and training for youth of 250 skills beneficiaries. This is a significant impact toward the ELIDZ's outcomes which seek to contribute toward technology-led industrialisation and the creation of a resilient and competitive industries in the region.

IMPACT STATEMENT

*– 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 **growing and transformed economy.***

2.4

INSTITUTIONAL PROGRAMME **PERFORMANCE INFORMATION**

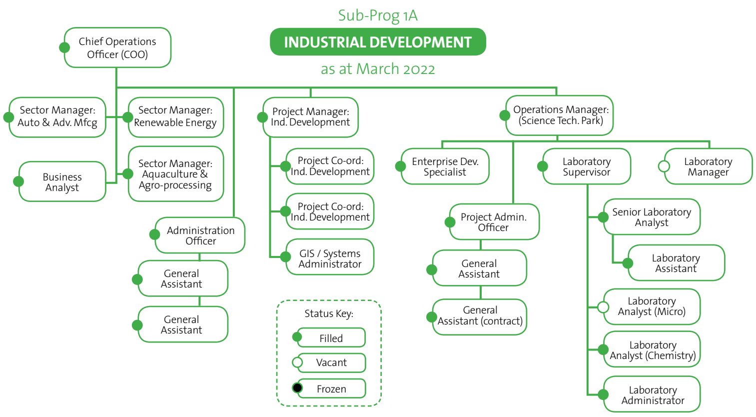
2.4.1 Programme 1: Zone Operations

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

ELIDZ's structure for the Sub-programme 1A: Industrial Development is as follows:

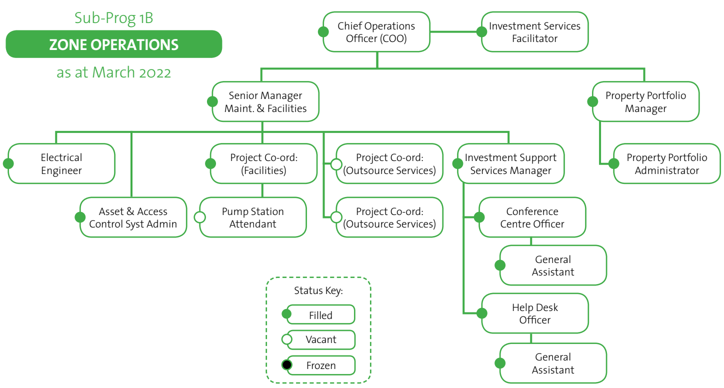


Sub-programme 1B: Zone Operations

Programme Purpose:

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

ELIDZ's structure for the Sub-programme 1B: Zone Operations is as follows:



Programme 1: Operations							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2018/19**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Annual Performance 2021/22**	**Reason for deviations**
Outcome 1: High performing, competitive and resilient industries	1.1 Value of new private sector investment secured	R819.5m	R1,363m	R981.5m	R500m	R969m	See note 1
	1.2 Number of active manufacturing and services jobs	4666	4794	3945	5100	5270	See note 2
	1.3 Number of construction jobs created	1549	2048	2149	1800	706	See note 3
	1.4 Percentage growth in industrial turnovers of zone enterprises	New KPI	New KPI	155,49%	4%	53,1%	See note 4
	1.5 Percentage growth in export-oriented production by SEZ enterprises	New KPI	New KPI	154,66%	4%	126,9%	See note 5

NOTES:

1. The ELIDZ set a target of R500m and was able to secure investment to the value of R968,99m for the financial year. The investment value is constituted by 6 investment agreements, two expansions and 5 new investors. The expansions are to Sundale in the agro-processing sector and Molan Pino in the automotive sector. New investments have been for Auria and IAC in the automotive sector, Drager in the manufacturing sector, Seraphim in the renewable energy sector and Bushveld Electrolyte in the chemical sector.

2. The ELIDZ has previously struggled to achieve the target for manufacturing and services jobs. However, during the current financial year the ELIDZ has been able to operationalise new investors and expansions to existing investors which allowed for new employment opportunities which enabled the achievement of 5270 jobs against the target of 5100 for the financial year. Building on the employment numbers from last year, new operations for IAC, EBOR, KAP Group, Valeo, WWS and expansions by Automold, Sundale and Yanfeng have contributed to exceeding the employment target.

3. The ELIDZ was unable to achieve the target of 1800 construction jobs during the financial year. The targets were inclusive of projects which could not be initiated due to funding issues. These were the Data Centre Project and the Manufacturing incubator. Inclement weather throughout the year also negatively affected construction activity and associated construction employment.

4. A higher rate of participation in the survey, particularly from the automotive sector, the operationalisation of new manufacturers along with expansions to some existing manufacturers has contributed to an increased turnover for zone enterprises of 53.1%

5. New manufacturers began operating during the year along with some manufacturers increasing their production capabilities through expansions and this has contributed to the increase in export-oriented production growth of 126.9%. Increased participation in the survey from the automotive sector manufacturers also plays a role in the performance.

Programme 1: Operations

Outcome	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Annual Performance 2021/22	Reason for deviations
Outcome 2: Technology-led innovation and industrial modernisation	2.1 Number of prototypes developed	1	1	2	2	3	See note 6
	2.2 Number of new innovations commercialised (intermediate outcome)	New KPI	New KPI	n/a	0	0	See note 7
	2.3 Number of new technologies localised in targeted industries	New KPI	New KPI	n/a	0	0	See note 8

NOTES:

6. The ELIDZ STP has assisted in the development of 3 completed prototypes during the year. These include an electricity smart meter, a smart trolley and development of a sneaker (footwear).

7. This KPI is not applicable this FY and will not be evaluated as it is an intermediate outcome and the benefit of which will only be derived in later years. The work currently being implemented by the ELIDZ in terms of Outcome 2 will, if achieved contribute towards the outcome of this intermediate outcome.

8. This KPI is not applicable this FY and will not be evaluated as it is an intermediate outcome and the benefit of which will only be derived in later years. The work currently being implemented by the ELIDZ in terms of Outcome 2 will, if achieved contribute towards the outcome of this intermediate outcome.

Programme 1: Operations							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2018/19**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Annual Performance 2021/22**	**Reason for deviations**
Output 1.1: An integrative industrial infrastructure planning and delivery programme implemented	1.1.1 Annual percentage increase in constructed tenant facilities (sqms)	New KPI	New KPI	38,82%	3%	3,56%	See note 9
	1.1.2 Number of economic enabling construction projects implemented	New KPI	New KPI	1	1	0	See note 10
Output 1.2: Reliable and cost-effective SEZ Estate Services delivered	1.2.1 Customer Satisfaction Index	75,2%	77,5%	74,80%	75%	83%	See note 11
Output 1.3: SEZ incentives and value-added support ecosystem effectively deployed	1.3.1 Percentage of approved and operational investors enabled to benefit from SEZ incentives and other supporting tools	54%	80%	80,00%	75%	78,6%	See note 12
Output 1.4: Targeted sector investment market intelligence optimised and leveraged	1.4.1 Number of new investors attracted	5	7	6	5	6	See note 13
	1.4.2 Number of new investors operationalised	New KPI	New KPI	4	7	11	See note 14

NOTES:

9. Construction activity for the year resulted in an increase of 3,56% in newly developed tenant facilities. This growth would have been even higher if funding for projects such as the data center was obtained. Construction activity was also hampered by inclement weather during Q3 and Q4. The projects contributing to this achievement are Sundale, Bushveld and Automold.

10. There are currently 2 enabling projects underway with 1 which was expected to have been completed during the 2021/22 financial year. Unfortunately, the project has experienced a delay and is not complete as initially envisaged.

11. The Customer Satisfaction Index has been calculated at 83%. This is exceeds the target and is an improvement on last year's performance. This improvement is attributed to the ELIDZ's ongoing commitment to provide a high level of service to its customers.

12. The ELIDZ prides itself on its ability to assist investors and in this particular area, the ELIDZ was able to assist manufacturers with preparation and submission of required documentation to successfully ensure approval of applications. This was facilitated through engagements with SARS and diligently working through required application processes.

13. The performance is linked to KPI 1.1 in that the signed investment values were calculated from the number of signed investment agreements. The reasons for the overperformance are therefore the same.

14. The ELIDZ has operationalised 11 manufacturing operations during the financial year which is inclusive of 6 new manufacturers along with expansions to 5 existing manufacturers. This over-achievement was possible due to efficiencies in obtaining funding and project management efforts through the construction and commissioning of facilities.

Programme 1: Operations							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2018/19**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Annual Performance 2021/22**	**Reason for deviations**
Output 2.2: Innovation infrastructure and support tools delivered	2.2.1 Number of enterprises in active ELIDZ incubators	New KPI	New KPI	0	0	0	See note 15
	2.2.2 Number of incubators operational	3	3	1	2	2	See note 16
	2.3.1 Number of skills beneficiaries trained	87	122	84	90	250	See note 17

NOTES:

15. This KPI is not evaluated during this financial year as the ELIDZ incubator project still has to be fully funded and operationalised.

16. The ELIDZ is currently hosting 2 incubators. Schubart Park (textile incubator) and Cisco (ICT incubator). This meets the annual target.

17. The annual target has been exceeded with 250 beneficiaries receiving training over the period. This due to the partnerships achieved with service providers and funding providers, diversification of training courses on offer and positive uptake.

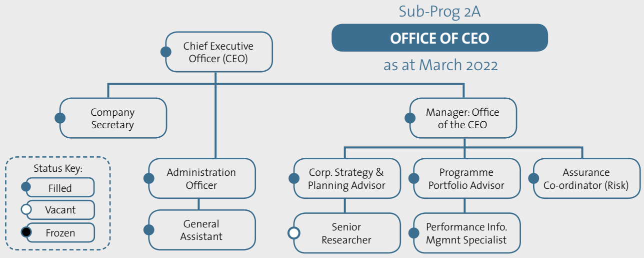
2.4.3 Programme 2: Institutional Support

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)

ELIDZ's structure for the Sub-programme 2A: Office of the CEO is as follows:

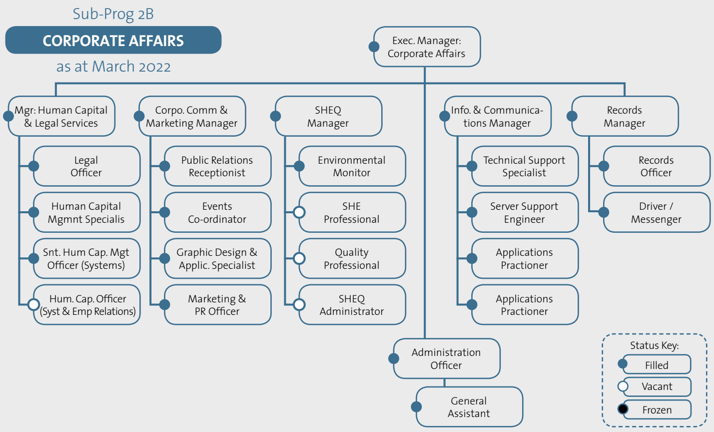


Sub-programme 2B: Corporate Affairs

Programme Purpose:

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

ELIDZ's structure for the Sub-programme 2B: Corporate Affairs is as follows:

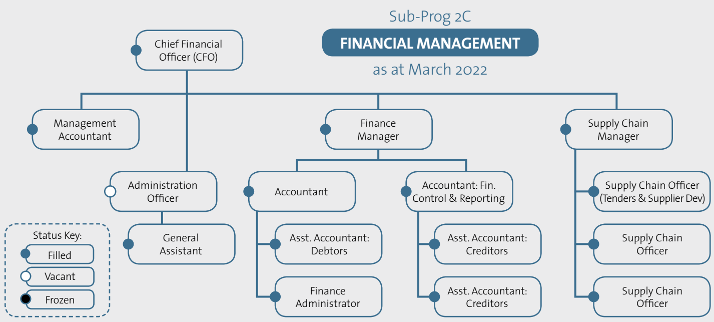


Sub-programme 2C: Financial Management

Programme Purpose:

- Management and Cost Accounting
- Financial Management
- Financial Control and Reporting
- Supply Chain Management.

ELIDZ's structure for the Sub-programme 2C: Financial Management is as follows:



Programme 2: Institutional Support

Outcome	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Annual Performance 2021/22	Reason for deviations
Outcome 3: Sustainable operational efficiencies and global best practice	3.1 Number of SMME development programme beneficiaries upgraded by at least two levels in CIDB grading	New KPI	New KPI	n/a	5	0	See note 18
	3.2 Best practice systems compliance index	New KPI	New KPI	3.6	3	3.9	See note 19

NOTES:

18. The ELIDZ was unable to achieve against this indicator due to a delays in beginning the programme caused by COVID-19. Further to this, the SMMEs struggle to obtain the necessary work experience and contract that would be required in order to obtain a revised grading. The incubator is operating with classroom learning taking place. The ELIDZ is working on establishing partnerships with service providers that will assist in providing the required project experience to the SMMEs .

19. This index measures the ELIDZ's implementation of best practice. It utilises various certification, internal and external audit outcomes with respect to Project maturity, risk management, compliance, performance, ICT Systems as well as Safety, Health and Quality Management Systems. Improved performance was as a result of internal control improvements in SHEQ and ICT processes.

Programme 2: Institutional Support

Outcome	Outcome Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Annual Performance 2021/22	Reason for deviations
Output 3.1: Operational excellence and efficiency gains attained	3.1.1 Annually assessed ELIDZ BBBEE Status	Level 2	Level 2	Level 3	Level 3	Level 3	See note 20
Output 3.2: Economic transformation and community upliftment delivered	3.2.1 Number of internships offered per annum within ELIDZ	45	41	43	30	58	See note 21
	3.2.2 Number of active bursaries awarded by ELIDZ	11	11	12	8	11	See note 22
	3.2.3 Number of Corporate Social Investment projects administered by ELIDZ	12	15	16	12	18	See note 23
Output 3.3: Returns from services and asset portfolio optimised	3.3.1 Increase in gross income from ELIDZ services receipted per annum	New KPI	New KPI	-0,87%	12%	33,28%	See note 24
	3.3.2 Average Vacancy Rate per annum	2%	0,92%	1,32%	2%	1,46%	See note 25

NOTES:

20. The ELIDZ has retained a Level 3 BBBEE status.

21. The ELIDZ was able to provide workplace experience to 58 graduates as part of its internship programme during the financial year. The internship is over a 2 year contract period and new interns are recruited when contracts expire. This accounts for the higher than targeted performance as a number of contracts reached their expiration date during this financial year.

22. The ELIDZ initially awarded bursaries to 12 students. At the end of Q2 there was 1 withdrawal from the bursary programme bringing the total to 11.

23. The ELIDZ has completed 18 CSI initiatives for the year. These projects focus on the surrounding community members of Ward 46 and extend within the municipality and province. The ELIDZ remains committed to supporting communities.

24. The ELIDZ achieved a 33,28% increase in gross income from services. The performance exceeds the target and is attributed to an increase in utilities consumption by new and existing investors. MBSA began production and Sundale expanded their operations, both manufacturers consume a significant amount of utilities which contribute to the billed revenue.

25. The entity experienced fluctuating levels of vacancy during the year as a result of liquidations and vacancies that arose. However, toward the end of the financial year, new manufacturers became operational and occupancy of vacant premises improved resulting in achieving desired performance of lower than 2% vacancy.

2.4.4 Strategies to overcome underperformance

Construction jobs are dependent on construction activity and availability of funding. The ELIDZ is actively attracting investment through it's investment pipeline in attempts to establish new manufacturers within the zone, for which building construction and maintenance will be enabled resulting in construction jobs. Further to this, a number of projects have been identified for development which will further contribute to construction employment.

Enabling infrastructure projects were negatively affected by administrative issues within the associated stakeholders processes. Improvement in managing projects and improved cooperation between stakeholders is envisaged to improve on delivery of infrastructure projects.

The construction SMME incubator has experienced a delay in becoming operations as a result of the COVID-19 pandemic. While training for SMMEs is actively underway, there remains a delay in the CIDB grading improvement as this is dependent on obtaining experience. The ELIDZ is working on establishing relationships with construction companies that will assist in providing SMMEs with the required experience in order to improve their CIDB grading.

2.4.5 Linking Performance with Budgets

2.4.5.1 Expenditure

	2020/2021			2021/2022		
Programme/ Activity/Objective	**Budget**	**Actual**	**(Over)/Under Expenditure**	**Budget**	**Actual**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Operations	187 732	170 424	17 308	204 590	204 590	0
Programme 2: Institutional Support	118 816	112 956	5 860	131 983	127 696	4 286
Total	**306 548**	**283 380**	**23 168**	**336 573**	**332 287**	**4 286**

2.4.5.2 Revenue

	2020/2021			2021/2022		
Source of Revenue	**Estimate**	**Actual**	**(Over)/Under Expenditure**	**Estimate**	**Actual**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
Rentals	99 278	106 063	6 786	106 887	149 822	42 935
Zone Levies	2 621	2 940	319	2 830	4 629	1 798
Utilities Income	103 928	91 535	(12 393)	107 887	116 611	8 724
Other Income	4 000	163	(3 837)	4 400	1 119	(3 281)
STP Revenue	5 847	3 949	(1 897)	5 824	3 526	(2 298)
Total	**215 674**	**204 650**	**(11 023)**	**227 828**	**275 705**	**47 878**

2.4.5.3 Capital Investment

	2020/2021				2021/2022			
Project	Budget	Budget Adjustments	Actual Expenditure	(Over)/Under Expenditure	Budget	Budget Adjustments	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Bulk Electricity Upgrade	83 883	-	32 540	51 343	-	1 602	1 602	-
Yanfeng Extension	-	20 914	20 914	0	21 971	-	2 780	19 191
MBSA	-	15 659	15 659	0	-	119	119	0
D-Fence	-	10 264	10 264	0	-	-	-	-
TI Automotive	-	2 174	2 174	0	-	-	-	-
Ebor system	32 913	-	26 989	5 924	10 439	-	6 020	4 419
Valeo	32 525	-	31 174	1 351	36 577	-	3 695	32 882
Yanfeng New Factory/AIH	46 672	-	45 933	739	34 165	-	3 917	30 248
Polytec	37 386	-	35 823	1 563	16 876	-	2 325	14 551
Auria	72 124	-	58 673	13 451	22 285	-	4 236	18 048
Linde Wieman	-	1 210	1 210	0	-	59	59	0
MSC Hardstands	-	1 008	1 008	0	-	30	30	-
Automold	27 459	-	22 736	4 723	34 557	-	10 404	24 153
Bushveld	-	1 670	1 827	157	42 545	21 409	58 405	5 549
Sundale	60 000	1 287	61 287	0	62 330	-	27 635	34 695
Draeger	-	51	51	0	81 141	-	53 210	27 931
ICT Project - Data Centre/Meet me Room	55 062	-	1 936	53 126	63 000	-	2 872	60 128
Manufacturing incubator	64 653	-	-	64 653	50 000	-	-	50 000
SMME Flats	-	-	-	-	50 000	-	-	50 000
Total	**512 677**	**54 237**	**370 197**	**196 717**	**525 885**	**23 220**	**177 309**	**371 796**


Sundale
Schreiber
east london idz
business streamlined

east london idz

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 the 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 May 2021 for the purposes of a budget vote meeting and on 19 November 2021 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**

FRONT ROW - From left to right: Ms N. Mnconywa | Mr A. Kanana | Professor M.W. Makalima | Mr S. Kondlo | Mr M. Mfuleni | Councillor V Gqodi

MS N. MNCONYWA
*Member of the Finance Committee and the Audit Committee**

Current employment:
Senior lecturer in Accounting at the University of Fort Hare

Skills: Public Sector Governance and Finance

Affiliations: Member of South African Institute of Chartered Accountants (SAICA), The Independent Regulatory Board for Auditors (IRBA), Member of IoDSA

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

*COUNCILLOR NCEDO KUMBACA **

Current employment: Councillor at Buffalo City Metropolitan Municipality

Skills: Public Administration, Local Government Administration, Infrastructure Development and Planning, Communications.

Affiliations: Member of IoDSA

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

MR A. SKENJANA
Member of the Operations and Risk Committee

Current employment: Director: Agro-Processing at DEDEAT

Skills: Agriculture, Agro-Processing, Project Management

Affiliations: Member of the South African Council of Natural Scientists, Member of the South African Society for Animal Science, Member of IoDSA

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

BACK ROW - From left to right: Councillor N Kumbaca | Mr A. Skenjana | Mr B. Mpondo
Ms C. Kongwa | Mr E. Jooste

MR S. KONDLO
Executive Director - Ex Officio

Current employment:
Chief Executive Officer of the ELIDZ

Skills: Engineering, Public Sector Governance, Business Management, Project Management

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

MS C. KONGWA
Member of the Audit Committee

Current employment:
Administrator of the National Gambling Board

Skills: Legal and Public Sector Governance

Affiliations: Member of IoDSA

MR M. MFULENI
Member of the Audit Committee and the Operations and Risk 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)

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

Current employment: Consultant at EVJ Consulting (Pty) Ltd

Skills: Supply Chain Management, Public Sector Governance and Finance

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

COUNCILLOR V GQODI
Member of the Finance Committee

Current employment:
Councillor at Buffalo City Metropolitan Municipality

Skills: Local Economic Development, Community Relations

Affiliations: Member of IoDSA

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 2022. 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 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 a 2-year cycle.

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	74	BA (Hons) (MA)	Public sector	Independent Non-Executive	7/7	GOVCO 4/4
Mr A Kanana	Chairperson of the Audit Committee and member of the Governance Committee	24/10/2012	N/A	40	BComm (Hons) (CA) SA	Finance and public sector governance	Independent Non-Executive	7/7	AUDITCO 8/8 GOVCO 4/4

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
Mr E Jooste	Chairperson of the Finance Committee, member of the Audit Committee, member of the Governance Committee	01/11/2013	N/A	61	BComm Acc	Finance and public sector governance	Independent Non-Executive	7/7	AUDITCO 8/8 FINCO 6/6 GOVCO 4/4
Ms N Mnconywa	Chairperson of the Operations and Risk Committee, member of the Finance Committee, member of the Governance Committee	26/09/2016	N/A	50	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	7/7	ORCO 5/5 FINCO 6/6 GOVCO 4/4
Cllr V Gqodi	Member of the Finance Committee	11/10/2017	N/A	36	N/A	Municipal sector	Non-Executive	6/7	FINCO 4/6
Mr M Mfuleni	Member of the Audit Committee, member of the Operations and Risk Committee	31/10/2018	N/A	51	Diploma (Theology)	Private business	Independent Non-Executive	7/7	AUDITCO 7/8 ORCO 4/5
Mr B Mpondo	Member of the Operations and Risk Committee, member of the Finance Committee	31/10/2018	N/A	47	BSc (Hons) Town and Regional Planning	Private business	Independent Non-Executive	6/7	ORCO 5/5 FINCO 5/6
Ms C Kongwa	Member of the Audit Committee	30/10/2020	N/A	45	LLB, LLM	Legal, public sector	Non-Executive	3/7	AUDITCO 5/8
Mr A Skenjana	Member of the Operations and Risk Committee	30/10/2020	N/A	44	BSc, MSc Agriculture	Agriculture, Agro-Processing, Project Management	Non-Executive	5/7	ORCO 2/5

3.4.3 Changes in the Board Composition in 2021/22 FY

Cllr V Gqodi was retired as a Board member on 30 March 2022. Cllr N Kumbaca was appointed as a Board member on 30 March 2022.

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 (GOVCO)

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 (AUDITCO)

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 (FINCO)

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 (ORCO)

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	4	4	Professor MW Makalima (Chair) Mr E Jooste Mr A Kanana Ms N Mnconwya
Audit Committee	8	4	Mr A Kanana (Chair) Mr E Jooste Ms C Kongwa Mr M Mfuleni
Finance Committee	6	4	Mr E Jooste (Chair) Ms N Mnconywa Mr B Mpondo Cllr V Gqodi * (Retired)
Operations and Risk Committee	5	4	Ms N Mnconywa Mr B Mpondo Mr M Mfuleni Mr A Skenjana

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	R229,300	-	-	**R229,300**
A Kanana	R186,924	-	-	**R186,924**
EV Jooste	R193,022	-	-	**R193,022**
N Mnconywa	R209,322	-	-	**R209,322**
C Kongwa	Not remunerated	-	-	**-**
B Mpondo	R136,088	-	-	**R136,088**
A Skenjana	Not remunerated	-	-	**-**
M Mfuleni	R154,973	-	-	**R154,973**
V Momeni (Gqodi)	R102,147	-	-	**R102,147**
N Kumbaca	Not remunerated	-	-	**-**
Total Board Fees 2021/22 FY				**R1,211,776**

3.5

RISK **MANAGEMENT**

ELIDZ has had an approved risk management policy and strategy in place for the duration of the 2021/22 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

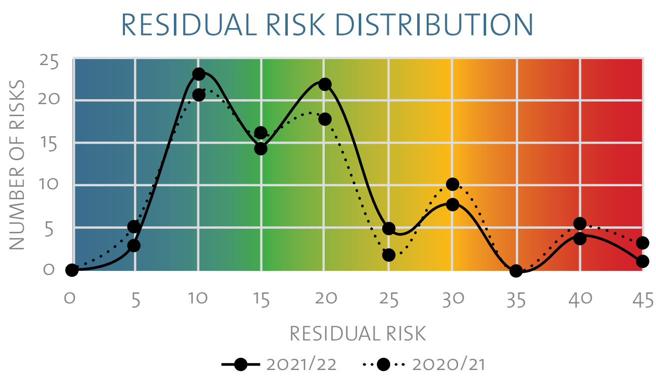
The ELIDZ utilizes the three lines of defence model which sees:

- Business units having the primary responsibilities to manage risks and implement action plans
- Risk Management Unit in the Office of the CEO is the second line with responsibility being independent monitoring of the management of risks and controls
- Internal Audit provides assurance and assessment of high-risk areas.

The Operations and Risk Committee of the board provide monitoring and oversight of Risk Management. 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. At the beginning of the financial year, risks were prioritised based on the extent of the residual risk which was mainly a result of the potential impact, the probability and strength of controls to mitigate the risks.

The ELIDZ has 4 main risk categories namely Strategic Risk, Financial Risks, Operational Risks as well as Governance and Regulatory Risks. In the year under review the financial risks category continues to have the highest average risk rating owing to continued debtor defaults which could in turn impact on the liquidity of the organisation. The lack of funding for strategic catalytic projects such as the data centre and the manufacturing incubator further impacted on the high-risk rating for this category. The second highest risk category was the Operational Risk Category which was impacted by risks relating to the introduction and compliance to the new Infrastructure Project Management Methodology for large projects. Business Process Management Risks relating to knowledge management further contributed towards the rating of this category. Below is an illustration of the risk distribution per category. Looking at the risk sub-categories, a bulk of the ELIDZ's risks are in the commercial risk sub-category, owing to the nature of the ELIDZ's mandate .

The ELIDZ's risk register contained a total of 81 risks for the 2021/22 financial year and this was consistent with the prior year, however of these risks a majority of the ELIDZ risks are included in the P4 and P5 risk categories – these risks are adequately mitigated through controls in place. This is consistent with the organisational controls assessment where 73% of controls have been rated as satisfactory and above.



Comparison of ELIDZ Residual Risk distribution year-on-year

The following risks were the top 10 risks for the organisation at the beginning of the financial year

TOP 10 ORGANISATIONAL RISKS 2021/22

	Category	Sub-category	Risk title	Inherent risk	Control assessment	Residual risk	Res risk score
1	Financial	Credit	Loss of income due to debtor defaults	Extreme	Satisfactory	Priority 1	42.25
2	Operational	Business Process Management	Fragmented asset management	High	Weak	Priority 1	36.4
3	Strategic	Stakeholder	Non-disclosure of required data and information by existing tenants	High	Weak	Priority 1	36.4
4	Operational	Business Process Management	Ineffective management of critical organisational knowledge and information.	High	Weak	Priority 1	36.4
5	Financial	Funding	Inadequate funding to support Infrastructure Maintenance requirements	High	Weak	Priority 1	36.4
6	Strategic	Commercial	Inability to balance developmental mandate and financial sustainability expectations	High	Satisfactory	Priority 1	29.575
7	Strategic	Reputational	Negative publicity due to Special Investigative Unit (SIU) investigations	High	Satisfactory	Priority 1	29.575
8	Financial	Liquidity	Delays in payment of operating grants and debt settlement by ELIDZ customers	High	Satisfactory	Priority 1	29.575
9	Financial	Insurance	Ineffective management of insurance portfolio	Moderate	Weak	Priority 1	26
10	Strategic	Commercial	Inadequate market intelligence	Moderate	Weak	Priority 1	26

At the end of the 4th quarter, ELIDZ had implemented most of its risk mitigation and treatment action plans and this led to movements in a number of priority risks that were on the ELIDZ's risk register. As a result of this the ELIDZ's residual risk rating was reduced by 6% overall.

There was also notable reduction in the residual risk rating for 40% of the ELIDZ's top 10 risks as per the table below.

	Risk title	Annual overview	Residual risk – Q1	Residual risk – Q4	
1	Loss of income due to debtor defaults	Aged debt making up the majority of the provision for bad debts has been written off during 2021/22. The subsequent decrease in the provision, together with no obvious signs of tenant distress, has improved the residual risk.	Priority 1	Priority 2	↓
2	Fragmented asset management	Through the asset project undertaken, the majority of ELIDZ assets were both verified and found to be in an adequate state. The lack of integration in asset management has therefore not had as significant an impact as originally expected.	Priority 1	Priority 2	↓
3	Non-disclosure of required data and information by existing tenants	Disclosure of information by 3rd parties is outside the control of ELIDZ. Every effort has been made to simplify and incentivise disclosure, however hesitation remains on the part of the majority of investors.	Priority 1	Priority 1	↔
4	Ineffective management of critical organisational knowledge and information.	Control improvements have not been noted at an organisational level – information silos and manual listings are the biggest contributors to the risk.	Priority 1	Priority 1	↔
5	Inadequate funding to support Infrastructure Maintenance requirements	As part of a multi year plan to ensure funding availability for infrastructure renewal, required maintenance has been quantified and frameworks to create maintenance reserves are in place. Risk reduction is anticipated at the end of 2022/23.	Priority 1	Priority 1	↔
6	Inability to balance developmental mandate and financial sustainability expectations	Inherent risk has been negatively impacted by current economic climate, high unemployment and constrained government fiscus making balancing priorities challenging.	Priority 1	Priority 1	↔
7	Negative publicity due to Special Investigative Unit (SIU) investigations	Although largely influenced by external factors, significant control improvements have been implemented to manage any possible negative stakeholder perceptions.	Priority 1	Priority 2	↓
8	Delays in payment of operating grants and debt settlement by ELIDZ customers	No decreases in funding have been noted in the 2021/22 financial year and the majority of debtors are making payment in terms of the debtors policy.	Priority 1	Priority 2	↓
9	Ineffective management of insurance portfolio	Improvements have been made through insurance review performed as well as additional ASIB certificates issued, however, procurement halt has negatively impacted the appointment of an insurance broker in Q4.	Priori ty 1	Priority 1	↔
10	Inadequate market intelligence	Actions to mitigate risk were to be undertaken by the Researcher, however the post remained vacant during the 2021/22 financial year. Filling of the role to be prioritised in 2022/23.	Priority 1	Priority 1	↔

3.6

INTERNAL AUDIT AND **AUDIT COMMITTEE**

Internal audit is responsible for the examination and evaluation of the adequacy and effectiveness of the ELIDZ's systems of control.

Specifically, internal audit will:
- Review the reliability and integrity of financial and operating information.
- Review the systems established to ensure compliance with policies and appropriate legislation, and determine whether the ELIDZ is in compliance with these requirements.
- Review the safeguarding of assets and, as appropriate, verify the existence of such assets.

Audit committee meetings were as follows:

Name	Qualifications	Internal/ External	If internal, position in public entity	Date Appointed	Date Resigned	Number of meetings attended
Mr A Kanana (Chairperson)	BComm (Hons) (CA) SA	External	n/a	24/10/2012	n/a	8/8
Mr E Jooste (Member)	BComm Acc	External	n/a	01/11/2013	n/a	8/8
Ms C Kongwa (Member)	LLB, LLM	External	n/a	30/10/2020	n/a	5/8
Mr M. Mfuleni (Member)	Diploma (Theology)	External	n/a	31/10/2018	n/a	7/8

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.

3.7

FRAUD AND **CORRUPTION**

- ELIDZ adopts an annual fraud management plan which forms part of the risk management framework. The plan was fully implemented for the 2021/22 financial year.
- A fraud hotline has been in place for the full financial year – all items reported through the hotline are investigated by internal audit. Legislated protections are also in place for whistleblowers through the Ethics policy.
- Finally, all employees are required to adhere to both the Code of Conduct (signed annually) and the Ethics policy which includes disclosing all conflicts of interest.

3.8

MINIMISING **CONFLICT OF INTEREST**

- All employees sign an annual disclosure of interest form and are required to disclose any new conflicts as soon as they arise in terms of the Ethics policy.
- Verbal confirmation that employees are not conflicted takes place before each supply chain management related meeting.
- Where a conflict does arise and is reported, these are assessed by the Manager: Assurance, Manager: HCM and Legal Services and the Supply Chain Management Manager
- Controls are then implemented as and when needed.

3.9

CODE OF **CONDUCT**

All employees are required to sign the ELIDZ Code of Conduct annually. This document outlines and describes acceptable conduct within the workplace. Any breaches of the Code of Conduct would be addressed through the corresponding policy relating to the breach.

3.10

HEALTH, SAFETY AND ENVIRONMENTAL **ISSUES**

Chapter 2 of the Constitution of South Africa (SA) contains the Bill of Rights in which basic human rights are enshrined. The fundamental rights detailed below merit consideration when considering the safety and environmental context within which the ELIDZ operates.

Section 24 states that "Everyone has the right –

a. to an environment that is not harmful to their health or well-being; and
b. to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that –
    (i) prevent pollution and ecological degradation;
    (ii) promote conservation;
    (iii) secure ecologically sustainable development
    (iv) use of natural resources while promoting justifiable economic and social development and
    (v) ensures a development environment that is safe and secure for its investors and those impacted by its operational and other activities.

Section 24(b) is aimed at reconciling development and conservation. It is important to note that the emphasis on the prevention of pollution and ecological degradation is qualified by the obligation placed on government in Section 24(b)(iii) to simultaneously promote "justifiable economic and social development".

A case in point is the responsibility industries have to eliminate and at worst mitigate their impact on the environment and on accelerated climate change.

In addition, a fundamental condition associated with the ELIDZ's permit to operate an SEZ is to ensure compliance to applicable legislation. One such legal obligation is to comply with the conditions of the change in land use that requires the establishment and maintenance of an Environmental Management System (EMS). It is therefore Key for the ELIDZ maintain its certification to the adopted globally recognised ISO 14001 EMS in order to remain compliant as an operator of an SEZ.

The Adequacy of the ELIDZ maintenance of certification is tested through certification audits by accredited certification body.

3.10 HEALTH, SAFETY AND ENVIRONMENTAL **ISSUES**

The ELIDZ is similarly certified in the globally recognised ISO 45001 Occupational Health and Safety Management System.

This demonstrates the ELIDZ's commitment to comprehensively managing the Occupational Health and Safety hazards and risks as well as managing its obligation to compliance to legal and other requirements associated with its operational and other activities.

ELIDZ SHE Management System Maintenance is critical to responding to the needs and expectations of interested and affected stakeholders (Enabling, Functional, Normative & Diffused) that include:

1. Current and future investors
2. Employees
3. Surrounding Communities
4. Outsourced service support
5. DEDEAT
6. Dtic
7. BCMM
8. DOL

The ELIDZ achievement of Certification in globally leading SHE Management Systems – ISO 14001 & ISO 45001 augments its efforts to manage its stakeholders, as well as efforts for attraction and retention of foreign direct investment. It is best described as an accolade worthy of a national front running world class organisation that aspires to sustainable industrial development.

3.11

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.

Jo-Anne Palmer
Company Secretary

> ***"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."***

3.12

ELIDZ SOCIAL AND ETHICAL **RESPONSIBILITY**

The East London Industrial Development Zone is a Schedule 3D entity. Schedule 3D entities are referred to as government business enterprises or State-Owned Enterprises (SOCs). These entities generate income, but may be either substantially self-funded or substantially government funded. While entities such as the ELIDZ have less autonomy than the schedule 2 public entities, they are still run in accordance with general business principles.

3.12.1. Legislation and best practice applicable to social and ethics committee

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]

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

3.12.1.1. 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.

3.12.1.2. 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 21/22 Financial Year.

3.12.2. ELIDZ Social and Ethical Agenda 2021/22

*3.12.2.1. **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.

THE REVIEW, DEVELOPMENT AND COMMUNICATION OF ETHICS REGULATORY FRAMEWORK

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 are implemented.
4. The governing body should ensure that the codes of conduct and ethics policy provide for arrangements that familiarise employees and other stakeholders with the organisation's ethical standards.

ELIDZ 2021/22 INITIATIVES

In the last year the ELIDZ developed and endorsed a new set of values to underpin the organisation's culture. Key to these values was the organisation's aspirations to be Ethical by Nature in all its decision making, its operations and its activities. In line with these aspirations the ELIDZ developed an organisational culture enhancement programme to align its lived values to its espoused values. In the last year, the ELIDZ also developed its Ethics Policy, its Whistle-blower Policy and amended its code of conduct. Having set this ethical framework, the ELIDZ's priority with respect to the development of an effective ethics regulatory framework will be focused on the operationalisation of its programmes around organisational culture and ethics management. With respect to the communication of Ethics policies and organisational commitment to key stakeholders, the ELIDZ has an online intranet portal that it utilises to store and to publish all its policies to ensure easy access to employees. The ELIDZ also undertakes prior consultation and communication of these policies prior to any amendments that would be implemented. For the 2021/22 financial year the ELIDZ prioritised the following:

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Develop an Annual Ethics Awareness Programme aligned with the ELIDZ's ethics aspirations as articulated in its Ethics Policy. The programme will ensure awareness and understanding of ethical behaviour in the context of the organisation and to ensure there is a shared understanding of organisation's ethical aspirations and related behaviour.	Programme to be developed by end of Q1 and to be implemented by the end of Q4.	The ELIDZ , as part of its organisational culture enhancement programme has implemented a 3 phased programme aimed at assessing the organisational culture, identifying the ideal organisational culture, and implementing programmes to in still the espoused culture. As at the end 2021/22 the ELIDZ had assessed the culture, undertaken a culture and values assessment workshop and identified the ideal culture aligned with the ELIDZ values. A new culture constitution was completed as part of the organisation's efforts to give meaning and translation to the ELIDZ values. An Employee Engagement and Culture Transformation Team was set up with culture champions from each of the ELIDZ's units. A programme, centered on 18 themes has been developed and will be implemented from the beginning of the 2022/23 financial year. Key to these is institutionalising and embedding the culture required to support the ELIDZ's new values of which Ethics is integral.	
Implement Year 2 activities of the ELIDZ's three-year Integrated Reporting plan to ensure alignment of ELIDZ Annual reporting to acceptable international integrated reporting standards.	March 2022.	Following the identification and articulation of the 6 capitals for ELIDZ, the has finalised the identification of stakeholders and has identified and consolidated key material issues for its identified stakeholders for each of the capitals. These will be used as a framework for the draft Integrated report which will be issued in August 2022.	
Implement an online annual declaration process for ELIDZ employees and Board.	March 2022.	The online portal has been developed and Q1 saw the development of the forms for the 2021/22 financial year. The system is now fully operational.	

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Develop and Implement an Annual Organisational Culture Enhancement Programme to ensure alignment between the ELIDZ's espoused and lived culture.	March 2022.	In Q4 an Employee Engagement and Culture Transformation Team was set up with culture champions from each of the ELIDZ's units. A programme, centered on 18 themes has been developed and will be implemented from the beginning of the 2022/23 financial year.	

5	100% implement and target attained
0	In progress
0	Target not met / initiative not implemented.

3.12.2.2. EXECUTION, REPORTING AND OVERSIGHT OVER THE IMPLEMENTATION OF ETHICS REGULATORY FRAMEWORK

RECOMMENDED PRACTICES

5. The governing body should delegate to management the responsibility for implementation and execution of the codes of conduct and ethical policies.
6. The governing body should exercise ongoing oversight of the management of ethics and in particular oversee that it results in the following:
   a. Application of the organisation's ethical standards to the process for the recruitment, evaluation of performance and reward of employees as well as the sourcing of suppliers.
   b. Having sanctions and remedies in place for when the organisation's ethical standards are breached.
   c. The use of protected disclosures or whistle-blowing mechanisms to detect breaches of ethical standards and dealing with such disclosures appropriately
   d. The monitoring of adherence to the organisation's ethical standards by employees and other stakeholders through, among others, periodic independent assessments.

ELIDZ 2021/22 INITIATIVES

To monitor the execution of the organisation's ethics regulatory framework and to ensure oversight over the reporting of any breaches of this framework, the ELIDZ has various mechanisms in place . Key to these is the setting up and monitoring of the organisation's Fraud Hotline, the development and implementation of the organisation's Fraud Prevention plan and the monitoring of the implementation of Supply Chain, Performance Management and Recruitment policies to ensure fair and legal practices. To this end the ELIDZ will implement these activities:

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Development and Implementation of an annual Fraud Prevention Plan.	100% implementation of the Fraud Prevention Plan.	The Annual fraud prevention plan was developed and adopted in Q1 and was fully implemented.	
% of reported Fraud Hotline Reports investigated and closed	100% of reported Fraud Hotline Reports investigated and closed.	There were no matters reported to the hotline during the period under review.	
# of investigated and confirmed fraudulent cases against the ELIDZ.	0 investigated and confirmed fraudulent cases against the ELIDZ.	There was a new case relating to a theft of electrical cabling valued at R65000 by one of the service provider employees. The case was detected at the end of Q4. A charge of theft was opened against the employee and a process to strengthen ELIDZ controls is currently being implemented. The old case relating to theft in 2020/21 is still currently in court.	
# of fraud related findings reported by the Auditor General of South Africa.	0 fraud related findings reported by the Auditor General of South Africa.	0 fraud related findings reported by the Auditor General of South Africa.	
# of fraud awareness campaigns implemented .	2 fraud awareness campaigns implemented.	A campaign to publicise the ELIDZ hotline number on internal intranet was implemented in Q1 -Q4. A campaign on cyber crime was implemented in Q4.	

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Quarterly Reporting of Social and Ethics priorities and findings to the Board.	Quarterly Reporting to Board Committee.	Quarterly Reporting to Board Committee.	
Annual Reporting.	Annual Social and Ethics Reporting as part of ELIDZ Annual Report and AGM proceedings.	Annual Social and Ethics Report for 2020/21 financial year published as part of the annual report. No material issues noted.	

6	100% implement and target attained
0	In progress
1	Target not met / initiative not implemented.

*3.12.2.3 **PRIORITY 2:** RESPONSIBLE CORPORATE CITIZENSHIP*

Principle 3 of the **King IV Report** requires that the governing body should ensure that the organisation is and is seen to be a responsible corporate citizen. The **King IV Report** recommends five key practices in this regard. For the purposes of this document, these have been categorised into the following key areas namely:

- The review of the ELIDZ Social Responsibility Framework
- Oversight and monitoring of Corporate Citizenship indicators
- Disclosure of CSR activities by the Committee

3.12.2.4 THE REVIEW OF THE ELIDZ SOCIAL RESPONSIBILITY FRAMEWORK

1. The governing body should assume the responsibility for corporate citizenship by setting the direction for how it should be approached and addressed by the organisation.
2. The governing body should ensure that the organisation's responsible corporate citizenship efforts include compliance with the Constitution of South Africa (including the Bill of Rights), law, leading standards, and adherence to its own codes of conducti and policies.
3. The governing body should oversee the organisation's core purpose and values, strategy and conduct are congruent with it being a responsible corporate citizen.

Oversight and Monitoring

4. The governing body should oversee and monitor, on an ongoing basis, how the consequences of the organisation's activities and outputs affect its status as a responsible corporate citizen. This oversight and monitoring should be performed against measures and targets agreed with management in all of the following areas:

   a. Workplace (including employment equity, fair remuneration; and safety, health, dignity, and development of employees)

   b. Economy (including economic transformation; prevention, detection and response to fraud and corruption; and responsible and transparent tax policy)

   c. Society (including public health and safety; consumer protection; community development and protection of human rights)

   d. Environment (including responsibilities in respect of pollution and waste disposal; and protection of biodiversity)

3.12.2.5 ELIDZ 2021/22 INITIATIVES – WORKPLACE

Key to the ELIDZ's priorities in as far as the workplace is concerned is positioning the organisation as an employer of choice which optimises existing guidelines and legislation on employment equity, labour relations and human capital management and development to create a conducive and progressive workplace environment for all. To this extent, the ELIDZ has recently developed a Human Capital Strategy which is centred on the following five priorities: succession planning and talent management, driving performance culture, HR analytics and culture, workforce flexibility and workforce agility. These priority areas are critical in ensuring that the ELIDZ positions itself as the employer of the future.

This financial year will see the ELIDZ prioritising the costing and finalisation of the organisation's amended organogram to ensure that the organisation is well positioned to execute Vision 2025. Similarly and in line with the HCM Strategy priorities the ELIDZ will implement key activities articulated in the strategy to ensure better positioning of the ELIDZ HCM capabilities. Key activities will therefore include the following

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Implementation of the ELIDZ's Employment Equity Plan.	70 % of Employment Equity Plan (non-numerical goals).	The ELIDZ has in place a 3-year plan (effective from 01 November 2019 to 31 October 2022). The purpose of the plan is to transform the organisational environment such that the ELIDZ's workforce is representative of the demographics of the province. **Numerical Goals:** There has been progress in the achievement of numerical targets. Under-representation in African Males and Coloured Males has been identified as a priority to be addressed through employment opportunities. **Non-Numerical goals:** Non-numerical goals have been formulated that are aimed at removing affirmative action barriers and obstacles which may negatively impact on the organisation's ability to reach the numerical targets. Of the 21 (twenty one) goals identified, 13 (thirteen) have been completed, 1 (one) is partially complete, 5 (five) are in progress, 1 (one) is not yet due and 1 (one) is no longer required. Actual achievement is 71%.	
Management of Staff turnover to ensure continuity.	10% staff turnover.	The staff turnover rate was 2.41% and was attributable to 2 (two) resignations. The low turnover rate did not necessitate any particular action.	
Management of staff vacancies to ensure continuity and efficiency in all ELIDZ functions.	10% staff vacancy rate.	The vacancy rate was 7,78%. This rate is based on 7 (seven) vacancies in the organisation. These vacancies were within three of the five occupational categories. Any risk associated with a vacancy was adequately managed through change management processes.	
Training and development of ELIDZ employees.	3% of employment-related expenditure spent on targeted training initiatives.	The total training expenditure, inclusive of training & development interventions, bursaries, and internship programme, amounted to 5,67% of the annual cost of employment. The expenditure is consistent with past trends that show an improved training up-take during the financial year, consistent with the drive to improve the BBBEE level of the organisation.	
Development of initiatives to ensure staff satisfaction in the workplace.	70% employee satisfaction index.	The ELIDZ conducts an annual employee satisfaction survey to measure the level of satisfaction of employees, identify areas of strength as well as potential risks and areas for improvement. From the survey results, it is found that most employees are satisfied with their job and workplace at ELIDZ. The summarised satisfaction level of employees for the previous financial year is 72,8%. The survey results in respect of the 2021/22 financial year are outstanding.	
Implementation of Year 1 Activities of ELIDZ Human Capital Management Strategy.	100% implementation of Year 1 activities.	The HCM Strategy has been collaboratively created with certain levels of ELIDZ employees and executive management. It intends to lay a foundation for enabling the ELIDZ vision via equipping its number one asset, the employees, to effectively aspire and deliver daily towards implementing that vision. The HCM Strategy contains three outcomes at the top level (strategic goals), with outputs and activities within each, as per the Results Based Approach adopted in the Department of Planning, Monitoring and Evaluation (DPME) Revised Framework for Strategic Plans and Annual Performance Plans. Following the Theory of Change methodology, these three outcomes are designed to establish an environment of Performance Excellence, the core of the HCM Strategy. Activities for the 2021/22 financial year were identified and prioritised. All these items were implemented.	

5	100% implement and target attained
1	In progress
0	Target not met / initiative not implemented.

3.12.2.6 ELIDZ 2021/22 INITIATIVES – ECONOMY

The ELIDZ exists as a catalyst for economic development and transformation. It is therefore vital that in its operations the ELIDZ prioritises activities that would ensure maximum socio-economic benefit for the citizens of the region and the country as a whole. Key to the ELIDZ's priorities in this regard will be the attraction of new industry that will ensure expansion of sector value chains, creation of employment opportunities and the transfer of skills and technology into the region. It is also vital that the ELIDZ, in utilising funds that it has generated through its own operations or through government grants, prioritises practices that would ensure transformation, inclusive and broadened economic participation to ensure equitable distribution of wealth and empowerment of the previously disadvantaged. In line with these priorities, the ELIDZ strategy will prioritise the following activities to ensure economic transformation, broadened and inclusive economic participation and positive economic growth:

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Develop and Implementation of a Corporate Wide Internship programme to ensure development of youth.	30 interns to be placed in ELIDZ internship programme.	The ELIDZ implements an internship programme to address unemployment within the Buffalo City Metropolitan area and the broader Eastern Cape Province through the development of the youth. The goal of the programme is to develop individuals so that they are more employable within the business environment within which the ELIDZ operates. The programme exposes interns to on-the-job training as well as other skills e.g. business communication. The internship programme remains very successful with ongoing positive results. The ELIDZ successfully trained 58 (fifty-eight) interns during the 2021/22 financial year.	
Development and Implementation of a BBBEE improvement plan that will see advancement of ELIDZ BBBEE rating.	Level 3 B-BBEE status achieved by end of 2021/22.	The ELIDZ has maintained its Level 3 B-BBEE status as at the end of the FY.	
Development of a supplier development programme that will see the development of previously Disadvantaged contractors in the construction sector.	Operationalisation of ELIDZ Contractor Development Programme by end of 2021/22.	ELIDZ in partnership with SEDA have commenced with an incubation programme for three years that will train and equip SMMEs in grade 1-5 in terms of CIDB grading. The programme will ensure that some of the shortfalls that are identified above are addressed. The implementation has started and ELIDZ selected and placed 60 incubatees.	
Develop and Implement a sector skills development programme to ensure upskilling of youth to meet requirements of future employers in the zone.	50 skills development beneficiaries trained in the ELIDZ Science and Technology Park.	The ELIDZ is currently implementing two learnership programmes being funded through the UIF programme.	
Develop and Implement a preferential procurement policy that will see the prioritisation of designated groups.	Amendment of ELIDZ policy to be finalised by end of Q3 in line with recent ruling that found certain elements of the Preferential Procurement Legislation to be unconstitutional. Amendment to further guide how ELIDZ would ensure maximum impact of its procurement practices with respect to economic empowerment.	The new policy is currently being amended, the ELIDZ is however awaiting the outcome of the current legal issue relating to preferential procurement before finalising the policy.	
Assist innovators to develop product prototypes as part of their innovation processes.	2 prototypes developed in the ELIDZ Science and Technology Park.	The ELIDZ STP has assisted in the development of 3 completed prototypes during the year. These include an electricity smart meter, a smart trolley and development of a sneaker (footwear).	
Host sector incubators in the ELIDZ.	2 incubators active in the ELIDZ by end of 2021/22.	The ELIDZ is currently hosting two incubators in its facilities.	

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Fundraise for the development of a manufacturing incubator in the ELIDZ.	Finalisation of fundraising activities by the end of 2021/22.	The ELIDZ successfully fundraised for 100% of the funding required for the incubator following commitment from provincial government to top up the 50% funding in the 2022/23 financial year.	
Create meaningful construction job opportunities from ELIDZ Construction Activities in the Zone.	2000 construction jobs created in the zone by end of 2021/22.	The ELIDZ was unable to achieve the target of 1800 construction jobs during the financial year. The targets were inclusive of projects which could not be initiated due to funding issues. These were the Data Centre Project and the Manufacturing incubator. Inclement weather throughout the year also negatively affected construction activity and associated construction employment.	
Attract new investment that will lead to increased creation of manufacturing and services jobs in the zone.	5100 manufacturing and services jobs active in the ELIDZ by end of 2021/22.	during the current financial year the ELIDZ has been able to operationalise new investors and expansions to existing investors which allowed for new employment opportunities which enabled the achievement of 5270 jobs against the target of 5100 for the financial year.	
Undertake an annual zone impact census to measure the impact of zone industries on the economy of the region.	Annual Zone Impact Census undertaken by end of Q4.	The census was undertaken and illustrated growth in ELIDZ impact year on year. A higher rate of participation in the survey, particularly from the automotive sector, the operationalisation of new manufacturers along with expansions to some existing manufacturers has contributed to an increased turnover for zone enterprises of 53,1% New manufacturers began operating during the year along with some manufacturers increasing their production capabilities through expansions and this has contributed to the increase in export-oriented production growth of 126,9%. Increased participation in the survey from the automotive sector manufacturers also plays a role in the performance.	

9	100% implement and target attained
1	In progress
1	Target not met / initiative not implemented.

3.12.2.7 ELIDZ 2021/22 INITIATIVES – SOCIETY

Key to the ELIDZ's Sustainable Development Agenda is the prioritisation of Community Development Programmes that prioritise education support, enterprise development, sports development and skills advancement. The ELIDZ's focus, in as far as this initiative is concerned is not only concentrated in supporties communities that are within its immediate surroundings but extends to communities both in rural and urban Eastern Cape. This is to ensure extended impact of the zone. For the 2021/22 financial year the ELIDZ will prioritise the following:

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Year-on-Year growth in ELIDZ Corporate Social Investment.	7% year-on-year growth in ELIDZ Corporate Social Investment.	12,25% year-on-year growth in ELIDZ Corporate Social Investment.	
Development and implementation of a CSI programme that prioritises education support, enterprise development, sports development, and youth skills advancement.	12 CSI initiatives implemented by end 2021/22.	The ELIDZ has implemented 18 CSI projects during the FY.	

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
Implementation of a bursary support programme.	8 bursary beneficiaries awarded bursaries for 2021/22.	The ELIDZ initially awarded bursaries to 12 beneficiaries, however at the end of Q2 there was one withdrawal from the bursary programme bringing the total to 11 at the end of Q4 of the 2021/22 FY.	
% retention of CSI beneficiaries to ensure continuity and sustainability of beneficiaries.	15% of beneficiaries retained to ensure continuity and sustainability of beneficiaries.	55% of beneficiaries (10/18) retained to ensure continuity and sustainability of projects supported.	

4	100% implement and target attained
0	In progress
0	Target not met / initiative not implemented.

3.12.2.8 ELIDZ 2021/22 INITIATIVES – ENVIRONMENT

The ELIDZ prioritises minimising the impact of its operations and those of its attracted industries on the environment. Additionally the ELIDZ encourages its employees and its customers to implement best practices when it comes to the protection of people, the environment and natural resources that surround it. To this end the ELIDZ will for the 2021/22 financial year prioritise the following :

- Effective Implementation and compliance to ISO14001:2015 Environmental Management System
- Effective Implementation and compliance to ISO 45001:2018 Occupational Health and Safety Management system.
- Effective implementation and compliance to ISO 9001:2015 Quality Management System
- Effective Monitoring and Mitigation of Spread of COVID 19 Virus in the workplace and in the ELIDZ Zone

In line with these priorities the ELIDZ has developed the following key activities.

INITIATIVE	2021/22 TARGET	2021/22 PROGRESS	STATUS OF THE INITIATIVE
# of SHE citations for ELIDZ Corporate	0 SHE citations for ELIDZ Corporate	No SHE citations for ELIDZ Corporate	
Maintain monitoring, communication, response and tracking of all zone enterprises SHE non-conformances and incidents as required.	Monitoring, communication, response and tracking of all zone enterprises SHE non-conformances and incidents as required.	Monitoring, communication, response and tracking of all zone enterprises SHE non-conformances and incidents maintained.	
Maintain Environmental Due Diligence assessments for all proposed investor prior to board approval.	Ensure Environmental due diligence is performed for 100% of investments presented to board for approval	100% Environmental due diligence performed for all potential investors presented to board for approval.	
% of SHEQ certifications retained.	100% of SHEQ certifications retained.	SHEQ audits undertaken in April 2022 and 100% of SHEQ certifications retained.	

4	100% implement and target attained
0	In progress
0	Target not met / initiative not implemented.

DISCLOSURES

1. The following should be disclosed in relation to corporate citizenship
   a. An overview of the arrangements for governing and managing responsible corporate citizenship
   b. Key areas of focus during the reporting period
   c. Measures taken to monitor corporate citizenship and how the outcomes were addressed
   d. Planned areas of future focus

3.13

AUDIT COMMITTEE **REPORT**

The Audit Committee is pleased to present its report for the financial year ended 31 March 2022.

3.13.1 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)	8 of 8
Mr E. Jooste (Member)	8 of 8
Ms C. Kongwa (Member)	5 of 8
Mr M. Mfuleni (Member)	7 of 8

3.13.2 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.

3.13.3 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.

3.13.4 Evaluation of Financial Statements

The Audit Committee has evaluated and discussed the AFS of the ELIDZ for the year ended 31 March 2022 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 02 September 2022, 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.

"The Audit Committee has therefore, at its meeting held on 02 September 2022, recommended the adoption of the financial statements by the Board of Directors."

3.13.5 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

3.14

B-BBEE COMPLIANCE **PERFORMANCE INFORMATION**

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion (include a discussion on your response and indicate what measures have been taken to comply)**
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?		
Developing and implementing a preferential procurement policy?	**Yes**	The ELIDZ has developed this SMME policy to guide the organisation in the process of acquisition of goods and services that are required to support the service delivery obligations of the ELIDZ from time to time. The ELIDZ commits itself to implement this policy in a manner that will: • Promote and empower small and emerging enterprises; • Support local business enterprises; and • Empower those persons disadvantaged by unfair discrimination.
Determining qualification criteria for the sale of state-owned enterprises?		
Developing criteria for entering into partnerships with the private sector?		
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?		

3.15

MATERIALITY & SIGNIFICANCE **FRAMEWORK**

The ELIDZ has developed and adopted a materiality significance issues framework for reporting losses through criminal conduct, irregular, fruitless or wasteful expenditure, as well as for significant transactions envisaged as per section 55 (2) of the Public Finance Management Act (Act No 29 of 1999). The materiality amount for the period under review was R33 109 405. This represents 1% of ELIDZ's total assets as at 31 March 2020. ELIDZ's total assets for the period then reported was R3 310 940 547.

d.

human
resources

4.1

INTRODUCTION

The success of the Human Capital Management Strategy depends in part on our ability to retain, motivate, develop, and continue to attract employees with the skills and experience to help the ELIDZ master challenges and make the most of opportunities. Investing in our employees remains of paramount importance. ELIDZ employees are therefore viewed as 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:

- *Employment and Resourcing*
- *Employment Equity*
- *Employee Wellness*
- *Absenteeism and Leave Management*
- *Training and Skills Development*
- *Performance Management*
- *Health and Safety*
- *Reward and Recognition*
- *Employee Satisfaction*
- *Key Human Capital Activities*

Human Capital Management has positioned itself to work closely with ELIDZ Executives and Business Unit managers in order to develop a Human Capital agenda that closely supports the aims of the ELIDZ. In line with the Human Capital strategic priorities and collaborations, the main objective is to develop a performance culture through remodelling and improved performance management processes. Strong Organisational Development interventions shall be targeted to improve processes for better employee satisfaction. The Human Capital Management sub-unit is on an ongoing basis meeting with Business Units to provide adequate assistance and support in all Human Capital Management aspects. The delivery of business consulting capability and professional Human Capital services is designed to positively impact business results and to position the ELIDZ as an employer of choice.

The Human Capital Management sub-unit remains committed to being a proactive business partner for the organisation to ensure that its strategic goals are met through the continued delivery of a bouquet of Human Capital Management services and programmes. The sub-unit is positive that the results as at the end of the fourth quarter of the financial year will be maintained and / or improved upon during the 2021/22 financial year.

4.2

HUMAN RESOURCES **OVERSIGHT STATISTICS**

4.2.1 Personnel cost by programme

EXPENDITURE: Personnel Costs by Programme: 2021/22

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	13 301 512	18%	9	1 477 946
Corporate Affairs	20 625 518	28%	24	859 397
Finance	11 587 336	15%	15	772 489
Operations	29 351 701	39%	35	838 620
TOTAL	**74 866 067**	**100%**	**83**	**902 001**

4.2.2 Personnel cost by salary band

EXPENDITURE: Personnel Costs By Salary Bands: 2021/22				
Programme/activity/objective	**Personnel Expenditure (R)**	**% of personnel exp. to total personnel cost**	**No. of employees**	**Average Personnel cost per employee (R)**
Top management	3 731 706	5%	1	3 731 706
Senior management	7 805 004	10%	3	2 601 668
Professionally qualified and experienced specialists and mid-management	32 041 097	43%	23	1 393 091
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	24 242 517	32%	33	734 622
Semi-skilled and discretionary decision making	5 502 861	7%	15	366 857
Unskilled and defined decision making	1 542 882	2%	8	192 860
TOTAL	**74 866 067**	**100%**	**83**	**902 001**

Notes:
The ELIDZ does not pay a homeowner's allowance
R 33 832.67 in overtime was paid during the Financial Year ended 31 March 2022
Remuneration and Benefits are paid in terms of the prevailing policies.

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	598 766	3 731 706	16%
Senior management	1 287 975	7 805 004	17%
Professionally qualified and experienced specialists and mid-management	4 903 803	32 041 097	15%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	3 334 747	24 242 517	14%
Semi-skilled and discretionary decision making	708 134	5 502 861	13%
Unskilled and defined decision making	225 796	1 542 882	15%
TOTAL	**11 059 221**	**74 866 067**	**15%**

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	3 731 706	3 568	0%	1	3 568
Senior management	7 805 004	21 420	0%	3	7 140
Professionally qualified and experienced specialists and mid-management	32 041 097	909 467	3%	21	43 308
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	24 242 517	2 083 151	9%	33	63 126
Semi-skilled and discretionary decision making	5 502 861	851 808	15%	16	53 238
Unskilled and defined decision making	1 542 882	380 431	25%	8	47 554
TOTAL	**74 866 067**	**4 249 845**	**5,677%**	**82**	**51 827**

4.2.5 Employment and Vacancies

Programme / activity / objective	2019/2020 No. of Employees	2019/2020 Approved Posts	2020/2021 No. of Employees	2020/2021 Approved Posts	2021/2022 No. of Employees	2021/2022 Approved Posts	2021/2022 Vacancies (Budgeted)	% of Vacancies
Office of the CEO	9	10	9	10	9	10	1	1.11%
Corporate Affairs	25	26	26	26	24	26	2	2.44%
Finance	15	15	14	15	15	15	0	0.00%
Operations	37	39	35	39	35	39	4	1.44%
TOTAL	**86**	**90**	**82**	**90**	**83**	**90**	**7**	**7.77%**

Programme / activity / objective	2019/2020 No. of Employees	2019/2020 Approved Posts	2020/2021 No. of Employees	2020/2021 Approved Posts	2021/2022 No. of Employees	2021/2022 Approved Posts	2021/2022 Vacancies (Budgeted)	% of Vacancies
Top management	1	1	1	1	1	1	-	0.00%
Senior management	3	3	3	3	3	3	-	0.00%
Professionally qualified and experienced specialists and mid-management	23	24	23	24	23	24	1	1.11%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	36	39	34	39	33	39	5	5.55%
Semi-skilled and discretionary decision making	15	15	13	15	15	15	1	1.11%
Unskilled and defined decision making	8	8	8	8	8	8	-	0.00%
TOTAL	**86**	**90**	**82**	**90**	**83**	**90**	**7**	**7.77%**

4.2.6 Employment changes

EMPLOYMENT CHANGES: ANNUAL TURNOVER RATES BY SALARY BAND & CRITICAL OCCUPATION FOR THE PERIOD 01 APRIL 2021 TO 31 MARCH 2022

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	23	-	-	23
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	35	-	2	33
Semi-skilled and discretionary decision making	12	3	-	15
Unskilled and defined decision making	8	-	-	8
TOTAL	**82**	**3**	**2**	**83**

4.2.7 Reasons for staff leaving

EMPLOYMENT CHANGES: REASONS WHY STAFF ARE LEAVING

REASON	Number	% of total no, of staff leaving
Death	-	-
Resignation	2	2.41%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
Total	**2**	**2.41%**
Total number of employees who left as a % of the total employment	**2**	**2.41%**

4.2.8 Labour relations

PRECAUTIONARY SUSPENSIONS:

No employees were placed on precautionary suspension during the period under review.

LABOUR REFERRALS TO THE CCMA DISPUTES:

Two matters were before at the CCMA during the period under review. The ELIDZ received a favourable ruling in respect of a claim referred by an employee for unfair conduct and the employee has not referred the matter for review. The ELIDZ received an unfavourable award in respect of a claim of unfair dismissal and has referred the matter to the Labour Court for review.

INTERNAL DISCIPLINARY CASES:
Two matters of misconduct were pursued. Both employees tendered in their resignations prior to disciplinary proceedings commencing.

STRIKE INDUSTRIAL ACTION:
No industrial strike action took place during the period under review.

4.2.9 Employment equity

EMPLOYMENT EQUITY ANALYSIS (AS AT 31 MARCH 2022)

OCCUPATIONAL BANDS	MALE					FEMALE					
	AFRICAN	COLOURED	INDIAN	WHITE	Sub Total	AFRICAN	COLOURED	INDIAN	WHITE	Sub Total	Grand Total
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	17	2	-	-	19	33
Semi-skilled and discretionary decision making	3	-	-	-	3	10	2	-	-	12	15
Unskilled and defined decision making	-	-	-	-	0	7	-	-	-	7	7
Total permanent	22	3	3	6	34	40	5	-	3	48	82
Temporary employees	-	-	-	-	-	1	-	-	-	-	1
Grand total	**22**	**3**	**3**	**6**	**34**	**41**	**5**	**-**	**3**	**49**	**83**

4.2.10 Foreign workers

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

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GENERAL **INFORMATION**

Country of incorporation and domicile	South Africa
Legal form of entity	Public entity regulated by the Public Finance Management Act,1999 (Act No.1 of 1999)
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) N Mnconywa M Mfuleni B Mpondo N C Kongwa A Skenjana Cllr. N Kumbaca
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 annual financial statements were internally compiled by: Gift Matengambiri CA (SA) Chief Financial Officer
Specific governing legislation	Public Finance Management Act, 1999 (Act No. 1 of 1999) Special Econpmic Zone Act, 2014 (Act No. 16 of 2014)

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

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BOARD OF DIRECTORS' RESPONSIBILITIES **& APPROVAL**

The directors are 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 the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

The 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 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 directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 twelve months to 31 March 2023 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 financial statements set out on page 74, which have been prepared on the going concern basis, were approved by the board on 31 May 2022 and were signed on its behalf by:

MW Makalima (Chairperson)
Chairperson of the Board of Directors

S Kondlo (Ex-officio)
Chief Executive Officer

BOARD OF DIRECTORS' **REPORT**

The board of directors submit their report for the year ended 31 March 2022.

1. Going concern

The assets of the entity exceed its liabilities by R2 716 605 885 (2021: R2 601 726 027).The entity has realised a surplus for the current year and is expected to maintain profitability for the foreseeable future.

The board of directors is satisfied that the entity has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual 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, 2014 (Act No. 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 DTIC 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.

As the world is still battling to manage and recover from COVID 19, the entity has not been immune to the effect of the pandemic. The entity considered the impact on its operations, financial resources and ability to continue trading in the foreseeable future. The entity's revenue from services and rentals has increased in the current year. The increase is expected to be consistent in the foreseeable future.

2. Subsequent events

No events have come to the attention of the board of directors since the end of the reporting period.

3. Accounting policies

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

4. Share capital

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

5. Dividends

No dividends were declared and paid shareholders during the year.

6. Board Of Directors

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

Directors	Nationality	Changes
MW Makalima (Chairperson)	South African	
EV Jooste	South African	
A Kanana	South African	
S Kondlo (Ex-officio)	South African	
N Mnconywa	South African	
V Momeni(Gqodi)	South African	Resigned Wednesday, 30 March 2022
M Mfuleni	South African	
B Mpondo	South African	
N C Kongwa	South African	
A Skenjana	South African	
Cllr. N Kumbaca	South African	Appointed Wednesday, 30 March 2022

7. Secretary

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

8. Auditors

Auditor-General of South Africa will continue as the external auditors for the current period.

MW Makalima (Chairperson)
Chairperson of the Board of Directors

S Kondlo (Ex-officio)
Chief Executive Officer

COMPANY SECRETARY'S **CERTIFICATION**

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

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

Ms. Jo-Anne Palmer
Company Secretary

STATEMENT OF **FINANCIAL POSITION**

AS AT 31 MARCH 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Cash and cash equivalents	3	199 041 461	374 055 745
Receivables from exchange transactions	4	88 975 866	68 351 150
VAT receivable	5	3 891 404	5 130 868
Prepayments	6	150 968	476 384
		292 059 699	**448 014 147**
Non-Current Assets			
Investment property	7	2 123 148 486	2 032 489 546
Property, plant and equipment	8	509 917 243	519 241 706
Intangible assets	9	6 363 736	5 671 393
		2 639 429 465	**2 557 402 645**
Total Assets		**2 931 489 164**	**3 005 416 792**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	20 799 991	68 173 198
Payables from non-exchange transactions	11	2 755 922	2 865 836
Unspent conditional grants and receipts	12	178 343 160	318 755 984
Provisions	13	12 984 206	13 895 747
Total Current Liabilities		**214 883 279**	**403 690 765**
Total Liabilities		**214 883 279**	**403 690 765**
Net Assets		**2 716 605 885**	**2 601 726 027**
Share capital	14	1 000	1 000
Accumulated surplus		2 716 604 885	2 601 725 027
Total Net Assets		**2 716 605 885**	**2 601 726 027**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Rendering of services	15	131 446 251	98 625 669
Rental of facilities and equipment	16	159 429 557	126 617 932
Sundry income		755 036	263 600
Interest received	17	2 408 850	11 614 461
Total revenue from exchange transactions		**294 039 694**	**237 121 662**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	274 824 804	465 243 624
Total revenue		**568 864 498**	**702 365 286**
Expenditure			
Employee related costs	19	(95 471 806)	(95 517 766)
Depreciation and amortisation	20	(24 240 395)	(25 043 130)
Impairments losses on property plant and equipment		-	(194 727)
Lease rentals on operating lease	21	(585 938)	(918 071)
Debt Impairment and bad debts written off	22	29 390 860	(41 706 315)
Fair value adjustments	23	(137 309 842)	(456 171 925)
Loss on non-current assets disposal		(81 829)	(850 223)
General Expenses	24	(225 685 690)	(184 376 700)
Total expenditure		**(453 984 640)**	**(804 778 857)**
(Deficit)/Surplus for the period		**114 879 858**	**(102 413 571)**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital/ contributed capital	Accumulated surplus / deficit	Total net assets
Balance at 01 April 2020	**1 000**	**2 704 138 598**	**2 704 139 598**
Changes in net assets			
Deficit for the period	-	(102 413 571)	(102 413 571)
Total changes	-	(102 413 571)	(102 413 571)
Balance at 01 April 2021	**1 000**	**2 601 725 027**	**2 601 726 027**
Changes in net assets			
Surplus for the period	-	114 879 858	114 879 858
Total changes	-	114 879 858	114 879 858
Balance at 31 March 2022	**1 000**	**2 716 604 885**	**2 716 605 885**
Note(s)	14		

CASH FLOW **STATEMENT**

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		302 432 823	189 020 019
Grants		134 411 980	209 445 959
Interest income		1 612 480	1 844 299
		438 457 283	400 310 277
Payments			
Employee costs		(96 209 156)	(91 654 379)
Suppliers		(237 277 479)	(172 586 121)
		(333 486 635)	(264 240 500)
Net cash flows from operating activities	26	**104 970 648**	**136 069 777**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(17 201 195)	(32 299 863)
Proceeds from sale of property, plant and equipment	8	192 349	2 807
Construction of investment property	7	(261 557 886)	(301 906 669)
Purchase of other intangible assets	9	(1 418 200)	(3 821 628)
Net cash flows from investing activities		**(279 984 932)**	**(338 025 353)**
Net increase/(decrease) in cash and cash equivalents		**(175 014 284)**	**(201 955 576)**
Cash and cash equivalents at the beginning of the year		374 055 745	576 011 321
Cash and cash equivalents at the end of the year	3	**199 041 461**	**374 055 745**

* See Note 33

STATEMENT OF **COMPARISON OF BUDGET & 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	127 595 809	2 554 039	**130 149 848**	131 446 251	**1 296 403**	
Rental of facilities and equipment	106 887 146	2 554 038	**109 441 184**	150 386 711	**40 945 527**	36
Total revenue from exchange transactions	**234 482 955**	**5 108 077**	**239 591 032**	**281 832 962**	**42 241 930**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	96 981 739	-	**96 981 739**	95 526 957	**(1 454 782)**	
Total revenue	**331 464 694**	**5 108 077**	**336 572 771**	**377 359 919**	**40 787 148**	
Expenditure						
Personnel	(81 335 712)	(13 616 536)	**(94 952 248)**	(94 952 248)	**-**	
Lease rentals on operating lease	(1 142 000)	220 904	**(921 096)**	(585 938)	**335 158**	
General Expenses	(248 986 982)	8 287 555	**(240 699 427)**	(234 918 202)	**5 781 225**	
Total expenditure	**(331 464 694)**	**(5 108 077)**	**(336 572 771)**	**(330 456 388)**	**6 116 383**	
Surplus before taxation	**-**	**-**	**-**	**46 903 531**	**46 903 531**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**46 903 531**	**46 903 531**	

STATEMENT OF **COMPARISON OF BUDGET & ACTUAL AMOUNTS - [CONTINUED]**

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation						
BASIS DIFFERENCE						
Net cash flows from operating activities						
Government grants and subsidies				179 297 847		
Operating lease smoothing - income				9 042 846		
Interest received				2 408 850		
Debt impairment and bad debts written off				29 390 860		
Depreciation and Amortisation				(24 240 395)		
Other Income				755 036		
Leave pay provision - expense				(519 558)		
Investing activities						
Loss on disposal of assets				(81 829)		
Capitalised purchases included in general expenses above (PPE and intangible assets)				9 232 512		
Fair value adjustment				(137 309 842)		
Actual Amount in the Statement of Financial Performance				**114 879 858**		

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 judgments 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 judgment 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 judgments 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 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 the entity's debtors. Each debtor is allocated a loss ratio based on indicators prevailing at reporting date. The loss ratio is applied to total 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 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 13 - Provisions and Note 1.14 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

Judgment 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.

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.

COVID 19 Impact

The world has been battling with the effects of COVID 19 since the prior financial years. The entity has not been immune to the pandemic. In striving to ensure the fair presentation of the annual financial statements, the entity has assessed the impact of uncertainties faced as a result of the global pandemic.

The assessed impact of the lockdown on the current year has been included in Note 36 to the annual financial statements.

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. Management assesses prevailing market conditions at each reporting date. Where the carrying amount of investment properties does not reflect these conditions, and the impact is material, the carrying amount will be adjusted to reflect this fact.

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 entity 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.

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.

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

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
Infrastructure networks and buildings	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 8).

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.

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
Trademarks	Straight line	10 years
Computer software	Straight line	3 - 6,54 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.

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.

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

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 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.

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

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
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
Provisions - retentions	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

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.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account.
The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.
The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;

or

- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognises the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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 entity 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 entity is subject to value added tax in accordance with the Value added Tax Act, 1991 (Act No. 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, 1991 (Act No. 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.

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.

Value in use

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

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

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.

Fair value less costs to sell

The best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset.

Where there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the asset's market price less the costs of disposal.

If no active market exists and there is no binding sale agreement, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

In determining this amount, the entity considers the outcome of recent transactions for similar assets within the same industry.

Costs of disposal, other than those that have been recognised as liabilities, are deducted in determining fair value less costs to sell.

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.

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.

Judgments 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.

Fair value less costs to sell

The best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset.

Where there is no binding sale agreement but an asset is traded in an active market, fair value less costs to sell is the asset's market price less the costs of disposal.

If no active market exists and there is no binding sale agreement, fair value less costs to sell is based on the best information available to reflect the amount that an entity could obtain, at reporting date, from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

In determining this amount, the entity considers the outcome of recent transactions for similar assets within the same industry. Costs of disposal, other than those that have been recognised as liabilities, are deducted in determining fair value less costs to sell

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.

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 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 bonus payments are 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 retirement benefit plans are charged as an expense as they fall due.

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

1.14 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 (deficit).

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

A constructive obligation to restructure arises only when an entity:

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

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 30.

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.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgment. 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.

1.15 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 entity 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 entity and another party which entitles the entity 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 entity 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 amounts or rates 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.

1.16 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;
- 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.

Revenue arising from principal-agent arrangements

The entity recognises revenue arising from principal-agent arrangements where the entity acts as an agent to the extent that it represents a fee or commission payable as compensation for executing the agreed upon services on behalf of the principal(s).

1.17 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Grants

Apart from Services in kind, which are not recognised, the entity recognises as income all grants received, to the extent that there are no conditions or stipulations attached to the receipt.

Where there are conditions attached to the receipt of the grant, a liability is recognised upon receipt of the grant, to the extent that conditions have not been met at reporting date.

Grants are measured at the fair value of the consideration (normally cash), received or receivable.

1.18 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 or deficit.

1.19 Investment income

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

1.20 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 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 judgment 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.

1.21 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management.

1.22 Budget information

Entities 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 2021/04/01 to 2022/03/31.

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 entity 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.

Remuneration of management includes remuneration derived for services provided to the reporting entity in their capacity as members of the management team or employees.

Remuneration of management excludes any consideration provided solely as reimbursement for expenditure incurred by those persons for the benefit of the reporting entity, such as the reimbursement of accommodation costs associated with work-related travel.

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).

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.

NOTES TO THE FINANCIAL STATEMENTS

Figures in Rand	2022	2021

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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25 (as revised): Employee Benefits	01 April 2099	Impact is currently being assessed
GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed
iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Impact is currently being assessed
GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Impact is currently being assessed

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2022	2021
Cash on hand	4 016	5 607
Bank balances	14 196 211	8 426 934
Short-term deposits	184 841 234	365 623 204
	199 041 461	**374 055 745**

Cash and cash equivalents held by the entity that are ringfenced for capital projects	178 343 160	318 755 984
The total amount of undrawn facilities available for future operating activities.	30 000	30 000

4. Receivables from exchange transactions

	2022	2021
Trade debtors	48 543 430	68 753 750
Impairment for bad debts	(25 775 687)	(56 033 843)
Operating lease receivables	63 378 135	54 044 491
Sundry receivables	1 479 222	455 901
Related party receivables	1 350 766	1 130 851
	88 975 866	**68 351 150**

Non financial assets included in receivables from exchange transactions above are as follows:

Operating lease receivables	63 378 135	54 044 491
Financial asset receivables included in receivables from exchange transactions above	**25 597 731**	**14 306 659**

Figures in Rand	2022	2021

Trade and other receivables pledged as security

None of the entity's trade and other receivables have been pledged as security or are encumbered in any way.

Credit quality of trade and other receivables

Trade receivables

Receivables with a net carrying amount of R7 607 207 are fully performing and their terms have been renegotiated in the current year.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 2 months past due are not considered to be impaired. At 31 March 2022, 5 717 571 (2021: 3 922 777) were past due but not impaired.

Trade and other receivables impaired

As of 31 March 2022, trade and other receivables of 37 708 475 (2021: 60 263 900) were impaired and provided for. The amount of the provision was 25 775 687 as of 31 March 2022 (2021: 56 033 843).

3 to 6 months	13 596 325	18 120 758
Over 6 months	24 112 142	42 143 142

Fair value of trade and other receivables

Trade receivables are subject to a 30-day payment term. The effect of time value money is immaterial . The carrying amount of the trade and other receivables approximates their fair value.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(56 033 843)	(21 451 411)
Provision for impairment	30 258 156	(34 582 432)
	(25 775 687)	**(56 033 843)**

5. VAT receivable

VAT	3 891 404	5 130 868

The entity is subject to value added tax in accordance with the Value added Tax Act, 1991 (Act No. 89 of 1991). Value added tax for current and prior periods is, to the extent that it is due from the Receiver of Revenue for current and prior periods, 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, 1991 (Act No. 89 of 1991)and relevant regulations.

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

The entity assesses any VAT receivables for impairment in accordance with policies and procedures applicable to receivables from exchange transactions. No impairment loss has been recognised in the current year.

6. Prepayments

Reconciliation of closing balance

Opening balance	476 384	621 702
Expenditure incurred and prepayment released	(476 384)	(621 702)
Prepayment recognised during the year	150 968	476 384
	150 968	**476 384**

Figures in Rand	2022	2021

The prepayments relate to prepaid insurance and software licence. 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. Investment property

	Valuation	Carrying value	Valuation	Carrying value
Investment property	2 123 148 486	2 123 148 486	2 032 489 546	2 032 489 546

Reconciliation of investment property - 2022

	Opening balance	Additions	Fair value adjustments	Total
Investment property	2 032 489 546	227 968 782	(137 309 842)	2 123 148 486

Reconciliation of investment property - 2021

	Opening balance	Additions	Fair value adjustments	Total
Investment property	2 152 940 581	335 720 890	(456 171 925)	2 032 489 546

Pledged as security

No investment property is pledged as security.

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property

Investment property - Cost	113 493 020	106 814 823

Details of property

A register containing the information required by Regulation 25(c) the companies regulation 2011 is available for inspection at the registered office of the entity.

Details of valuation

Four nvestment properties were valued in the current year, two of which reached practical completion. The effective date of those revaluations is 31 March 2022 . These valuations were performed by Letlaka Ndamase who is registered with the South African Council for the Property Valuers Profession , Reg. No 5435/7. The valuer has recent experience in the location and category of the investment property being valued.

The remaining investment properties measured at fair value were subjected to an internal review. The internal review is conducted in terms of internal policies to confirm whether the fair values of those properties fairly represent the market conditions at 31 March 2022. No changes were recognised to the fair values of these properties, they were last valued on 31 March 2021 by Letlaka Ndamase who is registered with the South African Council for the Property Valuers Profession , Reg. No 5435/7.

The methods used by the entity 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).

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. Current prevailing market conditions were assessed and where significant changes occur e.g. newly completed investment properties previously valued at cost. The affected investment properties are revalued to their respective market values to account for the changes in market conditions.

 7. Investment property - (continued)

Figures in Rand	2022	2021
Amounts recognised in surplus (2021: deficit)		
Rental revenue from Investment property	157 129 721	122 338 059
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	(25 099 551)	(19 645 164)
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	(2 100 332)	(1 704 705)

The responsibility for the repairs and maintenance for investment properties is transferred to the tenants for each investment property leased. The entity does not incur expenditure for the repairs and maintenance of these properties.

8. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation & accumulated impairment	Carrying value	Cost	Accumulated depreciation & accumulated impairment	Carrying value
Land	3 821 361	-	3 821 361	3 821 361	-	3 821 361
Infrastructure including buildings	764 939 537	(307 339 774)	457 599 763	754 218 994	(288 865 697)	465 353 297
Plant and machinery	64 012 533	(23 179 122)	40 833 411	64 042 533	(20 220 705)	43 821 828
Furniture and fixtures	4 717 958	(3 517 779)	1 200 179	4 731 014	(3 473 581)	1 257 433
Motor vehicles	2 110 462	(1 119 546)	990 916	1 633 192	(1 058 695)	574 497
Office equipment	574 280	(391 662)	182 618	588 860	(371 341)	217 519
IT equipment	26 597 053	(22 349 557)	4 247 496	25 959 799	(22 154 402)	3 805 397
Laboratory and other property, plant and equipment	3 335 284	(2 293 785)	1 041 499	3 469 322	(3 078 948)	390 374
Total	**870 108 468**	**(360 191 225)**	**509 917 243**	**858 465 075**	**(339 223 369)**	**519 241 706**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Land	3 821 361	-	-	-	3 821 361
Infrastructure including buildings	465 353 297	10 720 540	-	(18 474 074)	457 599 763
Plant and machinery	43 821 828	-	-	(2 988 417)	40 833 411
Furniture and fixtures	1 257 433	80 646	(14 393)	(123 507)	1 200 179
Motor vehicles	574 497	748 000	(104 347)	(227 234)	990 916
Office equipment	217 519	-	-	(34 901)	182 618
IT equipment	3 805 397	1 927 211	(148 308)	(1 336 804)	4 247 496
Laboratory and other property, plant and equipment	390 374	808 387	(1 661)	(155 601)	1 041 499
Total	**519 241 706**	**14 284 784**	**(268 709)**	**(23 340 538)**	**509 917 243**

Figures in Rand	2022	2021

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	3 821 361	-	-	-	-	3 821 361
Infrastructure including buildings	449 775 536	34 475 767	(51 819)	(18 846 187)	-	465 353 297
Plant and machinery	47 068 651	-	-	(3 232 812)	(14 011)	43 821 828
Furniture and fixtures	1 433 144	-	(29 547)	(128 070)	(18 094)	1 257 433
Motor vehicles	814 404	-	-	(103 814)	(136 093)	574 497
Office equipment	251 745	14 285	(7 827)	(36 482)	(4 202)	217 519
IT equipment	6 204 141	720 752	(722 050)	(2 377 959)	(19 487)	3 805 397
Laboratory and other property, plant and equipment	555 367	-	(41 781)	(120 370)	(2 842)	390 374
Total	**509 924 349**	**35 210 804**	**(853 024)**	**(24 845 694)**	**(194 729)**	**519 241 706**

Pledged as security

No items of property plant and equipment were pledged as security at reporting date.

Property, plant and equipment in the process of being constructed or developed

	2022	2021
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure and buildings	35 621 836	125 741 863
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Actom - Contract Z6/E1/TRF/03/11 - Transformers 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.	25 494 175	25 494 175
	25 494 175	**25 494 175**
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Windfarm Turnkey Solution The appointed contractor for this project went into liquidation and was unable to complete the project. The entity has been unable to source another contractor to complete the project. During the financial year ended 31 March 2021, the funding for the project was withdrawn and allocated to other projects. This effectively meant that the funder had cancelled the project. At reporting date, the entity had not secured an investor for the project and the assets have no alternative use. The entity is still in possession of the components manufactured for the project. These were subjected to an impairment test in the prior year.	479 200	479 200
	479 200	**479 200**

Management has assessed the recoverable amount of the work in progress. The project cost of R25 041 050 has been impaired in prior years to the recoverable amount of R479 200. There have been no changes to the recoverable amount during the current reporting period.

 8. Property, plant and equipment - (continued)

Figures in Rand	2022	2021

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	125 741 886	125 741 886
Additions/capital expenditure	9 315 106	9 315 106
Transfers	(99 435 133)	(99 435 133)
	35 621 859	**35 621 859**

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	91 317 912	91 317 912
Additions/capital expenditure	34 475 768	34 475 768
Written off	(51 814)	(51 814)
	125 741 866	**125 741 866**

Expenditure incurred to repair and maintain property, plant and equipment

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

	2022	2021
Contracted services	(30 072 360)	(31 119 774)

Details of Property, plant and equipment

A register containing the information required by regulation 25(3) of the companies Regulation 2011 is available for inspection at the registered office of the entity.

Impairment considerations

The entity recognised an impairment loss of R0 (2021: R194 727) on property plant and equipment.

Disposals of property plant and equipment

The entity disposed off items of property plant and equipment in the current year with a carrying amount of R268 709 (2021: R853 024). A loss on disposal of R81 829 (2021: R850 223) was realised. These disposals were undertaken in accordance with approved policies of the entity.

Figures in Rand	2022	2021

9. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value
Patents, trademarks and other rights	30 000	(18 649)	11 351	30 000	(13 783)	16 217
Computer software, other	15 909 282	(9 556 897)	6 352 385	15 327 126	(9 671 950)	5 655 176
Total	**15 939 282**	**(9 575 546)**	**6 363 736**	**15 357 126**	**(9 685 733)**	**5 671 393**

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	16 217	-	(4 866)	11 351
Computer software, other	5 655 176	1 592 200	(894 991)	6 352 385
	5 671 393	**1 592 200**	**(899 857)**	**6 363 736**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Patents, trademarks and other rights	21 081	-	(4 864)	16 217
Computer software, other	2 486 121	3 361 628	(192 573)	5 655 176
	2 507 202	**3 361 628**	**(197 437)**	**5 671 393**

Pledged as security

No intangible assets have been pledged as security at reporting date.

Intangible assets in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Intangible assets

	2022	2021
Computer software (acquisitions)	6 311 963	5 493 628

Details of intangible assets

A register containing the information required by regulation 25(3) of the companies Regulation 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 a security.

Figures in Rand	2022	2021

10. Payables from exchange transactions

Trade payables	6 018 332	55 988 606
Other payables*	3 942 877	2 280 654
Accrued leave pay	5 309 523	4 888 790
Deposits received	5 529 259	5 015 148
	20 799 991	**68 173 198**

*Other payables comprise mainly of trade debtors with credit balances as at reporting date. These have been re classified to payables.

Fair value of trade and other payables.

The carrying amount of the trade and other payables approximates their fair value in terms of GRAP 104. In line with the PFMA, the entity settles trade payables within 30 days. The time value of money impact on the expected outflows is not material.

11. Payables from non-exchange transactions

Other payables from non-exchange transactions	2 755 922	2 865 836

The payables arise from agreements entered into between the ELIDZ and other organs of state (the funder). Details of these arrangements are disclosed in note 37 under accounting by principals and agents.

Reconciliation of closing balance

Opening balance	2 865 836	1 369 614
Transfers received	1 460 605	6 761 313
Expenditure incurred	(1 644 885)	(5 292 131)
Interest income	74 366	27 040
	2 755 922	**2 865 836**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Unspent Grants DTIC and DEDEAT	178 343 160	318 755 984

Unspent conditional grants reconciliation

Balance at the beginning of the year	318 755 984	574 553 649
Grant receipts	28 552 130	95 941 605
Interest Received	10 332 893	19 676 524
Conditions met current year	(179 297 847)	(371 415 794)
	178 343 160	**318 755 984**

See note 18 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Figures in Rand	2022	2021

13. Provisions

Reconciliation of provisions - 2022

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Retentions	758 797	550 406	(303 864)	-	1 005 339
Performance bonus provision	13 136 950	11 978 867	(11 059 221)	(2 077 729)	11 978 867
	13 895 747	**12 529 273**	**(11 363 085)**	**(2 077 729)**	**12 984 206**

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Retentions	-	758 797	-	-	758 797
Performance bonus provision	10 330 994	13 136 950	(10 290 572)	(40 422)	13 136 950
	10 330 994	**13 895 747**	**(10 290 572)**	**(40 422)**	**13 895 747**

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 2022. The provision is based on historic data namely, past performance by employees and the outflow is considered to be probable. The settlement of the provision is dependent on key factors such as the performance of employees as well as the timing of the approval of the board directors.

The entity's remuneration policy bases the performance bonus on the organisational, business unit and an individual's performance for the financial year in question. The performance bonus for any individual is capped at a maximum of 25% of total cost to company.

Retentions relate to construction and maintenance projects that were in progress at year end. These retentions are on the professional fees charged by various consultants. The entity will release the retentions upon completion of the specified works for each consultant. The occurrence and timing of the outflows will only be confirmed at a future date, e.g. when the respective projects reach final completion.

14. Share capital

	2022	2021
Authorised		
1000 000 Ordinary shares of R0,01 each	10 000	10 000
Reconciliation of number of shares issued:		
Reported as at 31 March 2022	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. 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 annual general meeting of the shareholders. Since incorporation, the company has not declared any dividends.

Figures in Rand	2022	2021

15. Rendering of services

Electricity income	107 340 547	77 199 376
Conference hire income	335 074	176 537
Analytical lab income	3 600 712	3 974 801
Telephone and internet services income	6 270 998	5 757 291
Estate levy income	4 628 654	2 939 510
Water income	5 146 388	5 113 127
Sewerage income	4 123 878	3 395 200
	131 446 251	**98 625 669**

16. Rental of facilities and equipment

Premises		
Premises and equipment	150 386 711	107 763 572
Rental smoothing	9 042 846	18 854 360
	159 429 557	**126 617 932**

17. Interest received

Interest revenue		
Other financial assets	-	9 188 389
Bank	1 612 480	1 844 299
Interest charged on trade and other receivables	796 370	581 773
	2 408 850	**11 614 461**

18. Government grants and subsidies

Operating grants		
Government grant DEDEAT	97 545 588	93 827 826
Capital grants		
Government grant DTIC	174 407 481	368 045 416
Government grant DEDEAT	2 871 735	3 370 382
	177 279 216	371 415 798
	274 824 804	**465 243 624**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants released	179 297 847	371 415 798
Unconditional grants received	95 526 957	93 827 826
	274 824 804	**465 243 624**

Figures in Rand	2022	2021

19. Employee related costs

Salaries and wages	73 076 293	69 782 534
Bonus provision	9 901 137	13 096 529
UIF and other contributions	636 551	535 633
SDL	867 040	601 467
Leave pay provision charge	519 558	1 230 757
Internships	2 366 430	2 467 278
Other short term costs	145 000	35 000
Defined contribution plans	7 959 797	7 768 568
	95 471 806	**95 517 766**

20. Depreciation and amortisation

Property, plant and equipment	23 340 538	24 845 694
Intangible assets	899 857	197 436
	24 240 395	**25 043 130**

21. Lease rentals operating lease

Equipment		
Contractual amounts	585 938	918 071

22. Debt impairment and bad debts written off

Contributions to debt impairment provision	(55 785 216)	36 937 720
Bad debts written off	26 394 356	4 768 595
	(29 390 860)	**41 706 315**

The ELIDZ wrote off bad debts of R26 394 356 (2021: R4 768 595). The write-offs were in accordance with the entity's debtors policy and other relevant policies and procedures.

23. Fair value adjustments

Investment property (Fair value model)	(137 309 842)	(456 171 925)

The details of the valuation and methods utilised are disclosed in note 7.

Figures in Rand	2022	2021

24. General expenses

Advertising	688 550	297 287
Auditors remuneration	1 811 803	2 305 642
Bank charges	176 572	104 907
Board fees	1 211 776	1 042 506
Cleaning services	822 167	1 224 831
Computer expenses	388 325	159 627
Consulting and professional fees	10 303 439	5 467 447
Consumables (laboratory and conference centre)	3 889 948	3 365 430
Donations	894 302	447 057
Electricity	84 736 563	64 803 584
Entertainment	127 799	71 159
IT expenses	1 716 246	1 889 096
Insurance	6 359 530	5 529 213
Internal Audit services	419 811	402 234
Motor vehicle expenses	138 825	76 263
Placement fees	135 606	87 266
Postage and courier	133 067	92 464
Printing and stationery	255 550	145 548
Project expenses contracted services	18 402 848	10 281 058
Promotions	673 854	781 072
Rates and taxes	25 099 551	19 645 164
Repairs and maintenance contracted services	30 072 360	31 119 774
Research and development	-	220 150
SHEQ Expenses	3 571 944	3 152 512
Security costs	12 526 286	11 706 810
Sewerage	2 572 116	3 529 834
Software licenses	6 674 312	5 991 808
Staff welfare	178 717	93 080
Subscriptions and membership fees	340 627	411 000
Telephone and fax	1 624 446	1 554 199
Training	1 906 893	1 748 831
Travel and accommodation	310 025	201 900
Water	7 521 832	6 427 947
	225 685 690	**184 376 700**

25. Auditors' remuneration

Fees (External audit fees)	1 811 803	2 305 642

Figures in Rand	2022	2021

26. Cash generated from operations - restated

(Deficit)/surplus	114 879 858	(102 413 571)
Adjustments for:		
Depreciation and amortisation	24 240 395	25 043 130
Loss on sale of assets and liabilities	81 829	850 223
Fair value adjustments	137 309 842	456 171 925
Impairment loss	-	194 727
Movements in provisions	(911 541)	3 564 753
Changes in working capital:		
Increase in Receivables from exchange transactions	(20 326 325)	(16 195 637)
Decrease in Prepayments	325 416	145 318
Decrease in Other financial assets	-	2 707 291
Decrease in Payables from exchange transactions	(11 047 159)	11 361 345
(Increase)/Decrease in VAT asset	1 239 464	8 941 717
Increase in Payables from non-exchange transactions	(408 305)	1 496 222
Decrease in Unspent conditional grants and receipts	(140 412 826)	(255 797 666)
	104 970 648	**136 069 777**

27. Taxation

Major components of the tax income

Reconciliation of the tax income

(Loss)/Profit before tax	114 879 858	(102 413 571)
Permanent differences	(178 403 545)	(380 157 130)
Temporary differences	82 551 681	482 037 649
Unrecognised assessed loss	(19 027 994)	533 052
	-	-

Assessed loss carried forward

Opening assessed loss	(123 155 645)	(122 622 593)
Taxable (loss) /income	19 027 994	(533 052)
	(104 127 651)	**(123 155 645)**

 27. Taxation - (continued)

Figures in Rand	2022	2021

Reconciliation of the tax expense

Reconciliation of the income tax expenses

Deferred income taxes are calculated on all temporary differences under the liability method using tax rate of 28%

Applicable tax rate	28	28
Permanent differences		
Expenses not deductible for tax purposes	24	(26)
Grant income not taxable	(67)	127
Other permanent differences	-	3
Temporary differences		
Investment property fair value gain /loss	33	(125)
Operating lease smoothing	(2)	5
Depreciation and wear and tear adjustment	5	(6)
Provision for doubtful debts	(16)	(5)
Other temporary differences	-	1
Provision for performance bonus	-	(1)
Utilised assessed loss for the year	(5)	(1)
	- %	**- %**

No provision has been made for 2022 tax as the entity has no taxable income. The estimated tax loss available for set off against future taxable income is R104 127 651 (2021:R123 155 646).

28. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	25 597 731	25 597 731
Cash and cash equivalent	199 041 461	-	199 041 461
	199 041 461	**25 597 731**	**224 639 192**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	20 799 991	20 799 991
Payables from non exchange transactions	2 755 922	2 755 922
Provisions - retentions	1 005 339	1 005 339
	24 561 252	**24 561 252**

Figures in Rand	2022	2021

2021

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	14 306 659	14 306 659
Cash and cash equivalent	374 055 745	-	374 055 745
	374 055 745	**14 306 659**	**388 362 404**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	68 173 199	68 173 199
Payables from non-exchange	2 865 836	2 865 836
Provisions - retentions *	758 797	758 797
	71 797 832	**71 797 832**

* Provisions - retentions were omitted on the financial instrument disclosures for the financial year ended 31 March 2021. In the current year, the omission was corrected to ensure consistency in the disclosures.

Financial instruments in Statement of financial performance

2022

	At fair value	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1 612 480	796 370	2 408 850
Debt impairment and bad debts written off	-	29 390 860	29 390 860
	1 612 480	**30 187 230**	**31 799 710**

2021

	At fair value	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	1 844 299	9 770 162	11 614 461
Impairment loss	-	36 937 720	36 937 720
	1 844 299	**46 707 882**	**48 552 181**

29. Commitments

Authorised capital expenditure

Already contracted and budgeted for

	2022	2021
• Property, plant and equipment	4 165 128	21 722 716
• Investment property	36 607 507	113 802 423
• Intangible assets	105 696	846 000
	40 878 331	**136 371 139**

Total capital commitments

	2022	2021
Already approved and contracted for	40 878 331	136 371 139

Figures in Rand	2022	2021
Total capital commitments		
Total capital commitments		
Authorised capital expenditure	40 878 331	136 371 139

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 DTIC, DEDEAT as well as own generated revenues. The commitment amounts are exclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due	2022	2021
- within one year	738 442	349 064
- in second to fifth year inclusive	1 353 811	-
	2 092 253	**349 064**

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	2022	2021
- within one year	128 116 903	115 792 258
- in second to fifth year inclusive	503 597 529	446 914 838
- later than five years	235 240 765	335 582 026
	866 955 197	**898 289 122**

Leasing arrangements
Operating leases relate to the investment property and plant 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 7.

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 the plant that is leased out. However, the lease contains a minimum amount that is charged in the event that the units produced fall below a prescribed level.

30. Contingencies

The entity is involved in a case involving a former employee who is alleging they were unfairly dismissed. The entity received an unfavourable ruling but is appealing the ruling . Should the entity be unsuccessful in the review, the employee will need to be re-instated and compensated for lost wages. In the unlikely event that the entity is unsuccessful in its appeal, an amount of R63 231 will be payable to the plaintiff.

Figures in Rand	2022	2021

31. Related parties

Relationships

Shareholders with controlling interest	Department of Economic Development Environmental and Tourism (DEDEAT)
Shareholder with significant influence (minority shareholding)	Buffalo City Metropolitan Municipality (BCMM)
Other Related Parties with significant influence	Department of Trade, Industry and Competition (DTIC) as custodians of the SEZ act, an enabling legislation to the ELIDZ and the providers of capital funding through grants which are considered material transactions.
Members of key Management	S. Kondlo
	T. Zweni
	G. Matengambiri
	N. Makhoba
Non-executive Directors	MW. Makalima
	A. Kanana
	B. Mpondo
	E.V. Jooste
	N. Mnconywa
	V. Momeni (Gqodi)
	M. Mfuleni
	A. Skenjana*
	NC. Kongwa*
	Cllr. N. Kumbaca**

*The non- executive directors who represent DEDEAT and the DTIC respectively are not remunerated by the entity. This is in line with the entity's adopted policy on the remuneration of non-executive directors who are also employed by DTIC and DEDEAT. Consequently, the two directors do not appear on the disclosure in note 32.

**The non- executive director was appointed on the 30th of March 2022 and earned no remuneration during the reporting period. Consequently, the director does not appear on the disclosure in note 32.

Related party balances

	2022	2021
Buffalo City Metropolitan Municipality		
Payables from exchange transactions	66 338	9 067 101

Related party transactions

	2022	2021
Buffalo City Metropolitan Municipality		
Expenditure: Rates and Taxes	25 099 551	19 645 164
Expenditure: Electricity	84 736 563	64 803 584
Expenditure: Water	7 521 832	6 427 947

For director's remuneration refer to note 32.
For grant funding received from DEDEAT refer to note 18.
For grant funding received from DTIC refer to note 18.

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 transaction(sewerage and refuse) are at arms-length rates applicable to the general public.

Rates - A 26 % rebate is granted by BCMM to the ELIDZ property portfolio.
Water - A 15 % special discount rate was offered on bulk purchases by BCMM.
Electricity - ELIDZ obtain its electricity at Eskom rate plus 2.5% wheeling charge.

Figures in Rand	Ended 2021	Ended 2020

32. Directors and Executive managements' remuneration

Executive

2022	Basic salary	Allowances	Employer Contributions to Funds	Performance Bonus	Total
S Kondlo (Ex officio)	2 376 909	1 188 137	448 185	598 766	4 611 997
T Zweni	1 972 614	988 039	381 543	503 383	3 845 579
G Matengambiri	1 531 233	765 412	302 947	415 098	3 014 690
N Makhoba	1 434 512	717 064	286 336	369 494	2 807 406
	7 315 268	**3 658 652**	**1 419 011**	**1 886 741**	**14 279 672**

2021	Basic salary	Allowances	Employer Contributions to Funds	Performance Bonus	Total
S.Kondlo (Ex.officio)	2 217 052	1 161 519	437 589	583 928	4 400 088
T Zweni	1 839 947	963 953	372 903	494 849	3 671 652
G Matengambiri	1 428 251	748 264	295 605	391 479	2 863 599
N Makhoba	1 338 035	701 000	279 366	335 746	2 654 147
	6 823 285	**3 574 736**	**1 385 463**	**1 806 002**	**13 589 486**

Non-executive

2022	Directors' fees	Total
MW Makalima (Chairperson)	229 300	229 300
EV Jooste	193 022	193 022
A Kanana	186 924	186 924
N Mnconywa	209 322	209 322
V Momeni(Gqodi)	102 147	102 147
M Mfuleni	154 973	154 973
B Mpondo	136 088	136 088
	1 211 776	**1 211 776**

2021	Directors' fees	Allowances	Total
MW Makalima (Chairperson)	172 945	-	172 945
EV Jooste	172 726	-	172 726
A Kanana	131 144	-	131 144
P Nazo	81 720	-	81 720
N Mnconywa	152 820	-	152 820
V Momeni(Gqodi)	99 040	-	99 040
M Mfuleni	167 476	-	167 476
B Mpondo	63 357	1 278	64 635
	1 041 228	**1 278**	**1 042 506**

Figures in Rand	2022	2021

33. Prior period errors

During the current financial year, it was identified that interest income presented on the cashflow statement did not reflect actual cash received. Interest income of R9 770 162 related to accruals on overdue debtors and the unwinding of the discount rate for other financial assets.

The error was corrected by adjusting the interest income and the cash receipts from customers presented on the cashflow statement for prior year. The impact on net cash flows from operating activities is nil.

In addition, it was noted that amounts presented on the statement of cashflows from investing activities, particularly the acquisitions of assets, included amounts which were unpaid at year end.

These unpaid balances were recognised as payables from exchange transactions. Consequently, the determination of cash paid to suppliers took into account these balances. The trade payables relating to acquisitions and construction of assets amounted to R36 265 163.

This resulted in a misclassification of cash outflows between operating and investing activities. The prior year impact was assessed as material and has been corrected retrospectively. Below is an analysis of the effect of the error and the correction thereof.

The correction of the above error results in adjustments as follows:

Cash flow statement

	2022	2021
Cash flow from operating activities - Receipts		
Sale of goods and services	-	179 249 857
Correction of prior period error	-	9 770 162
	-	**189 020 019**
Cash flow from operating activities - Receipts		
Interest income	-	11 614 461
Correction of prior period error	-	(9 770 162)
	-	**1 844 299**
Cash flow from operating activities - Payments		
Suppliers - as previously stated	-	(136 320 958)
Correction of prior period error	-	(36 265 163)
	-	**(172 586 121)**
Cash flow from investing activities		
Construction and purchase of property, plant and equipment - as previously stated	-	(35 210 805)
Correction of prior period error	-	2 910 942
	-	**(32 299 863)**
Cash flow from investing activities		
Construction of investment property - as previously stated	-	(335 720 890)
Correction of prior period error	-	33 814 221
	-	**(301 906 669)**
Cash flow from investing activities		
Purchase of other intangible assets	-	(3 361 628)
Correction of prior period error	-	(460 000)
	-	**(3 821 628)**

Figures in Rand	2022	2021

34. Risk management

Financial risk management

The Board has overall responsibility for the establishment and oversight of the company risk management framework. The entity's risk management policies are established to identify and analyse the risks faced by the entity, 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 entity's activities. The entity, 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 entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The entity's Audit 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 entity 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

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

The entity's exposure to liquidity risk is reduced as it is partly funded by DEDEAT and the DTIC. 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 to enhance its own revenue generation capacity 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 2022 is as follows:

2022 Liquidity gap analysis	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Receivables from exchange transactions	25 597 731	-	-	25 597 731
Cash and cash equivalents	199 041 461	-	-	199 041 461
Subtotal	224 639 192	-	-	224 639 192
Liabilities				
Payables from exchange transactions	(15 270 732)	-	(5 529 259)	(20 799 991)
Payables from non-exchange transactions	(2 755 922)	-	-	(2 755 922)
Provisions - retentions	(1 005 339)	-	-	(1 005 339)
	205 607 199	**-**	**(5 529 259)**	**200 077 940**

Figures in Rand	2022	2021

2021 Liquidity gap analysis	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Receivables from exchange transactions	14 306 659	-	-	14 306 659
Cash and cash equivalents	374 055 745	-	-	374 055 745
Subtotal	388 362 404	-	-	388 362 404
Liabilities				
Payables from exchange transactions	(63 158 050)	-	(5 015 149)	(68 173 199)
Payables from non-exchange transactions	(2 865 836)	-	-	(2 865 836)
Provisions - retentions	(758 797)	-	-	(758 797)
	321 579 721	**-**	**(5 015 149)**	**316 564 572**

Credit risk

Cash and cash equivalents consists mainly of cash deposits and cash equivalents. 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.

There has been no significant change during the 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 entity'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 and other customer groups. Management evaluated credit risk relating to tenants before they were incorporated into the zone and on an on-going basis throughout the duration of relevant contracts. ELIDZ tenants pay deposits at the beginning of their lease terms. At 31 March 2022 the entity holds deposits from tenants amounting to R5 529 259 (2021: R5 015 148) 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:	2022	2021
Receivables from exchange transactions	51 373 418	70 340 502
Cash and cash equivalents	199 041 461	374 055 745
Other financial assets	-	25 527 059
Analysis by credit quality of financial assets is as follows: Neither past due nor impaired		
Cash and cash equivalents	199 041 461	374 055 745
Trade and Other Receivables	7 947 373	6 153 824
	206 988 834	**380 209 569**
Past due and not impaired		
Trade and Other Receivables	5 717 571	3 922 777

Figures in Rand	2022	2021
Impaired financial assets		
Trade and Other Receivables	37 708 475	60 263 900
Other financial assets	-	25 527 059
	37 708 475	**85 790 959**

The above balance of impaired financial assets is made up of individual debtors that were assessed as impaired at the end of the reporting period. The entity considered the following key factors as indicators of impairment;

- Persistent debtor default with an account that is overdue by over 60 days,
- Known financial difficulties that the debtor faces, and
- Debtors undergoing liquidation

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 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

Estimated increase in rates		
Cash and cash equivalents	199 041 461	374 055 745
1% thereof:	1 990 415	3 740 557

35. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of two major functional areas: Operations and institutional support. Each functional area is also sub-divided in to sub-units. The entity has identified three sub-units which generate economic benefits and whose financial information is regularly reviewed by management. These segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performance and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments were sufficiently similar to warrant aggregation.

Operations: Projects and property management and Facilities and Maintenance

The financial information for Information communication and technology (ICT) and Science and technology park (STP) are not aggregated with any other segment.

Figures in Rand	2022	2021

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Reportable segment	Goods and/or services
Information communication and technology	Supply of telephony and internet services.
Operations	Letting of facilities and supply of municipal type services.
Science and technology park	Provision of analytical laboratory testing for water.

Segment surplus or deficit, assets and liabilities

2022	Information communication and technology	Operations	Science and technology park	Total
Revenue				
Revenue from non-exchange transactions	10 630 797	49 861 515	6 859 020	67 351 332
Revenue from exchange transactions	6 270 998	271 961 252	3 600 712	281 832 962
Total segment revenue	**16 901 795**	**321 822 767**	**10 459 732**	**349 184 294**
Expenditure				
Employee related costs	(5 761 855)	(17 798 203)	(6 826 401)	(30 386 459)
General expenses	(25 384 064)	(155 826 673)	(9 365 013)	(190 575 750)
Total segment expenditure	**(31 145 919)**	**(173 624 876)**	**(16 191 414)**	**(220 962 209)**
Total segmental surplus/(deficit)				**128 222 085**
Reconciliation				
Non-segment revenue from non-exchange transactions				207 473 472
Non-segment revenue from exchange transactions				12 206 732
Non-segment expenses				(233 022 431)
Entity's surplus (deficit) for the period				**114 879 958**

2021*	Information communication and technology	Operations	Science and technology park	Total
Revenue				
Revenue from non-exchange transactions	9 381 651	50 263 958	4 299 781	63 945 390
Revenue from exchange transactions	5 757 291	196 657 149	3 974 801	206 389 241
Total segment revenue	**15 138 942**	**246 921 107**	**8 274 582**	**270 334 631**
Expenditure				
Employee related costs	(5 528 841)	(17 017 701)	(6 645 696)	(29 192 238)
General expenses	(18 168 584)	(128 960 985)	(4 767 564)	(151 897 133)
Total segment expenditure	**(23 697 425)**	**(145 978 686)**	**(11 413 260)**	**(181 089 371)**
Total segmental surplus/(deficit)				**89 245 260**

Figures in Rand	2022	2021
Reconciliation		
Non-segment revenue from non-exchange transactions		401 298 23
Non-segment revenue from exchange transactions		30 732 421
Non-segment expenses		(623 689 486)
Entity's surplus (deficit) for the period		**(102 413 571)**

* The entity has adopted for the first time in the current year GRAP 18, Segment Reporting. A prior year comparative has been disclosed for segment financial information.

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies, except that pension expense for each segment is recognised and measured on the basis of cash payments to the pension plan.

The nature of differences between the measurements of the reportable segments' surplus or deficit and the entity's surplus or deficit.

There are expenses and revenues that are recognised in surplus or deficit which are not allocated to the disclosed segments. These revenues and expenses are disclosed as reconciling items to the surplus or deficit presented in the statemnet of financial performance.

Assets and liabilities , reconciliation of segment financial information

Financial information about the assets and liabilities recognised, is not reviewed at a segment level by management, but rather at an entity-wide level. Consequently, no disclosure has been included for segment financial information related assets and liabilities.

Information about geographical areas

The entity's operations are in the Buffalo City Metropolitan Municipality.

36. Budget variances

Material variances between budget and actual amounts

The favourable variance of 37% from budgeted revenue from rental of facilities and equipment is partly due to new leases that became effective during the year and tenants who had previously benefited from rental abatements which have since lapsed.

In addition, there were existing leases which were not included in the annual budget due to the receipt of cash during the year from these customers being doubtful.

37. Accounting by principals and agents

The entity is a party to a principal-agent arrangements.

Details of the arrangements are as follows:

The entity is the agent to three principal-agent arrangements.

The first agreement relates to the implementation of a greening project where the local municipality is the designated recipient. The principal in the agreement is the national Department of Environmental Affairs. The project was successfully implemented and concluded, the project balance of R93 249 was recognised as income on the statement of financial performance.

The entity entered into an arrangement with the Council for Scientific and Industrial Research (CSIR). The arrangement is for the facilitation of a regional innovation platform for the benefit local municipality. The project is still on-going.

The third agreement relates to a skills development initiative by the Department of Labour. The department appointed the entity to implement the project for the skills training of learners in the mechanical and electrical engineering fields. The entity was identified as a suitable agent due to its proximity to a thriving automotive environment and its renewable energy laboratory. Learners were identified by the department, and they are the intended beneficiaries of the arrangement.

Figures in Rand	2022	2021

The last agreement was entered into with the Technology and Innovation Agency and DEDEAT. The entity is responsible for facilitating the Eastern Cape Agro-processing Industry Innovation programme, specifically the Technology, Research and Innovation programme (TRIP).

The entity only bears the risk for the funds received from the principals.

There were no changes to the conditions and stipulations of the agreements during the reporting period.

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

The remittance of resources during the period are disclosed in note 11.

The remaining resources are to be remitted as and when the entity satisfies the conditions stipulated in the respective agreements. This is expected to be remitted during the following financial year.

The entity currently holds cash resources to the value disclosed in note11. The risks relating to the management of the cash resources in accordance with the agreements were transferred from the principal to the entity. No other resources were transferred as part of the agreements.

Revenue recognised

R304 119 (2021: R344 321) has been recognised as revenue by the entity as compensation for the transactions carried out on behalf of the principals. The revenue is recognised on the statement of financial performance and further disclosed in part in note 15.

Liabilities and corresponding rights of reimbursement recognised as assets

As at the end of the reporting period, the entity incurred and settled a liability of R298 390 on behalf of the principals. Consequently, an asset has been recognised for the entity's right to be re-imbursed for the liabilities incurred. The receivable is disclosed as part of other receivables in note 4.

38. BBBEE Performance

During the financial period ended 31 March 2022, the ELIDZ embarked on a process of being measured for compliance with the B-BBEE Codes of Good Practice, Gazette No. 38766. The Audited financial results for the financial year ended 31 March 2021 were utilised in this process.

The applicable scorecard used to determine the ELIDZ compliance with the BBBEE Act, 2003 (Act No. 53 of 2003) as amended is the GENERIC (GEN) scorecard used for entities with a turnover of more than R50 million.

The ELIDZ achieved a B-BBEE Level 3 and submitted the final report and B-BBEE certificate, Form 1 together with the Annual Report to the B-BBEE commission.

39. COVID 19 impact on operations

The world has been battling with the effects of the COVID19 since its declaration as a global pandemic. Although the level of restrictions have been significantly lowered and the national state of disaster lifted, its effects are still being felt by the world over.

The entity continues to stay vigilant in assessing the impact on its operations, including but not limited to changes in risks faced by the entity.

There have been no significant effects noted by management at the end of the reporting period.

40. Investigations

On 18 May 2021, the board of directors became aware of a signed proclamation by the Republic of South Africa's President. The proclamation approved the Special Investigation Unit (SIU) to investigate allegations of corruption and maladministration at the entity. Management and members of staff have cooperated with the investigators in ensuring that information requested is submitted and any enquiries are responded to.

As of 31 March 2022, the investigation was still in progress and no reports had been issued by the SIU. There have been no changes to the status of the investigation since the reporting date.

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