east london idz

business streamlined

ANNUAL REPORT 2023/24

Elevating Economic Possibilities

Your launchpad to Global Competitiveness

APPROVAL OF **ANNUAL REPORT 2023 / 2024**

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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,
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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 MW Makalima
Board Chairperson

> ***The 2023/24 financial year was the fourth year of the organisation's focused attempts to execute its Vision 2025 Strategic Plan, a growth strategy premised on the ELIDZ's ambitions to not only increase its socio-economic impact, but to expand into new strategic activities that seek to diversify the ELIDZ's offering and expand its revenue generation capabilities.***

Key to these growth strategies has been the organisation's intent to test and explore opportunities related to mixed commercial property development, generation of alternative energy and attraction of investment into this sector and the development and optimisation of the zone's infrastructure to maximise its participation in the digital economy. Moreover, the ELIDZ has been intentional about expanding its role in supporting innovation and entrepreneurship in the manufacturing and industrial sectors through its Science and Technology Park. As the year drew to a close, the zone had achieved notable progress in achieving some of its Vision 2025 targets.

Investment Attraction, Settlement and Retention

Investment attraction and retention are key to the mandate of the ELIDZ. Whilst the last four years have seen significant challenges relating to the investment climate and adverse global economy trends, the ELIDZ has continued to drive innovative investment promotion and after care strategies that enable growth and stability of its investor community. This is starting to yield the desired outcomes in terms of the growth of the organisation's investment pipeline, the growth of its investor community and growth in the socio-economic impact of the zone's operations. In 2022/23 financial year, the ELIDZ had witnessed a downward trend in its investment pipeline with a 30% decrease in the number of potential investors in the pipeline and a 10% decrease in the value of the pipeline. The last year has seen more positive trends in the pipeline movements signalling resilience and growth in the ELIDZ's potential clients. The value of the pipeline grew by 13% year-on-year and there was a 21% growth in the number of investors in the pipeline. This bodes well for the future of the ELIDZ and improves the ELIDZ's abilities to achieve the growth that had been forecasted as part of the Vision 2025 Strategy.

Just in the year under review, the ELIDZ signed 4 new investors with an investment value of R579,9 million. Three of these investments are in the renewable energy sector and introduce green hydrogen and liquid natural gas as part of the future zone energy mix. While the zone has targeted multiple strategic sectors for investment, the renewable energy sector has dominated the sector mix of investment signed during the current 5 year cycle with 38% of the investments signed since the beginning of the period being in this sector.

1.3

The industries in the ELIDZ continue to thrive. Currently there are 41 companies that are operational in the ELIDZ with an investment value of R8,7 billion. These investments are in the automotive, renewable energy, agro-processing, aquaculture, logistics and general manufacturing sectors. The ELIDZ board is encouraged by the impact of these industries that are operational on the ELIDZ's platform. In the last year, we have seen a 21,9% growth in the industrial turnover of these enterprises from R4,4 billion to R5,5 billion over twelve months. The bulk of these industries are direct and indirect exporters and the export-oriented production of these enteprises has also see phenomenal growth over the last 12 months from R3,1 billion to R3,9 billion year-on year. This translates to 26,9 % compared to the prior year.

The ELIDZ board is encouraged by the response of the zone's industries to its investor after care programme. The programme, which is built on three pillars namely infrastructure provision and maintenance; incentive administration and access and investor support services, has attracted a 77,8% customer services rating, which is above the 75% the organisation has targeted. The ELIDZ has been successful in negotiating for and facilitating the access to SEZ incentives by qualifying entities, however, the ELIDZ still needs to lobby for the consideration of the SEZs for the administration of the SEZ incentive package as this would enable the SEZs to also have access to important investor impact information whilst also improving the efficiency of the SEZ programme. The ELIDZ was approved by DTIC to house a satellite One Stop Shop within the IDZ precinct and is currently looking at ways to operationalise this important component of the ELIDZ value proposition.

Infrastructure Planning and Delivery

Long term infrastructure planning to enable future growth and sustainability of the zone is vital for the ELIDZ. This has been the reason behind the prioritisation of a long term energy Master Plan for the ELIDZ during the period under review. Following the finalisation of this plan, the ELIDZ is now gearing to implement various projects that would ensure that there is energy security, energy cost efficiency and green energy production for the zone and its tenants.

To enable these projects, the ELIDZ is setting up a Special Purpose Vehicle which would be utilised to fundraise for and to implement projects such as solar energy generation and energy storage systems for the zone. The last year has seen the implementation of two exciting infrastructure projects for the zone. The construction of a scalable data centre was at advanced stages by the end of the financial year. The ELIDZ already operates a data centre in the zone with ISO 27001 accreditation and this new datacentre, which will have a Tier 3 status will enable the attraction of additional clientele to terminate their services from the ELIDZ.

The second exciting project is the ELIDZ's manufacturing incubator which will see the incubation of five auto sector SMMEs in the zone. This would ultimately assist in further localisation of new automotive capability in the province and would further growth the marketability and economic participation of these SMMEs in the local and global automotive value chains. By the end of the year under review the construction of 5 units in the manufacturing incubator has been completed and a 6th unit was under development.

The ELIDZ's plan for the development of the Alexander Golf Course into a mixed commercial development is at advanced stages. The ELIDZ has completed the plans for the development and is currently exploring various development and funding options for the bulk internal infrastructure and the top structures.

A catalyst for development

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 strategic objective is concerned, is not only concentrated in supporting communities that are within its immediate surroundings but extends to communities both in rural and urban Eastern Cape. This year saw the ELIDZ award 13 bursaries to Maths and Science university students in dire need of financial support. The ELIDZ also implemented 15 CSI Initiatives in sports, education support and enterprise development. The ELIDZ's STP continued to prioritise innovation support and incubation and this saw 308 beneficiaries being trained through the STP. The organisation continues to position its self as a centre for incubation and in the period under review the ELIDZ had 3 active incubators, one being the ELIDZ's construction incubator which had 56 beneficiaries placed in the incubation programme. The other two incubators were focused on supporting the strategic industrial sectors that the ELIDZ is currently developing namely manufacturing and ICT.

Looking ahead

As the ELIDZ prepares its self for the last lap of Vision 2025 execution, it will continue to focus on renewable energy and ICT as the two sectors that are likely to be catalysts for growth and energise the country to get to a stronger growth trajectory. Moreover, the ELIDZ has identified the need to position its self for future growth in the automotive sector linked to the manufacturing of electric vehicles and related components. The automotive sector is one of the anchor sectors in the ELIDZ. The first automotive supplier park was developed by the ELIDZ in 2006 and due to growth of suppliers locating in the park and further localisation of components, the ELIDZ expanded its auto supplier park footprint and currently there are 407 682 sqm under roof. There are a total of 30 suppliers located in the ELIDZ's Automotive Supplier Park and these produce a number of automotive components and services for the sector.

The suppliers in the ELIDZ supply various OEMs both locally and globally. The ELIDZ has over the past 15 years built a strong automotive sector ecosystem which not only enabled the localisation of new technologies and capabilities in the automotive sector, but it has also assisted the ELIDZ to build some residual research and development capacity in this sector. The ELIDZ's existing automotive sector ecosystem makes the ELIDZ an ideal location for manufacturers of electric vehicles and related components. The ELIDZ is already actively marketing opportunities for battery and cell manufacturing, manufacturing of charging infrastructure and parts and the assembly of commercial vehicles and public transport.

As part of its Vision 2025 strategy, the ELIDZ has identified the ICT sector as one of its major growth sectors and the ELIDZ is targeting to grow and diversify its customer portfolio particularly when it comes to services such as Disaster Recovery, Connectivity, BPO and Data Hosting. As part of this strategy the ELIDZ would like to further expand its ICT infrastructure and offering to include a multi-Purpose ICT Hub which would entail elements such as a scalable data centre and a BPO facility.

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The ELIDZ will also need to intensify its lobby efforts with strategic stakeholders such as the Department of Trade, Industry and Competition (DTIC), Buffalo City Metropolitan Municipality (BCMM) to acquire and designate key strategic land parcels to cater for the future needs of its key targeted sectors. Crucially, the ELIDZ needs to also lobby for an improved offering from national and local government to secure investments in its targeted sector.

Stakeholder Support

As such as we reflect and celebrate another successful year for the ELIDZ we do so recognising that it is as a result of the dedication, the courage and the resilience of all of our customers, our funders the dtic and DEDEAT, our shareholders DEDEAT and BCMM as our employees who have worked hard to create a conducive and enabling environment for growth. Lastly, the 31st of March 2024 saw the longest serving CEO of the ELIDZ, Mr Simphiwe Kondlo, retiring after 20 years of being at the helm of developing and operating this world-class industrial park. Mr Kondlo has been the CEO of the ELIDZ since 1 February 2004 and was integral in leading the roll out of the ELIDZ's bulk internal infrastructure programme. He was also at the forefront of attracting the first ancho investor for the ELIDZ. Key to his successes was striking a partnership with MBSA to localise additional auto capability for the region and to build an Automotive Supplier Park that would house these. Mr Kondlo, alongside his counterpart at the time, the CEO of Coega, Mr Pepi Silinga, have been excellent advocates for the IDZ and were key in ensuring that the dtic reviewed, improved and strengthened what we now call the SEZ programme. Twenty years later and 41 operational investors later and over 5000 jobs on our platform, we wish Mr Kondlo a restful retirement and celebrate him as a torch bearer not only for the ELIDZ, but the IDZ programme as a whole.

Professor MW Makalima

Board Chairperson
Accounting Authority

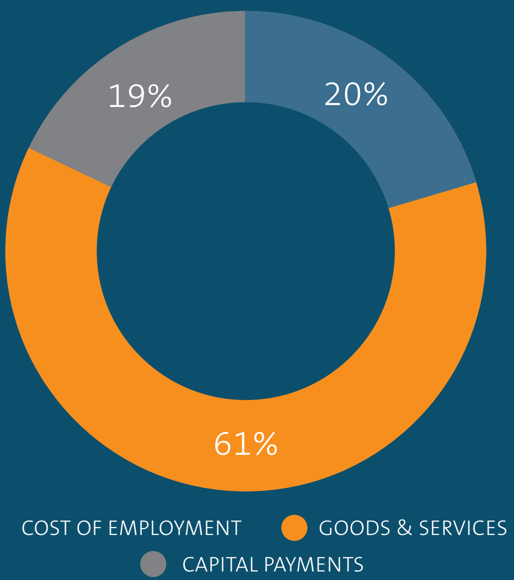
The industries in the ELIDZ continue to thrive. Currently there are 41 companies that are operational in the ELIDZ with an investment value of R8,7 billion. These investments are in the automotive, renewable energy, agro-processing, aquaculture, logistics and general manufacturing sectors. The ELIDZ board is encouraged by the impact of these industries that are operational on the ELIDZ's platform.

1.4

CHIEF EXECUTIVE ***OFFICER'S OVERVIEW***

> *In 2023/24 financial year the ELIDZ received a clean audit opinion from the Auditor General of South Africa. This was the **ninth consecutive clean audit** for the organisation and a clear indication of strong controls and best practice governance by the entity.*

EXPENDITURE BY
ECONOMIC CLASSIFICATION



Simphiwe Kondlo
ELIDZ Chief Executive Officer

1.4.1. FINANCIAL REVIEW OF THE ENTITY

The ELIDZ's operating budget for the period 2023/24 was R448, 3million. The bulk of this amount (63%) 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 37% 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 includes 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 no new investors that were operationalised during the year as a bulk of the investors that were signed in the prior year were in the renewable energy sector and were still going through various regulatory processes . Despite this, there was 4% increase in rental revenue compared to prior year. The organisation was 0.3% below its revenue target as at end of the financial year. This was mainly due to lower utilities revenue resulting from less usage by investors due to loadshedding going up to Stage 6 in the first 6 months of the year. This approximately R1.2m shortfall is compensated for by the underspending in utilities expenses of approximately R3.4m. Overall, there was an 11.8% growth on revenue generated from utilities and services with total revenue generated standing at R355 million.

The organisation had a capital budget of R252 million. By the end of the financial year, R101 million was spent on capital projects and the remaining R150,29 million was allocated to projects that had not yet reached practical completion.

To the left is a graph that shows the final split of different economic classification during the year:

1.4.2. EXPENDITURE AND INCOME TRENDS

As at the end of the 2023/24 financial year, the ELIDZ had spent 97% of its budget resulting in a positive variance of 3%. Key contributors to the under expenditure included a delayed filling of some positions that were budgeted during the year but could not be filled due to cost containment measures. The recruitment process for some of the vacant positions has been deferred until 2024-25 FY as part of the organisation's cost containment measures.

The organisation underspent on utilities because there was less usage than expected due to Eskom Loadshedding going up to Stage 6 and as such impacting on investor operations in the first 6 months of the year. The effect of this is seen also in the negative variance in revenue generated in selling the same services to investors in the zone.

The organisation underspent on goods and services budget mainly due to cost containment measures which affected training expenditure, travel expenditure, catering and the use of consultants.

Of the approved capital budget of R252,04 million, the majority of this was for projects which had been approved by the dtic's SEZ fund and DEDEAT Stimulus fund in the prior year and were already undergoing implementation. These projects were partly implemented and will be finalised in 2024/25. The following projects progressed in the 2023/24 FY:

Project	Original 2023/24 Budget	Actual FY2023/24	Variance Total Budget	Comments	Funding Status
Data Centre	R77 371 735 (Inclusive Vat)	R43 232 394 (Ex VAT)	R34 138 741	The construction contractor was appointed in March 2023. R77million has been approved for FY2023/24 budget. Construction contractor had reached practical completion as at 31/03/2024. Data Centre Equipment contract was awarded in March 2024 & project will be finalised in FY2024/25.	DEDEAT allocated R51m for construction and R15m for equipment. ELIDZ currently requires an additional R11m for the project, which will come from its own generated funds.
Bulk Electricity Upgrade	R39 910 000	R380 945	R39 529 055	Approval for Phase 2 was finalised in Q3. ELIDZ currently awaits final approval of Eskom quote for a R4m deposit/ guarantee from BCMM. ELIDZ expects to go to market by Q2 FY2024/25.	DTIC Funded 100%
Manufacturing Incubator	R71 468 644	R57 754 763	R13 713 881	Contractor had reached practical completion at 31/03/2024 as per latest progress report..	ELIDZ received the R37m funding from DTIC in March 2024, R14 million from ECDC in March 2024. The funding from ECDC is to add an additional unit to the 5 that were initially awarded at the beginning of the contract. In the prior year, the organisation got R37 million from DEDEAT.
STP Airconditioning system upgrade	R10,000,000	R0	R10,000,000	The project will be completed in FY2024/25	ELIDZ own revenue funded
Roadway lighting - replacement of HPS lights to LED	R5,000,000	R0	R5,000,000	The electrical engineering team has put the project on hold until there is a solution which will result in material cost savings.	ELIDZ own revenue funded
Acquisition of 2 properties bordering MBSA	R48,300,000	R0	R48,300,000	The project is currently on hold.	Not yet funded. The organisation could not raise the funding needed for the project to go ahead and offtake confirmation is outstanding from the investor occupying the building after ELIDZ's purchase.
Yanfeng Expansion	R0	R251,075	-R251,075	Delay in final certificate invoice for Dewing	DTIC Funded 100%. Part of rollover funds.
Draeger Project	R0	R140 988	-R140 988	Final consultants' invoice	DTIC Funded 100%. Part of rollover funds
Grand Total	**R252,050,379**	**R101 760 163**	**R150 289 616**		

There were projects that were still under implementation at the end of the 2023/24 financial year. The closing balance for these capital projects were rolled over to the 2024/25 financial year.

1.4

1.4.3. 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 in terms of funding. Below are some of the projects that the organisation would like to implement in the current strategy and their funding challenges :

Development of the Golf Course into mixed use property
The organisation is looking for R6.4 billion for converting its golf course into mixed use property. Phase one needs R2.2 billion, phase 2 needs R2.8 billion and last phase needs R0.98 billion. The organization is working on bringing private sector to assist with raising the funds as the fiscus funding is constrained currently. A feasibility study has been done and the organisation will utilise that study to look for additional funding for the project.

Purchase of additional land in Westbank
The organisation would like to expand its footprint by acquiring additional land around the East London Port. The organisation is looking for funding and is working with government funders to raise the funding needed to acquire the land. The purchase of the land needs about R65 million in grant funding and own generated funding.

Funding other non-designated land and properties
The organisation has some properties that are in non SEZ designated area. For these properties, the organisation cannot utilise the funding from the SEZ fund. Additional grant funding to fund the maintenance and revamping of these properties is being sought.

Factory Flats
The organisation would like to develop 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.

Development of Solar Rooftop and Battery Storage Facility
As part of ensuring consistent and efficient supply of energy to investors the ELIDZ has developed an energy masterplan which envisages a mix of energy sources for the ELIDZ into the future. The first phase involves the development of infrastructure for solar energy generation and battery storage. The ELIDZ has packaged this project and is currently fundraising for it with various DFIs. The organisation is looking for about R500 million for this project. The funding is a mix of grant and debt funding. The organisation would like to set up a Special Purpose Vehicle (SPV), which could be utilised to house the project. ELIDZ is still waiting approval from National Treasury on setting up the SPV. Once approval has been granted, the organisation would intensify it fund raising program.

1.4.4. 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 ELIDZ has applied for rollover of the funds at year end. The following graph 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	5 436 148
DEDEAT funded Projects	29 802 395
ECDC funded Project	14 000 000
Own revenue funded projects	5 820 811
Grant Total	**55 059 354**

1.4.5. SUPPLY CHAIN MANAGEMENT

The ELIDZ awarded thirty-nine (39) contracts to the value of R109,95 million for the 2023/24 financial year. The bulk of the contracts awarded were initiated by the 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		
111%	**46%**	**21%**

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 possible minimum 30% sub-contracting provision to 51% black-owned enterprises for contracts that are above R50 million to ensure that opportunities for the participation of designated groups are created. This is in line with the new Preferential Procurement Policy.
- 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 tenders above R30 million was on average 52,8% at the end of 2023/24. While the above are noted as progressive, it must be noted that there were significant developments with the regards to the preferential regulation issued in November 2022 and is waiting the implementation of the new procurement Act.

1.4.6. AUDIT REPORT MATTERS

In 2023/24 financial year the ELIDZ received a clean audit opinion from the Auditor General of South Africa. This was the ninth consecutive clean audit for the organisation and a clear indication of strong controls and best practice governance by the entity.

1.4

1.4.7. 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 2020/21, the ELIDZ has increased its revenue generation capability by 62% 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 5% year-on-year.

Year	2024	2023	2022	2021	% Change
Rentals	167 136 587	159 066 876	150 386 711	107 763 572	54
Utilities	166 427 942	158 386 190	132 154 742	98 625 669	69
Total	**333 564 529**	**317 453 066**	**282 541 453**	**206 389 241**	**62**

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 – 4 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.

A PROUD FAREWELL

This overview marks my last overview as the CEO of the ELIDZ . The 20-year journey with the ELIDZ team has indeed been a fulfilling one. In these twenty years, the team has successfully transformed virgin agricultural land to a thriving industrial complex that has enabled more than 40 industries to be globally competitive. We have seen the zone gradually populate with facilities that have created employment opportunities and other socio-economic benefits for thousands of our region's citizens.

> ***As I hand over the baton, I stand proud of not only the organisation's achievements to date, but also of the commitment and the support received from both the board and management during my tenure.***

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 2024.

Yours faithfully

Tembela Zweni Chief Executive Officer	**Professor M.W. Makalima** Chairperson of the Board

1.6

STRATEGIC **OVERVIEW**

1.6.1 Vision

The ELIDZ 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 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.

1.6

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.

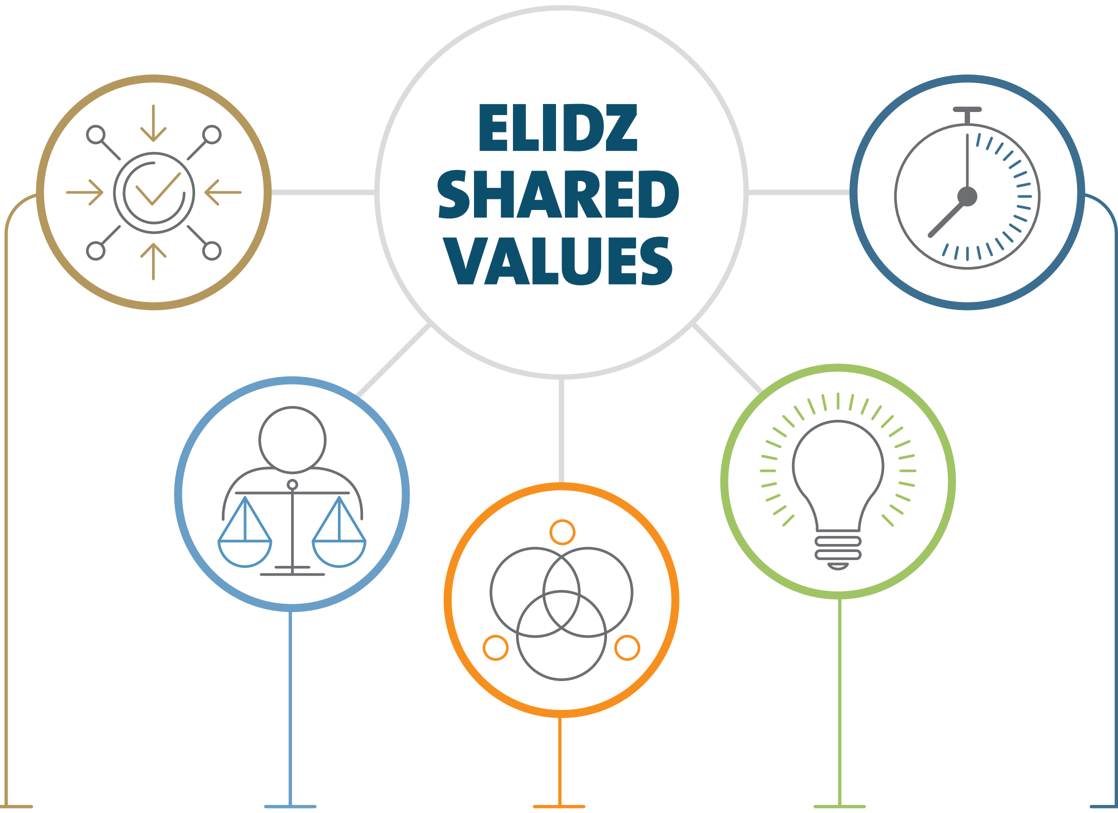
This change has also been done in acknowledgement of internal and external feedback that have emphasised and uplifted certain values that were not directly voiced in the corporate values that were in place for the closing five-year term. These include:

- 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:

ELIDZ Core Values

Core values express ***what is important*** to the organisation and its members. The corporate Statement of Values informs how the members of the company ***make dicisions, prioritise and plan strategies and interact with each other*** (and with stakeholder partners).



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

1.7

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	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**
Assurance	-	-	1	-	**1**
Total Filled Positions	1	2	4	1	**8**
Performance Monitoring	-	-	1	-	**1**
Total Vacant Positions	-	-	1	-	**1**
Total Positions	**1**	**2**	**5**	**1**	**9**

CHIEF FINANCIAL OFFICER

FINANCIAL MANAGEMENT

Functional Area	EM	MG	SP	AS	T
Financial Management	1	-	-	2	**3**
Financial Control & Reporting	-	-	1	2	**3**
Financial Management, Reporting & Administration	-	-	1	2	**3**
Management & Cost Accounting	-	1	1	-	**2**
Supply Chain Management	-	1	3	-	**4**
Total Filled Positions	1	2	5	6	**15**
	-	-	-	-	**-**
Total Vacant Positions	-	-	-	-	**-**
Total Positions	**1**	**3**	**5**	**6**	**16**

CHIEF OPERATIONS OFFICER

OPERATIONS

Functional Area	EM	MG	SP	AS	T
Zone Operations	1	-	-	2	**3**
Sector Development & Investment Promotion	-	2	-	-	**2**
Project Management & Coordination	-	1	3	-	**4**
Property Portfolio Management	-	1	-	1	**2**
Maintenance & Facilities Management	-	1	3	1	**5**
Investor Support Services Management	-	1	4	2	**7**
Science & Technology Park	-	1	1	2	**4**
Laboratory	-	-	7	2	**9**
Total Filled Positions	1	7	18	10	**36**
Zone Operations	-	-	-	1	**1**
Sector Development & Investment Promotion	-	3	1	-	**4**
Investor Support Services Management	-	-	-	1	**1**
Maintenance & Facilities Management	-	-	2	-	**2**
Science & Technology Park	-	-	2	-	**2**
Total Vacant Positions	-	3	5	2	**10**
Total Positions	**1**	**10**	**23**	**12**	**46**

EXECUTIVE MANAGER: CORPORATE AFFAIRS

CORPORATE AFFAIRS

Functional Area	EM	MG	SP	AS	T
Corporate Affairs	1	-	-	2	**3**
Human Capital	-	1	3	-	**4**
Legal Services	-	1	1	-	**2**
Marketing & Corporate Communications	-	1	3	1	**5**
Information Communication & Technology Management	-	1	5	-	**6**
Safety, Health & Environmental Management	-	1	3	1	**5**
Records Management	-	1	1	1	**3**
Total Filled Positions	1	6	16	5	**28**
Human Capital	-	-	1	-	**1**
Information Communication & Technology Management	-	-	1	-	**1**
Total Vacant Positions	-	-	2	-	**2**
Total Positions	**1**	**6**	**18**	**5**	**30**

EM: Executive Manager | **MG:** Management | **SP:** Specialist | **AS:** Admin / Support | **T:** Total

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PART B:

PERFORMANCE INFORMATION

2.1

AUDITOR-GENERAL'S REPORT for the year ended 31 March 2024

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 70 to 123, which comprise the statement of financial position as at 31 March 2024, 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 2024 and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (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 responsibilities of the auditor-general for the audit of the financial statements section of my report.

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

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

Emphasis of matter

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

Halted project - property, plant and equipment

7. As disclosed in note 9 to the financial statements property plant and equipment in relation to Windfarm Turnkey solution project has been halted during the current and previous reporting periods. At the 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.

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

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

Responsibilities of the auditor-general 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. This description, which is located at pages 26 to 27, forms part of my auditor's report.

Report on the annual performance report

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

13. I selected the following material performance indicators related to Operations presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

- Value of new private sector investment secured
- Number of active manufacturing and services jobs
- Number of construction jobs created
- Number of new innovation commercialised
- Number of new technologies localised in targeted industries
- Annual percentage increase in constructed tenant facilities (sqms)
- Number of economic enabling construction projects implemented
- Number of new investors operationalised
- Number of new investors attracted
- Number of skills beneficiaries trained

14. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

15. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives

- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included

- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- the reported performance information presented in the annual performance report in the prescribed manner.

- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

16. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

17. I did not identify any material findings on the reported performance information for the selected indicators.

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over or underachievements.

20. The table that follow provides information on the achievement of planned targets and lists the indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 34 to 42.

Operations:

Targets achieved: 82,35% *Budget spent: 95,95%*		
Key indicator not achieved	**Planned target**	**Reported achievement**
1.3 Number of construction jobs created	850	632
1.1.1 Annual percentage increase in constructed tenant facilities (sqms)	4%	1%
1.4.1 Number of new investors operationalised	3	0

Report on compliance with legislation

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

24. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

25. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act of South Africa. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.

26. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

27. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. 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

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

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

Other reports

31. I draw attention to the following engagement conducted by various parties. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

32. In the 2021 financial year the board of directors became aware of a signed proclamation by the Republic of South Africa's president. The proclamation provided approval for the Special Investigating Unit to investigate allegations of corruption and maladministration at the entity, which took place between 1 January 2011 and the date of publication of the proclamation. This proceeding was still in progress at the date of this auditor's report

Auditor-General

East London
31 July 2024

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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 material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the 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 public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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.

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.

Annexure to the auditor's report - *continued*

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999 (PFMA)	Section 50(3) Section 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii) Section 52(b) Section 53(4) Section 54(2)(c'); 54(2)(d) Section 55(1)(a); 55(1)(b); 55(1)(c)(i) Section 56 Section 57(b) Section 57(d) Section 66(3)(d); 66(5); 67
Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR)	Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c'); **29.2.1; 29.2.2; 29.3.1** Treasury Regulation 31.1.2(c') Treasury Regulation 31.2.5; 31.2.7(a) Treasury Regulation 32.1.1(a); 32.1.1(b); 32.1.1(c') Treasury Regulation 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	Section 34(1)
Construction Industry Development Board Act 38 of 2000 (CIDB)	Section 18(1) Section 22(3)
CIDB Regulations	CIDB regulation 17; 25(1); 25 (5) & 25(7A)
PPPFA	Section 1(i); 2.1(a); 2.1(b); 2.1(f)
PPR 2017	Paragraph 4.1; 4.2 Paragraph 5.1; 5.3; 5.6; 5.7 Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8 Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8 Paragraph 8.2; 8.5 Paragraph 9.1; 9.2 Paragraph 10.1; 10.2 Paragraph 11.1; 11.2 Paragraph 12.1 and 12.2
PPR 2022	Paragraph 3.1 Paragraph 4.1; 4.2; 4.3; 4.4 Paragraph 5.1; 5.2; 5.3; 5.4
NT SCM Instruction Note 03 2021/22	Paragraph 4.1; 4.2; 4.2 (b); 4.3; 4.4; 4.4 (c);4.4(d); **4.6** Paragraph 5.4
NT SCM Instruction 4A of 2016/17	Paragraph 6
NT SCM Instruction Note 03 2019/20	Paragraph Par 5.5.1(iv); 5.5.1(x)
NT SCM Instruction Note 11 2020/21	Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1;6.2;6.7
PFMA SCM Instruction 08 of 2022/23	Paragraph 3.2 Paragraph 4.3.2; 4.3.3
NT Instruction Note 4 of 2015/16	Paragraph 3.4
Second amendment of NTI 05 of 2020/21	Paragraph 4.8; 4.9 ; 5.1 ; 5.3
Erratum NTI 5 of 2020/21	Paragraph 1
Erratum NTI 5 of 202/021	Paragraph 2
NT Instruction Note 5 of 2020/21	Paragraph 5.1 and 5.3

2.2

SITUATIONAL ***ANALYSIS***

2.2.1 Service delivery environment

A challenging operating environment

Management, in conveying its analysis of the operating environment, presented a somewhat sombre report identifying fundamental areas of challenge that were hindering the realisation of the SEZ mandate.

The Board intimated that some impediments in these environmental factors were clearly outside of the company's direct influence or control but signalled that efforts should be redoubled on all matters where the ELIDZ could address the identified challenges. Important in this is that the ELIDZ step up efforts to leverage relief and explore workable solutions through collaborative partnerships with other stakeholders.

A PESTEL analysis was considered and showed that the ELIDZ's efforts to land investment had suffered major headwinds over the course of the first three years of the five-year term. These were associated with the following local, national and international factors and developments:

The parlous state of the South African economy, and especially the fiscal climate with its persistent exposure into ever-higher levels of country indebtedness, was fuelling negative business sentiment and a mood of investment conservatism.

A highly charged world political stage beset by conflicts, full scale wars and mounting geo-political tensions was serving to significantly disrupt the composition and effective operation of global value chains and their associated logistical linkages, notably trade shipping routes.

A steep rise in competition for dwindling sources of SEZ foreign direct investment funds. Notably this competition is being led by a number of forward-thinking African nations, such as Morocco, Kenya and Nigeria who compete head-on with SA with the competitive edge that all are located closer to markets than SA.

SEZs are proliferating in these African states at rates that out-do South Africa's zones establishment track record and reflect stronger growth both in the number of projects operationalised and, in the counting, and scale of the landing of tenant industries.

In line with the advances being made by SA's economic zone competitors there is a frank recognition that South Africa's zones programming regulatory enablement is now falling far behind in many respects. This is most readily seen in the SA SEZ programme's underwhelming incentives regime which is being surpassed by countries with offerings that resonate more strongly with the international investor community.

Closer to home the corresponding dismay around institutional weaknesses and failures in the public domain – and notably the concern over the health and performance of the Transnet group. This has been felt acutely by industry as SA's ports become crippled by unrelenting congestion and serious commodity movement delays.

Additional and related logistics concerns surround the disintegration of road infrastructures in many areas of the province. The failure of rail freight infrastructure to serve as an effective economic enabler, more especially for the development of the agri-industrial sectors of the provincial economy also stands as a disappointment.

At local government level an inadequacy in the ability of the host metro to assure developers like the ELIDZ of the provision of enabling bulk external infrastructure and efficient related services is presenting as a serious impediment to the fruition of the industrial development aspirations of the SEZ project. The municipal capacity/ capability constraint is especially problematic in regard to ELIDZ's bold plans for the imminent kick start of the mixed commercial property development projects within the SEZ precinct.

A tide of uncertainty and depressed mood on investment are reigning within the business community – in respect to both domestic and foreign investment potentials. In part the stagnation in investor interest is linked to business sector hesitations and concerns over the changes that may play out in the wake of the election season that is taking place in 2024 in many nations across the world, including South Africa itself. Uncertainty over policy continuity and policy commitment follow-through under a change of political guard have surfaced as key business anxieties.

Energy insecurity and the dampening this has had - and continues to have - on industry appetite to invest into industrial establishment and expansion continues to undermine investment attraction efforts.

A spiralling in disaster events, ensuing as a result of the visitation of the spectre of global climate change, have been experienced as massive shocks. Many affected communities are left reeling in the aftermath of weather events that have caused the large-scale destruction of businesses, homes and economic enabling infrastructures alike.

A consequence of the climate change disaster events is that property and assets insurance cover has been negatively impacted. Insurance cover availability and costs have become key issues. This is a significant issue for a property holding and developing company like the ELIDZ and detracts from the SEZ's ability to bring a competitive value offering to market.

Growing concerns around resource scarcity, with an acknowledgement that water security is increasingly likely to exert negative effects on industrialisation in the same manner that the electricity crisis is already curtailing industry growth.

The manner and duration in which the world-wide Covid pandemic had served to impact industrial operations and the trade of commodities has served to alter the economic landscape significantly and permanently.

Social tensions and distress, arising in the wake of a worsening atmosphere of crime and corruption is spilling over into frequent outbreaks of public unrest and vandalism. Of particular concern is that the already embattled municipal sector is contending with rampant and widespread theft and wilful acts of damage to utility and other public infrastructures. This in turn is seriously undermining the operations of commerce and industry.

On the international front, concerns come as a result of the growing number of cyber-attacks along with the growing sophistication of cyber-crime. These risks are posing worrying business continuity threats to any and every form of economic activity, whether located in the public or the private sphere.

On the manufacturing front, the world economy is fast moving in the direction of the adoption of sophisticated new technologies such as robotics (and embracing the potentially concerning role that artificial intelligence may play into the future technology-led world industrial economy).

Proficiency across all these emerging technological advance fronts has become the new competitive differentiator for industry. Lagging businesses and lagging economies are increasingly being displaced by those astute countries who have invested heavily into technology and who have upskilled their workforces to operate at the tech cutting edge.

South Africa's lacklustre showing in its adoption of policies that would enable the localisation of 4IR-style technological advancement in SA continues to raise concerns. This includes the handling of the technology change pressure that is upon the ELIDZ's anchor industrial sector to transition rapidly towards electric vehicles production. Government has been found by auto industrialists to be painfully slow in providing the necessary policy guidance and market assurances to satisfy auto sector investors.

Coupled with the above is SA's slow response and low level of real resolve to begin generating the requisite skills profile for competing in the future world of industry (and notably the emerging green and digital economy components that are fundamentally transforming the industrial landscape).

The rise in importance of issues relating to sustainability and good governance on the international stage is now making it an imperative requirement for industries to demonstrate ESG compliance as corporate citizens in good standing. This status is now operating as a qualifier for the admittance of industry goods and services into key markets, notably the EU. The change this brings to the competitive landscape internationally directly impacts SEZ-type industrialisation programmes.

Emerging heightened competition for SEZ investment internationally (and notably from African destinations) is also demanding a honing of the ELIDZ's investment promotion and marketing strategies. All supporting action initiatives need to be informed and refined by ongoing research input.

The board has highlighted and agreed that marketing and communication efforts also be stepped up and reshaped to best support the strategic priorities of 2024/25. Focused marketing and promotional efforts should be exploited to begin positioning the entity for its pursuit of its extended business objectives into the coming five-year strategic term.

The pursuit of opportunities opened up by the activation of the African Free Trade Area (AfFTA) in itself demands higher levels of investment into competitor research to understand what competitive advantages South African SEZs may be able to command and use as levers to grow industrial sector operations through inter-Africa trade and investment.

2.2.2 Organisational environment

In seeking to grow into a more expansive role, ELIDZ's Vision 2025 seeks to direct and combine complementary activities promoting ELIDZ's development and growth across three identified 'planning horizons' that can be expected to remain relevant and active over the five-year cycle.

The three-horizon planning approach seeks to arm the business to manage current performance while maximising future opportunities for growth. It further seeks to optimise the organisation's delivery of its core products and services, with an emphasis on building higher levels of efficiency and effectiveness. An important objective of the three-horizon planning approach is to also drive strategies that would extend the core market offering of the organisation by investing into and mainstreaming initiatives that were piloted in the previous 5-year term. Lastly, the three-year planning horizon seeks to make room within the activities and resources of the organisation to permit ELIDZ sufficient space to experiment with initiatives that could see the business breaking new ground and initiating future market offerings not currently in existence.

As part of its annual strategy review and re-alignment processes ahead of the 2023/24 financial year, the ELIDZ sought to evaluate the state of progress with regards to the key initiatives that had been identified as critical growth areas for the organisation's three-horizon Vision 2025. Key to these initiatives were:

- The intent to extend and improve the ELIDZ's offering and returns from its Water and Food Testing Laboratory.
- The intent to nurture and grow the ELIDZ's Innovation Support Services in the Science and Technology Park.
- The intent to test and explore opportunities related to the Golf Course Mixed Property Development, Renewable Energy, and the digital economy.

It became evident during the strategy review and re-alignment process that , due to the changes in the ELIDZ's operating environment and changing customer requirements, some of the strategic initiatives that the ELIDZ had intended to test and explore in order grow its offering, were in fact, no longer nice-to-haves but had become pre-requisites for investment attraction and retention. An example of this is the growing demand for sustainable and green energy generation in the automotive sector in order to reduce the carbon footprint of this sector. This necessitates swift action from the ELIDZ in not only driving these strategic growth opportunities but further ensuring that a compelling value proposition and adequate resourcing is prioritised for opportunities such as Alternative Energy Generation. In response to this, the ELIDZ developed a framework to accelerate its initiatives around these programmes during the 2024/25 financial year.

One of the key initiatives responding to this strategic imperative was the development of an ELIDZ manufacturing incubator which would become an important component in further localising the manufacturing value chains for the ELIDZ's Automotive and General Manufacturing Sectors. To date business cases have been completed for the 10 commodities identified. Exciting to note that one of the identified commodities is in the electronic vehicle support side. An EV battery testing, dressing and sequencing facility has been identified for incubation. The ELIDZ is in the process of finalising agreements/talks with identified OEMs . The construction of the facility, which comprises of 2 new 4732m² factories, plus shared facilities was completed during the 2023/24 financial year.

Another key growth priority was in the renewable energy sector. Just in the last year, the ELIDZ has developed a structured energy planning framework which looks at developing an optimal energy infrastructure investment to support its industrial development zone. The framework prioritises energy security, energy cost efficiency a green energy production.

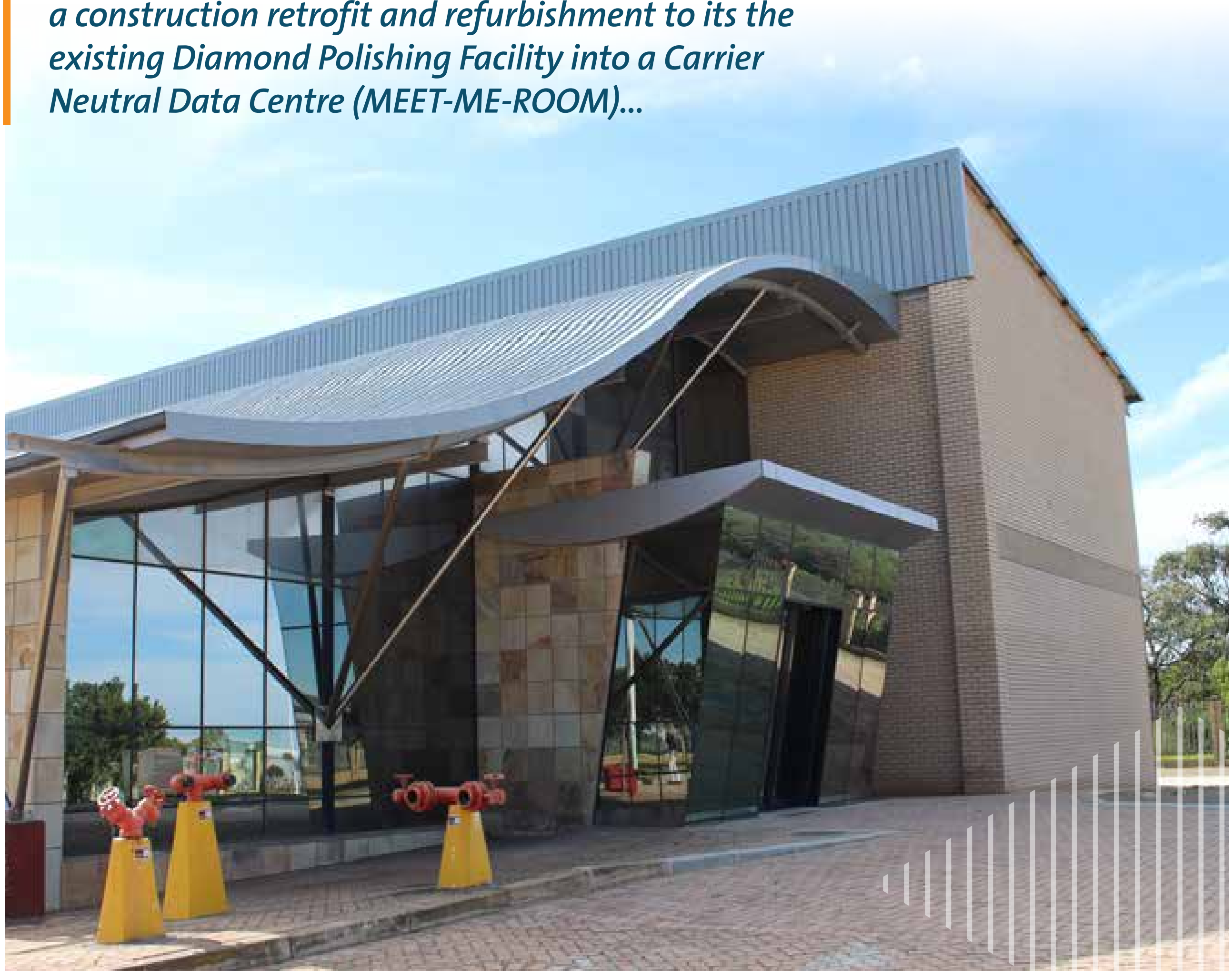
The planning framework aims to ensure that all industries on the ELIDZ precinct are safeguarded from the impact of loadshedding and have access to efficient, low cost, reliable and sustainable energy. It further seeks to ensure that the ELIDZ implements the most optimal solutions for the phased production and supply of renewable energy. To date the ELIDZ has developed a business case for a Solar rooftop and battery storage project which will enable the generation of alternative energy for zone industries (mitigate impact of loadshedding). Work is underway to fundraise for this project.

On the renewable energy generation side there are two renewable energy projects that the ELIDZ has secured for Ntabozuko in the last twelve months. The two renewable energy projects are for solar Photovoltaic farms for an installed capacity of 100MW plants respectively. Both these projects are still going through the necessary regulatory approval processes. During the 2023/24 financial year, the ELIDZ also secured a new green hydrogen investment. Green Hydrogen represents a huge and untapped opportunity on the African continent.

The ICT sector was also identified as a growth note for the ELIDZ's Vision 2025. Following various challenges which impacted on the ELIDZ's ability to fundraise for its Data centre project, the zone is currently in the process of undergoing a construction retrofit and refurbishment to its the existing Diamond Polishing Facility into a Carrier Neutral Data Centre (MEET-ME-ROOM) in Zone 1A of the East London IDZ. The Data Centre project program is divided into two sub projects consisting of construction, which was completed in March 2024 and the outfitting which will commence in the 2024/25 financial year.

It is clear that the changes in the economic landscape will further impact on the feasibility and market responsiveness to some of the strategic new growth opportunities identified by the ELIDZ at the beginning of the 5-year cycle. As such, the board and management of the ELIDZ will, in 2024/25 prioritise the refinement of their business development strategies for projects such as the Golf Course Mixed property development, the ELIDZ manufacturing incubator and the planned data centre. It is vital that the ELIDZ sharpens its pencil and becomes more aggressive and tactical in driving some of these new opportunities.

...the zone is currently in the process of undergoing a construction retrofit and refurbishment to its the existing Diamond Polishing Facility into a Carrier Neutral Data Centre (MEET-ME-ROOM)...



2.3

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

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.*

2.3.1 Measuring the Impact

PROGRESS ON VISION 2025

Whilst the ELIDZ has been faced with a number of challenges since adopting its Vision 2025, there has been notable progress made in the organisation's Vision 2025 targets.

INVESTMENT ATTRACTION AND RETENTION

Just in the last four years have seen significant growth in the East London Industrial Development Zone. From an investment front the ELIDZ signed 20 investments with an investment value of R4,5 billion. Of these investments 16, with an investment value of R3,7 billion are already operational on the ground and have created an additional 2552 jobs since the beginning of the work of the 6th administration.

Whilst the bulk of these industries have been in the automotive, agro-processing and general manufacturing sectors, the trajectory of the renewable energy sector investment has been phenomenal in the last three years. In the last year, Bushveld Electrolyte, who beneficiate vanadium for commercial energy storage solutions became operational in the ELIDZ and another investor, Thezilanga is currently getting ready to turn the sod for a 50MW photovoltaic solar plant which will provide renewable energy to both private and public sector. Most exciting, however, has been the growth in export-oriented manufacturing in the zone. At the beginning of the 5-year cycle, the total value of products being exported from the ELIDZ stood at R459 million per annum and just in the last year, the factories in the ELIDZ exported just over R3 billion worth of products in a period of 12 months. In the same period, turnover from zone enterprises has growth from R891 million to R4,4 billion last year.

The ELIDZ has continued to ensure best practice in terms of construction management with clear value engineering standards and guidelines. The first three years of the five-year cycle saw a strong focus on the construction of fit-for-use tenant facilities to enable settlement of targeted investors, however, more recently the focus has been on enabling infrastructure such as the Data Centre, the manufacturing incubator and the electrical upgrade.

For the remaining years the ELIDZ will prioritise the SEZ designation for Ntabozuko especially in light of the growth in the renewable energy sector. There is a need for the ELIDZ to look at key infrastructure needs for the precinct and investigate funding possibilities for such in line with the targeted activities. There also needs to be a strong focus on the development, testing and packaging of identified catalytic projects that may require public and private sector funding.

Challenges around the sustainable supply of utilities such as electricity and water , as well as the impact of climate change have increased the importance of activities relating to environmental sustainability for the ELIDZ. In the current year , the ELIDZ developed its Energy Master Plan and is currently engaging possible funders for the implementation of this plan.

The ELIDZ has been successful in negotiating for and facilitating the access to SEZ incentives by qualifying entities, however, the ELIDZ still needs to lobby for the consideration of the SEZs for the administration of the SEZ incentive package as this would enable the SEZs to also have access to important investor impact information whilst also improving the efficiency of the SEZ programme.

INCUBATION AND INNOVATION SUPPORT

One of the lessons we learnt during this 5 year cycle, especially in the height of the Covid Induced economic challenges, was that instruments such as the SEZs needed to go beyond than just investment attraction in order to have a lasting impact in developing the resilience and the growth of the Eastern Cape economy. A growing and important role of these SEZs therefore, has been to be launch pad for new economic activity, for innovation and for localisation of new technologies and capabilities. The ELIDZ Science and Technology Park, despite its limited resources has made significant strides in this respect. Since the beginning of the cycle, there have been 754 youths that have been trained in skills of the future through the ELIDZ STP's skills development programme. These skills include automotive manufacturing assembly, renewable energy, digital forensics, cloud computing, additive manufacturing and info-preunership. Young , innovative South Africans have also been supported through the Science and Technology Park to develop, test and commercialise a number of innovations in technology development and manufacturing, software and application development and general manufacturing.

Today, we now have young skilled and supported people who will in future have their own factories in the ELID playing globally and impacting locally. Truly, every crisis presents an opportunity and in the case of the ELIDZ STP the global logistics challenges that affected the automotive sector in 2020 led to the birth of the ELIDZ Manufacturing incubator, an initiative by the Eastern Cape government to grow the resilience of the automotive sector and further localise the automotive value chain.

The construction of the incubator will be completed by the end of March 2024, and it will give birth to our very own home-grown automotive suppliers for both your internal combustion engines for electric vehicles. To maximise its contribution to technology led innovation and industrial modernisation, the ELIDZ has prioritise the development of an innovation support ecosystem within the ELIDZ's Science and Technology Park. As part of this ecosystem the ELIDZ has successfully hosted two incubators to support and grow entrepreneurs. A successful partnership with CISCO to support and grow entry level tech companies through the provision of infrastructure, training and other business support tools has also contributed to increased impact. The ELIDZ also has a construction incubator which is currently incubating 58 construction companies from the Eastern Cape.

2.3.2. Name, Purpose, and Outputs of ELIDZ Programmes

ELIDZ is organised and structured to drive two principal programmes. These are its ***Operations Programme and its Institutional Support Programme.***

The purpose of the Operations Programme is to undertake and discharge all the activities and regulatory and other responsibilities that attach to a Special Economic Zone's management and operating entity. Specifically, the programme co-ordinates and executes the planning, development, construction, and commissioning of the SEZ project, manage its investment attraction and marketing activities and manage the subsequent operation and maintenance of the functional SEZ precinct.

The purpose of the Institutional Support Programme is to support the Operations of the SEZ through the provision of a range of professional, technical, and administrative services. These include assistance in relation to the SEZ project's resourcing (financial and non-financial), governance, and administration.

The planning programme did not envisage any material change that would necessitate a revision.

Programming

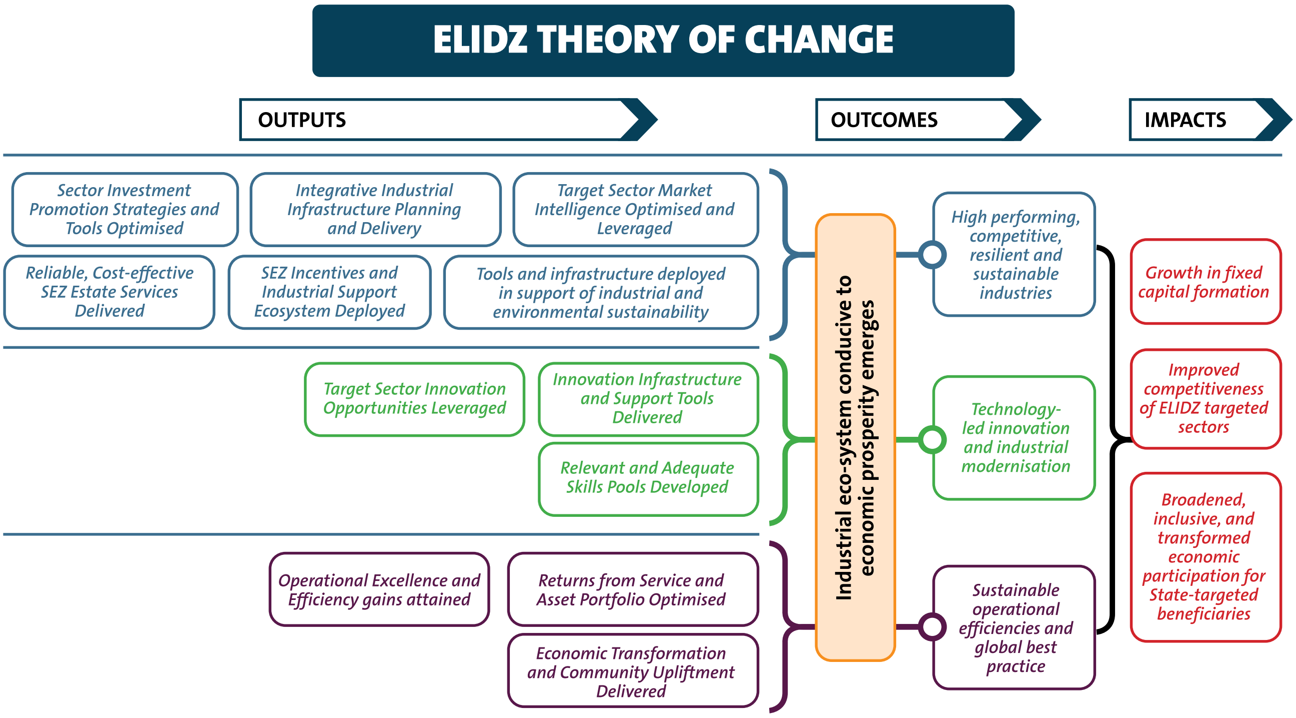
The programming is constituted to respond to the broad purpose and legislative and policy mandating of the SEZ programme and each of the programme areas is underpinned by sub-programme elements as indicated below:

PROGRAMME	PROGRAMME OUTPUTS
Programme 1: Operations **Sub-programmes:** • Industrial Development • Zone Operations	***Integrative Industrial Infrastructure Planning and Delivery***
	Target Sector Market Intelligence Optimised and Leveraged
	Reliable, Cost-effective SEZ Estate Services Delivered
	SEZ Incentives and Industrial Support Ecosystem Deployed
	Target Sector Innovation Opportunities Leveraged
	Innovation Infrastructure and Support Tools Delivered
	Relevant and Adequate Skills Pools Developed
	Sector Investment Promotion Strategies and Tools Optimised
	Tools and infrastructure deployed in support of industrial and environmental sustainability.

PROGRAMME	PROGRAMME OUTPUTS
Programme 2: Institutional Support **Sub-programmes:** • Office of the Chief Executive Officer • Corporate Affairs • Financial Management	***Operational Excellence and Efficiency gains attained.***
	Returns from Services and Asset Portfolio Optimised
	Economic Transformation and Community Upliftment Delivered

ELIDZ Level 1 Theory of Change (per outcome)

The below is the ELIDZ's main theory of change which targets three-high level institutional outcomes, the realisation of which will assist to strengthen the industrial economy.



The theory of change requires that the ELIDZ develops Outputs per each of the identified outcomes and furthermore activities/ strategic interventions that underpin these outputs. Furthermore, resource considerations are also required. Below is the Level 2 Theories per each of the ELIDZ Outcomes. These are followed by Indicators and Targets for all the Outputs as the resource requirements per programme.

2.4

INSTITUTIONAL PROGRAMME ***PERFORMANCE INFORMATION***

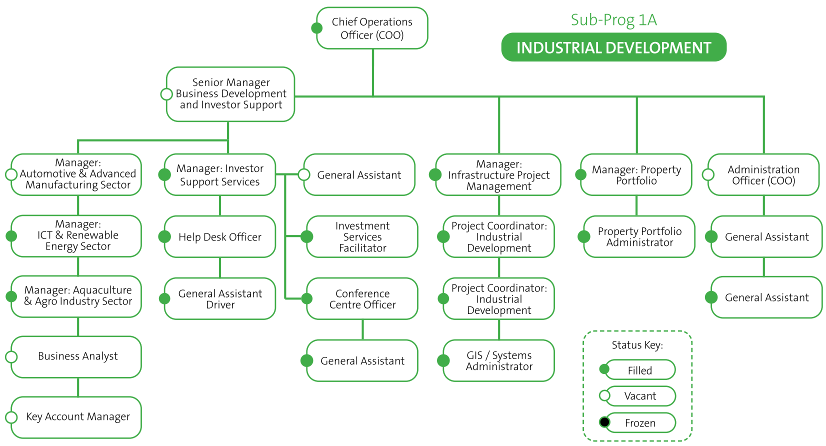
2.4.1 Programme 1A: Industrial Development

Sub-programme 1A: Industrial Development

Programme Purpose:

- Sector Development and Investment Promotion
- Project Management: Industrial Development
- Investor Support Services
- Property Portfolio Management
- Industrial Innovation and Competitiveness

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

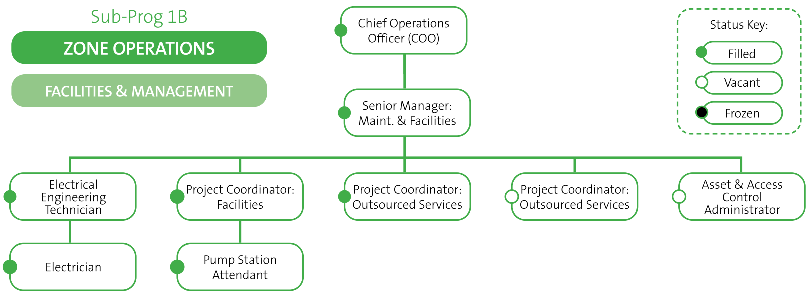


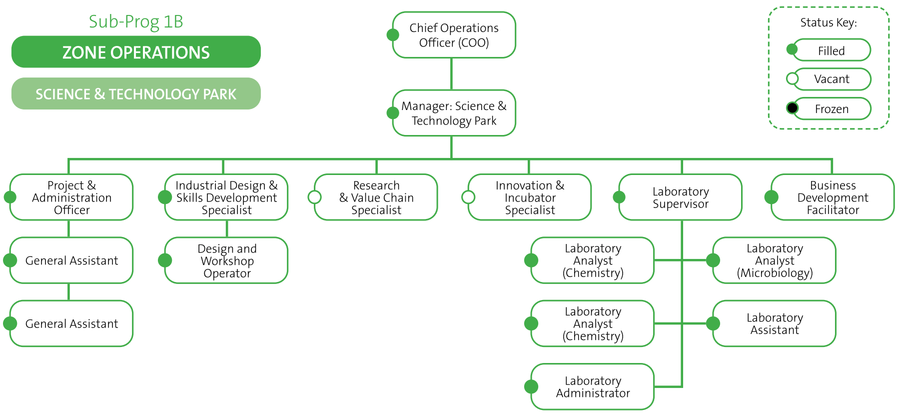
Sub-programme 1B: Zone Operations

Programme Purpose:

- Maintenance and Facilities Management
- Sector Skills Development
- Laboratory Services

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





Programme 1: Operations							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Audited Actual Performance 2022/23**	**Planned Annual Target 2023/24**	**Actual Annual Performance 2023/24**	**Reason for deviations (Refer to note number)**
Outcome 1: High performing, competitive and resilient industries	1.1 Value of new private sector investment secured	R982m	R969m	R1 972,5 m	R500m	R579,9 m	1
	1.2 Number of active manufacturing and services jobs	3 945	5 270	5 123	5 200	5 205	2
	1.3 Number of construction jobs created	2 048	2 149	750	850	632	3
	1.4 Percentage growth in industrial turnovers of zone enterprises	155.49%	53.1%	27,5%	4%	21.9%	4
	1.5 Percentage growth in export-oriented production by SEZ enterprises	154.66%	126.9%	20%	4%	26.4%	5

Notes:

1. The ELIDZ set a target of R500 million for the 2023/24 financial year based on its analysis of its operating environment, the stagnation in FDI growth as well as growth and conversion trends of its pipeline. The ELIDZ was able to secure investments to the value of R579,9 million for the financial year and this is a positive variance of 15% compared to the target. The slight variance is as result of some of the investments graduating quicker than anticipated through the investment pipeline – an example of this is LIU Energy and Wild Coast foods who entered the pipeline in June 2023 and had already advanced to signing of leases by the end of the financial year. With regards to the investment value, the R R579,9 is constituted of four investments. Three of the signed investments are in the renewable energy sector. The first of these investments is Green Hydrogen South Africa (GHS) , a South African, 100% black owned company that intends to actively develop and pursue renewable energy projects in the form of electrolysis of hydrogen. Green Hydrogen represents a huge and untapped opportunity on the African continent. The project has two-phases, and the investor has signed the lease agreement for the first phase which will see an investment of R90 million. The second company is Olysmart , a R144,8 million pyrolysis tyre chemical processing project which will see the processing of old tyres into alternative energy products. The third renewable energy company, LIU energy is multi-phased Liquid Natural gas production and storage facility with an investment value of R93 million. The fourth investment, Wild Coast Foods, is in the agro-processing sector and will establish a vegetable processing and cold storage facility in the zone. The total investment for Wild Coast is R252 million.

2. The number of active manufacturing and services jobs for the 2023/24 financial year was 5205 against the target of 5200, signalling a nominal positive variance of less than 1%. This is as a result of a nominal increase in the automotive sector employment figures during the FY. Challenges in the automotive sector during Q4 of the prior financial year meant that active manufacturing and services jobs at the end of Q4 of 2022/23 financial year stood at 4666 jobs and this picture had deteriorated by the end of Q1 of the 2023/24 financial year as active manufacturing and services jobs hit 4110 against a target of 4750. The next three quarters saw incremental improvement in the active manufacturing and services jobs and by the end of the financial year there were 5205 jobs against a target of 5200 for 2023/24. The automotive sector makes up 72% of the active jobs and year-on-year, there was a 4% increase in the jobs that were active in this sector. The general manufacturing sector saw a marginal increase of 2 % year on year. There was a marginal decline of 1% on the agro-processing jobs and the renewable energy sector saw a decline of 6% owing to challenges that are currently facing one of the investors in this sector, Seraphim. The logistics sector also saw a decline of 9% year-on-year. Overall, compared to the 2022/23 financial year there was an increase of 1% on manufacturing and services jobs year-on-year and this was expected as there were no new companies that became operational in the period under review.

3. There were two projects that were implemented in the 2023/24 financial year and these were the construction of the manufacturing incubator and the data centre, and these created 632 construction jobs. These jobs were less than the target of 850 for the period under review. The underperformance is related to lower-than anticipated construction activity which is as a result of delays in constructing for and operationalising investment projects that had been approved by the board in prior year. This is because the bulk of these investments are in the renewable energy sector and there are a number of regulatory milestones that have to be prioritised prior to the settlement of the investment. Additionally, based on the ELIDZ's projections for the manufacturing incubator project which was initially meant to be the construction of 6 factory units, there were additional jobs that were anticipated for this project, however due to funding constraints the ELIDZ was only able to construct 5 units during the financial year, as funding for the 6th unit was only approved in quarter 4 of the financial year. The additional jobs that will be created from this projects will therefore only be activated on in the 2024/25 FY.

4. Industrial turnover of enterprises in the zone increased from R4,4 billion to R5,4 billion year-on-year marking a growth of 21,9%. One of the key contributors to the over-performance is the devaluation of the rand by over 16,7% during the period under review. This is because exports account for the largest proportion of the turnover and as significant changes in the exchange rate impact on enterprise turnover. Having said that there was also growth in production of existing industrialists as there were no new investors that were operationalised in the current financial year.

5. Export-oriented production by zone enterprises grew from R3,1 billion to R3,9 billion year-on-year. This translates to 26,9% growth compared to the prior year. One of the key contributors to the over-performance is the devaluation of the rand by over 16,7% during the period under review as exports are sensitive to changes in the currency. Additionally there was growth in production of existing industrialists as there were no new investors that were operationalised in the current financial year.

Programme 1: Operations							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Audited Actual Performance 2022/23**	**Planned Annual Target 2023/24**	**Actual Annual Performance 2023/24**	**Reason for deviations (Refer to note number)**
Outcome 2: Technology-led innovation and industrial modernisation	2.1 Number of prototypes developed	2	3	2	2	4	6
	2.2 Number of new innovations commercialised (intermediate outcome)	n/a	n/a	0	1	3	7
	2.3 Number of new technologies localised in targeted industries	n/a	n/a	0	1	2	8

Notes:

6. There are four prototypes that have been developed and completed during the 2023/24 financial year. These include a digital solution to provide access to educational resources to disadvantaged; a tutoring platform for students; a hemp fibre processing product for the automotive sector and a digital hair salon solution. The reason for the variance is that there was a higher response rate to the call for proposals and this resulted in a higher intake for the ELIDZ. Moreover, the full intake was also able to develop their prototypes within a shorter space of time compared to prior years and this resulted in all the prototypes being finalised by the end of the financial year.

7. During the period under review the ELIDZ STP has been assisting SMMEs with various interventions (past and present) to support them to achieve commercialisation of their innovations. Three of these projects have been commercialized, namely MFD Global, and Pembafusion. MFD Global (ICT) has developed an online hair solution platform for customers to book and transact with salon owners through the platform. The system already has hair salons onboarded. Pembafusion has developed hemp-fibre products for the automotive industry as well as for advanced manufacturing. Already companies beyond automotive, such as DaGama have shown interest, and the company is working with maXhosa (international designer) to manufacture a bag using some of the company's material. The reason for the over-performance on this KPI is that the 2023/24 intake for prototype development also created an additional pool for the commercialisation and the ELIDZ was able to support these companies during the current FY.

8. In the current financial year, the sectors/industries that have been localised entail SMMEs supported through the prototype development support programme and the agro-cluster programme, and ICT (Appimate, PAICTA, MFD Global); Automotive and Advanced Manufacturing (Pembafusion) Agro processing (Innovative bold concept). The reason for the over-performance on this KPI is that the 2023/24 intake for prototype development also presented an opportunity for the localisation of new technologies for the current FY.

Programme 1: Operations							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Audited Actual Performance 2022/23**	**Planned Annual Target 2023/24**	**Actual Annual Performance 2023/24**	**Reason for deviations (Refer to note number)**
Output 1.1: An integrative industrial infrastructure planning and delivery programme implemented	1.1.1 Annual percentage increase in constructed tenant facilities (sqms)	39%	4%	3,37%	4%	1%	9
	1.1.2 Number of economic enabling construction projects implemented	1	0	0	1	2	10
Output 1.2: Reliable and cost-effective SEZ Estate Services delivered	1.2.1 Customer Satisfaction Index	75%	83%	77,5%	75%	77.8%	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	80%	79%	89%	75%	84%	12

Programme 1: Operations							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Audited Actual Performance 2022/23**	**Planned Annual Target 2023/24**	**Actual Annual Performance 2023/24**	**Reason for deviations (Refer to note number)**
Output 1.4 : Targeted sector market intelligence optimised and leveraged	1.4.1 Number of new investors operationalised	4	11	3	3	0	13
Output 1.5 Tools and infrastructure deployed in support of industrial and environmental sustainability	1.5.1 Percentage achieved against completion of Environmental, Societal and Governance best practices plan	New KPI	New KPI	30%	40%	45%	14
Output 1.6. Sector Investment Promotion Strategies and tools optimised.	1.6.1 Number of new investors attracted	6	6	4	4	4	15

Notes:

9. The ELIDZ constructed 5142 additional square metres during the 2023/24 period compared to 15347 in the prior year. This was because the only tenant facility that was under construction in the last year was the manufacturing incubator and there were no other factories that were under construction either by the ELIDZ or by private sector as a result of a lower demand from investors and the ELIDZ prioritising the filling of existing industrial vacancies in the zone. The additional square metres translated to 1% growth instead of the 4% that was forecasted. This is a 75% underperformance.

10. The ELIDZ achieved practical completion of the Data Centre project and that of the Manufacturing Incubator . This takes the performance on this indicator to 2. When the ELIDZ was setting its targets, the data centre project had been forecasted to be completed in the 2022/23 financial year , however delays in securing the funding for this project impacted on this and the ELIDZ project was only completed in the 2023/24 financial year. This in turn caused a positive variance for the period under review.

11. The ELIDZ received a rating of 77,8% which is higher than the targeted 75% for the 2023/24 financial year. This performance is marginally higher than the prior year index and is an indication that the ELIDZ's customer response plan is yielding the desired benefit.

12. The ELIDZ had set an annual target of 75% for enterprises eligible for the SEZ incentive benefit including other supporting tools and has achieved a performance of 84% against the annual target. The ELIDZ currently has sixteen (16) Customs Controlled Area Enterprises that have benefited from the incentive compared to the 19 that qualify. The variance is as a result of the approval of additional enteprises by DTIC and SARS for the incentive benefit.

13. The were no new investors operationalised during this financial year and this saw an under-performance for the period under review. A key contributor to the under-performance is the fact that the investments approved in the prior year were renewable energy investments and there is a longer lead time between the approval and the settlement of the investment due to the required regulatory approvals and processes required for this sector.

14. The ELIDZ developed an ESG Roadmap in the 2022/23 financial year and in the current year, the implementation of this 5 year roadmap is sitting at 45% against a target of 40% as a result of some of the activities that were planned for the 2024/25 financial year being implemented during the period under review. Key to the achievements has been the development of baseline assessments for a number of areas under the Environment category. The ELIDZ has also developed a long term master plan in response to the ESG requirements with regards to Energy Efficiency.

15. There were 4 investors signed by the ELIDZ during the 2023/24 financial year. The value of these investments was R579.9 million. Three of the signed investments are in the renewable energy sector The first of these investments is Green Hydrogen South Africa (GHS) is a South African, 100% black owned company that intends to actively develop and pursue renewable energy projects in the form of electrolysis of hydrogen. Green Hydrogen represents a huge and untapped opportunity on the African continent. The project has two-phases and the investor has signed the lease agreement for the first phase which will see an investment of R93 million. The second company is Olysmart , a R144 million pyrolysis tyre chemical processing project which will see the processing of old tyres into alternative energy products. The third renewable energy company, LIU energy is multi-phased Liquid Natural gas production and storage facility . The fourth investment, Wild Coast Foods, is in the agro-processing sector and will establish a vegetable processing and cold storage facility in the zone. The total investment for Wild Coast is R252 million.

Programme 1: Operations							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Audited Actual Performance 2022/23**	**Planned Annual Target 2023/24**	**Actual Annual Performance 2023/24**	**Reason for deviations (Refer to note number)**
Output 2.2: Innovation infrastructure and support tools delivered	2.2.1 Number of enterprises in active ELIDZ incubators	0	0	0	0	0	16
	2.2.2 Number of incubators operational	1	2	2	2	2	17
	2.3.1 Number of skills beneficiaries trained	84	250	112	90	308	18

Notes:

16. The target for the FY was that the ELIDZ would have no enterprises under incubation yet and would only have incubates active in the 2024/25 FY. This is due to the delays that were experiences in prior financial years with regards to securing funding for the construction of the incubator. This led to a delayed start in the construction of the project. For the year under review, the construction of the 5 mini factor units of the ELIDZ's manufacturing incubator was completed and the 6th unit is currently under construction following additional funding from ECDC.

17. There are currently 2 incubators that are currently operational. The first one is the CISCO Edge Incubation centre is operational and open for business. CISCO: The main goal of the incubation centre is to develop and expand skills whilst creating new job opportunities entrepreneurs. Through various partnerships, Cisco fosters access to market for new SMME's. The incubator also provides a space for SMME partners to collaborate with Cisco's experts using Cisco technology where innovative solutions can be built and the SMMEs innovative ideas supported to accomplish projects. SCHUBERT PARK: The incubator is operating a centre with highly specialized equipment to design garments. This centre also provides training and skills development to people in the clothing and design industry. Entrepreneurs/individuals are trained from start to finish in the CMT (Cut, Make, Trim) process, allowing them to increase their skills and employability.

18. There were 308 skills beneficiaries trained during the 2023/24 financial year. This included training on Cloud Computing, and Digital Forensics, Autocad and Additive Manufacturing, and Basic Solar Energy and Technical applications. The higher than targeted performance is as a result of the ELIDZ's ability to train their own trainers and as such insourcing what would have required extensive budget and this enabled the organisation to train more beneficiaries for the period under review.

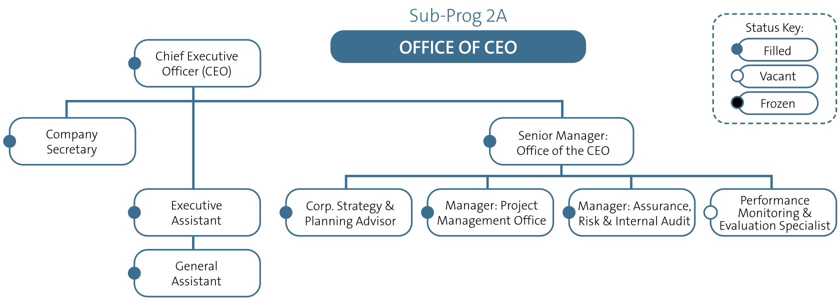
2.4.3 Programme 2: Institutional Support

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:

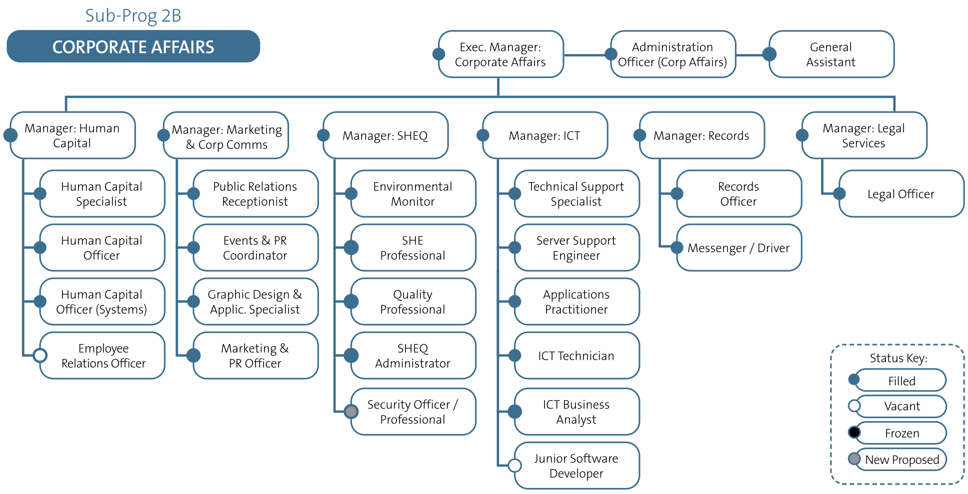


Sub-programme 2B: Corporate Affairs

Programme Purpose:

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

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

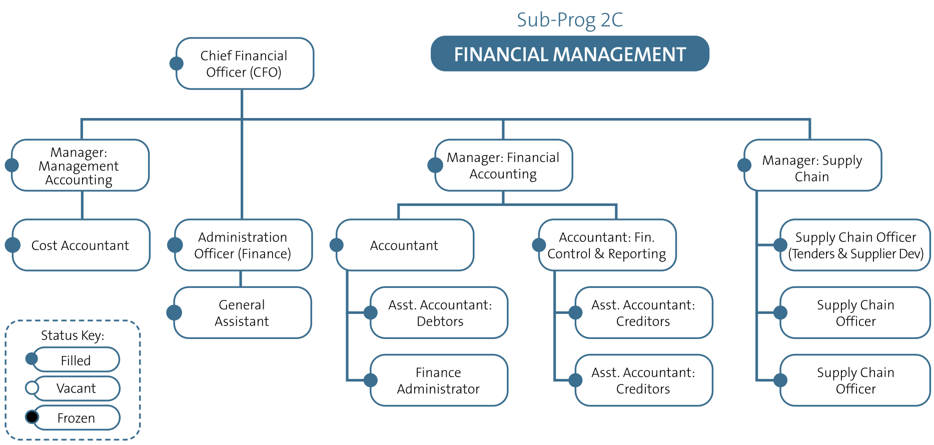


Sub-programme 2C: Financial Management

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 2020/21**	**Audited Actual Performance 2021/22**	**Audited Actual Performance 2022/23**	**Planned Annual Target 2023/24**	**Actual Annual Performance 2023/24**	**Reason for deviations (Refer to note number)**
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	n/a	0	8	5	11	19
	3.2 Best practice systems compliance index	3	4	3.3	4	4.1	20

Notes:

19. Whilst the ELIDZ has faced a number of challenges in securing a partner for practical work for this incubation programme, the ELIDZ is starting to see some fruits of the programme There are currently 11 beneficiaries that have been upgraded up two levels higher since the beginning of the Construction Incubator programme.

20. This index measures the ELIDZ's implementation of best practice. It utilises various 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.

Programme 2: Institutional Support							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2020/21**	**Audited Actual Performance 2021/22**	**Audited Actual Performance 2022/23**	**Planned Annual Target 2023/24**	**Actual Annual Performance 2023/24**	**Reason for deviations (Refer to note number)**
Output 3.1: Operational excellence and efficiency gains attained	3.1.1 Annually assessed ELIDZ BBBEE Status	Level 3	Level 3	Level 3	Level 2	Level 5	21
	3.1.2. Number of SMME development beneficiaries active in ELIDZ construction Incubation programme	New KPI	New KPI	56	45	56	22
Output 3.2: Economic transformation and community upliftment delivered	3.2.1 Number of internships offered per annum within ELIDZ	43	58	55	30	55	23
	3.2.2 Number of active bursaries awarded by ELIDZ	12	11	15	8	13	24
	3.2.3 Number of Corporate Social Investment projects administered by ELIDZ	16	18	17	12	15	25
Output 3.3: Returns from services and asset portfolio optimised	3.3.1 Increase in gross income from ELIDZ services receipted per annum	-1%	33%	20,5%	10%	19%	26
	3.3.2 Average Vacancy Rate per annum	1%	1%	12,172%	7%	15.82%	27

Notes:

21. The ELIDZ achieved a Level 5 BBBEE rating and this is an underperformance compared to the target of Level 2 for the period under review. Key contributors to the under-performance include a lower than anticipated rating on skills development and training as well as the employment of people with disabilities. The ELIDZ has developed a response plan in order to ensure that this rating is improved in the 2024/25 financial year.

22. The ELIDZ currently has 56 beneficiaries participating in its construction incubation programme and this is the same compared to the prior year. The higher than anticipated performance is as a result of the ELIDZ taking a higher in take and the employment of incubate retention strategies as no incubates left the programme in the last twelve months.

23. The ELIDZ currently has 55 interns active in its internship programme for the period under review and this is higher than the targeted performance. The positive variance is as a result of additional internship opportunities being created mid-stream as a result of some of the ELIDZ's interns gaining permanent employment and vacating the programme and as such creating an opportunity for an additional intake during the year.

24. A total of 13 beneficiaries were awarded bursaries during the 2023/24 financial year. These beneficiaries are from different parts of the Eastern Cape province. As part of its policy, the ELIDZ also has a targeted programme to support graduates students that are studying towards Maths and Science related qualifications that reside in Ward 46 in BCMM with bursaries . The reason for the higher than targeted performance is increased budget availability and the creation of new opportunities as a result of existing beneficiaries graduating from their studies and exiting the ELIDZ's bursary programme. This created an opportunity for new intakes.

25. The ELIDZ implemented 15 CSI projects during the 2023/24 FY. This included the donation of one of its buildings as a Crime Prevention Centre to the Ward 46 community , the donation of sports equipment to sport clubs, the support of Special Needs Homes, Childrens home and a hospice as well as donations to Vukuhambe Special School, training for the Ward 46 Business Forum, donation of sports equipment and the donation of a storage container to Ncerha Village Isithembiso Multi-Purpose. The key reason for the higher than forecasted performance is additional budget availability, increased requests from the communities as well as the ELIDZ's ability to leverage non-financial support and sponsorships from its partners for CSI activities.

26. The increase in gross income was 19% and this was slightly lower than the performance in the prior year but higher than what had been targeted. The increase can be attributed to increase income from utilities and an improvement in the consumption of services such as ICT services and the ELIDZ's value added services.

27. The ELIDZ's vacancy rate is sitting at 15,82% owing to various properties in the zone being vacant . The biggest contributor to this under-performane is the vacancy of the Yekani building. The ELIDZ is marketing this facility to other investors to reduce the vacancy to acceptable levels.

2.4.4 Strategies to overcome under-performance.

As at the end of the financial year, the ELIDZ had under-performed in 5 of its Key Performance areas and the following strategies have been devised to deal with the zones under performance going into the 2023/24 financial year.

1. **CONSTRUCTION SQM GROWTH:** The under-performance in this KPI is directly linked to low growth of the investment pipeline as the ELIDZ's buildings are build based on demand. To over-come this underperformance the ELIDZ the ELIDZ will prioritise the following:

   (i) **Facilitation of the SEZ designation for Ntabozuko especially considering the growth in the renewable energy sector.** There is a need for the ELIDZ to look at key infrastructure needs for the precinct and investigate funding possibilities for such in line with the targeted activities.

   (ii) **There also needs to be a strong focus on the development, testing and packaging of identified catalytic projects that may require public and private sector funding.** These include the Fort Jackson upgrade, the packaged renewable energy projects and the Alexander Golf Course Commercial project.

   (iii) **targeted sector market intelligence optimised:** The work around sector market research is yet to be fully capacitated and this is affecting the organisation's ability to develop sector market intelligence that would support targeted industries in market development and new opportunity identification.

2. **CONSTRUCTION JOBS:** The ELIDZ will prioritise the bedding of some of the approved investments . The construction activity linked to investments such as Thezilanga and the ELIDZ's solar project will improve the ELIDZ's performance on this KPI.

3. **INVESTORS OPERATIONALISED:** The ELIDZ will continue to support investors that have been operationalised to construct and operationalise their facilities in the zone. The ELIDZ will also implement a marketing strategy for the current vacant facilities in the zone.

3. **BBBEE:** The ELIDZ will develop a BBBEE improvement plan which will assist in strengthening the weak areas in its BBBEE score.

4. **VACANCY RATE:** The ELIDZ will continue marketing its vacant properties and focus on offering and customising these for new investors rather than construct new facilities. The ELIDZ has also packaged and undertaking intense marketing of the vacant facilities with the local and international investment market.

2.4.5 Linking Performance with Budgets

2.4.5.1 Expenditure

	2022/2023			2023/2024		
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	255 519	248 089	7 430	278 386	273 193	5 193
Programme 2: Institutional Support	137 741	140 550	(2 809)	169 899	163 014	6 885
Total	**393 260**	**388 639**	**4 621**	**448 285**	**436 207**	**12 078**

2.4.5.2 Revenue

	2022/2023			2023/2024		
Source of Revenue	**Estimate**	**Actual**	**(Over)/Under Collection**	**Estimate**	**Actual**	**(Over)/Under Collection**
	R'000	R'000	R'000	R'000	R'000	R'000
Rentals	159 031	159 067	36	163 293	167 137	3 844
Zone Levies	3 057	5 265	2 208	5 603	5 529	(74)
Utilities Income	136 575	140 991	4 416	171 866	166 428	(5 438)
Other Income	8 321	7 349	(972)	9 321	9 988	667
STP Revenue	5 100	4 781	(319)	5 979	5 938	(41)
Total	**312 084**	**317 453**	**5 369**	**356 062**	**355 020**	**(1 042)**

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PART C:

CORPORATE GOVERNANCE

3.1

INTRODUCTION

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

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

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

3.2

PORTFOLIO ***COMMITTEES***

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

The Standing Committee on Public Accounts reviews the AFS and the audit reports of the external auditor, which in the case of the ELIDZ, is 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 26 May 2023 for the purposes of presenting its corporate plan and budget and on 9 November 2023 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

THE BOARD ***OF DIRECTORS***

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;
- T 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 2024. 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

BOARD OF ***DIRECTORS***

FRONT ROW - From left to right: **Ms C. Kongwa | Mr S. Kondlo | Professor M.W. Makalima**
BACK ROW - From left to right: **Mr M. Mfuleni | Mr A. Kanana**

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
Member of 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 S. KONDLO
Executive Director - Ex Officio

Current employment: Chief Executive Officer of the ELIDZ

Skills: Engineering, Public Sector Governance, Business Management, Project Management; SEZ Development

Affiliations: SAIAE, WISA, Board Member of Rand Water, 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

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

Current employment: Chief Executive Officer – HL HALL AND SONS

Skills: Auditing , Public and Private Sector Governance, Primary Agriculture, Agricultural Finance, Global Marketing

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

FRONT ROW - From left to right: **Ms N. Mnconywa | Cllr B. Sauli**
BACK ROW - From left to right: **Mr B. Mpondo | Mr E. Jooste | Mr S. Gqalangile**

MS N. MNCONYWA *Chair of Ops and Risk Committee | Member of the Finance Committee*
Current employment: Senior lecturer in Accounting - 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 B. MPONDO *Member of the Operations and Risk Committee* *Member of Finance Committee*
Current employment: Founder & Managing Director of Safiri (Pty) Ltd; Director of InnateSafiri; Director of Originate Capital Founder and Director of Tembo Investments
Skills: Business Strategy Development and Execution, Corporate Governance, Turnaround Strategies; Infrastructure and Property Development; Project Management and Transport Planning, Development Planning, Project Management
Affiliations: Member of IoDSA

CLLR B. SAULI *Member of the Finance Committee*
Current employment: Councillor at Buffalo City Metropolitan Municipality
Skills: Municipal governance, community development
Affiliations: Member of IoDSA

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

MR S. GQALANGILE *Member of the Operations and Risk Committee*
Current employment: Department of Economic Development, Environmental Affairs and Tourism
Skills: Public sector governance, environmental management
Affiliations: Member of IoDSA

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	76	BA (Hons) (MA)	Public sector	Independent Non-Executive	BOARD 7/7	GOVCO 5/5
Mr A Kanana	Chairperson of the Audit Committee and member of the Governance Committee	24/10/2012	N/A	42	BComm (Hons) (CA) SA	Auditing, Private and public sector governance	Independent Non-Executive	BOARD 4/7	AUDITCO 8/8 GOVCO 4/5
Mr E Jooste	Chairperson of the Finance Committee, member of the Audit Committee, member of the Governance Committee	01/11/2013	N/A	63	BComm Acc	Finance and public sector governance	Independent Non-Executive	BOARD 7/7	AUDITCO 8/8 FINCO 5/5 GOVCO 5/5
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	52	BCom (Hons) (MA), CA(SA), Higher Diploma in Education, Post Graduate Certificate in Accounting	Finance and public sector governance	Independent Non-Executive	BOARD 7/7	ORCO 4/4 FINCO 5/5 GOVCO 5/5
Mr M Mfuleni	Member of the Audit Committee, member of the Operations and Risk Committee	31/10/2018	N/A	53	Diploma (Theology)	Information and Communications Technology (ICT) Governance.	Independent Non-Executive	BOARD 7/7	AUDITCO 7/8 ORCO 3/4
Mr B Mpondo	Member of the Operations and Risk Committee, member of the Finance Committee	31/10/2018	N/A	49	BSc (Hons) Town and Regional Planning	Transportation and Infrastructure Planning. Public Sector Governance.	Independent Non-Executive	BOARD 7/7	ORCO 3/4 FINCO 5/5
Ms C Kongwa	Member of the Audit Committee	30/10/2020	N/A	47	LLB, LLM	Legal, public sector governance.	Non-Executive	BOARD 2/7	AUDITCO 6/8
Cllr B Sauli	Member of the Finance Committee	01/08/2023	N/A	43	Higher certificate in public administration	Municipal governance, community development	Non-Executive	BOARD 3/7	FINCO 2/5
Mr S Gqalangile	Member of the Operations and Risk Committee	01/08/2023	N/A	47	BA (Hons) MA	Public sector governance, environmental management	Non-Executive	BOARD 2/7	ORCO 2/4

3.4.3 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.

3.4.3.1 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.

3.4.3.2 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.

3.4.3.3 Finance Committee (FINCO)

The committee is comprised of four 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.

3.4.3.4 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	5	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	5	4	Mr E Jooste (Chair) Ms N Mnconywa Mr B Mpondo Cllr B Sauli
Operations and Risk Committee	4	4	Ms N Mnconywa Mr B Mpondo Mr M Mfuleni Mr S Gqalangile

3.4.4 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 and the dtic 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
A. Kanana	217 176	5 060	-	**222 236**
B. Mpondo	180 508	11 495	-	**192 003**
E. Jooste	316 183	3 833	-	**320 016**
N. Mnconywa	309 451	2 821	-	**312 272**
M. Mfuleni	241 128	6 388	-	**247 516**
M. Makalima	274 594	3 829	-	**278 423**
C. Kongwa	-	-	-	**-**
Cllr B Sauli	65 174	2 129	-	**67 303**
Mr S Gqalangile	-	-	-	**-**
Total Board Fees	**1 604 214**	**35 555**	**-**	**1 639 769**

3.5

RISK **MANAGEMENT**

ELIDZ has had an approved risk management policy and strategy in place for the duration of the 2023/24 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:

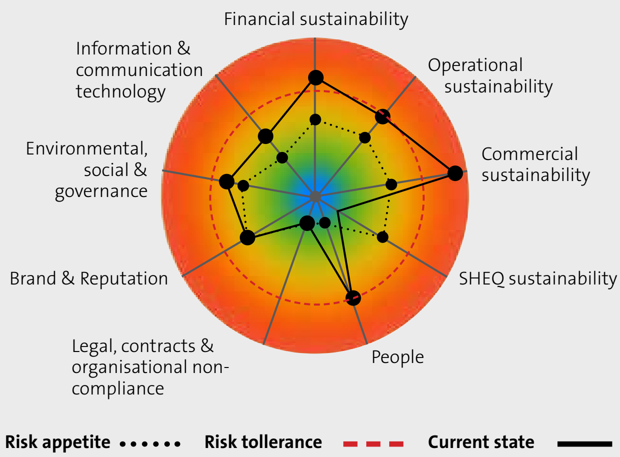
- Business units having the primary responsibilities to manage risks and implement action plans
- Risk Management Unit in the Office of the CEO is the second line with responsibility being independent monitoring of the management of risks and controls
- Internal Audit provides assurance and assessment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

Financial and Commercial risks remained the highest risk areas facing the organisation. The significant risk drivers impacting on these risks included:

- Investor sentiment both locally and globally
- Poor economic climate and the direct impact this has had on the ELIDZ investment sectors
- Debtor defaults and resultant vacant ELIDZ facilities



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.

Category	Annual reduction in residual risk	% implementation of action plans	Key risk drivers
Financial sustainability	24%	91%	Economic climate - balancing developmental mandate with financial sustainability
Operational sustainability	7%	69%	Loadshedding and climate change leading to severe weather events
Commercial sustainability	0%	82%	Economic climate – impact on investment attraction and existing tenants' going concern
SHEQ sustainability	0%	n/a	Lower risk item – managed risk
People	0%	91%	Employee wellness and increasing cost of living – managing employee expectations
Legal, contractual and non-compliance	0%	98%	Lower risk item – managed risk
Brand and reputation	21%	85%	SIU investigation – lower impact in Q4 compared to Q1

Although the ELIDZ risk environment is relatively stable, the organisation is expecting the Financial and Commercial risk areas to show even greater risk exposure in 2024/25 due to changes in the local Automotive sector.

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	24/10/2013	n/a	8/8
Ms C Kongwa (Member)	LLB, LLM	External	n/a	30/10/2020	n/a	6/8
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 2023/24 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. 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.

Palmer

Jo-Anne Palmer
Company Secretary

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).***

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

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.

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 2023/24 Financial Year.

Link to Environmental Social, Governance (ESG) Reporting

Environmental, Social and Governance (ESG) reporting has become a growing phenomenon globally. ESG reporting is aimed at addressing social and environmental problems while also achieving a sustainable society. The environmental aspect of ESG focuses on a company's efforts to address various environmental issues such as climate change bio-diversity, energy efficiency, carbon intensity and environmental management systems.

The social aspect examines the company's internal and external relationships and the extent to which the company encourages equal opportunities, workplace safety, human rights, customer and product responsibility and community support and investment. The governance aspect relates to how the organisation priorities compliance and business ethics. It also focuses on issues such as board independence, executive compensation, and board transparency.

It is critical that as part of its ESG journey an organisation sets its own ESG Goals based on its core business, its value creation model, industry standards and investor and shareholder expectations. It is also vital that an organisation selects a set of ESG KPIs , aligned to industry best practice that will enable key stakeholders to measure the company's performance with respect to ESG.

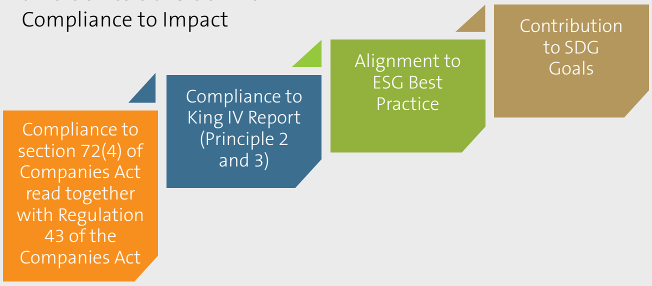
As an organisation that is focused on attracting global industries into South Africa and whose value proposition is anchored on providing customers with world class industrial precinct which enables industries to be globally competitive, the ELIDZ needs to prioritise ESG Investment and reporting and needs to establish robust data collection, analysis and reporting mechanisms to effectively track and measure ESG performance.

3.12.2. The ELIDZ Social and Ethics Commitment

The ELIDZ prioritises being a good corporate citizen and is committed to ethical and responsible leadership. Key to this commitment is the ELIDZ's focus on developing and harnessing an ethical culture within the organisation. Additionally, as an organisation whose mandate is anchored on being a catalyst for economic development, the ELIDZ is committed to maximising opportunities for shared socio-economic value in order to benefit local industries , communities and citizens. The ELIDZ is also determined to deliver this value in a manner that will not compromise people (employees, customers, and the general public) and the environment. While the ELIDZ prioritises compliance with all relevant legislation and code, its social and ethical agenda is driven by more than just compliance, but by the shared aspiration to do good and to have a positive impact on people and the environment.

ELIDZ 2023/24 Social and Ethics Approach

For the 2023/24 financial year, the ELIDZ's approach to Social and Ethical priorities is driven by the organisation's ambition to transition from Compliance to Impact



3.12.3. Committee Roles and Responsibility

MONITORS the company's activities with regards to social and economic development; good corporate citizenship, environment, health and public safety, consumer relationships and labour and employment

MONITORS the prioritisation and execution of the company's ESG Agenda

MONITORS the company's contribution towards its prioritised SDGs

REPORTS to board and the organisation's stakeholders on progress and achievements of the Social and Ethics priorities for the organisation

3.12.4. Social and Ethics Priority Areas 2023/24

In planning and reporting on its Social and Ethics Agenda in the past, the ELIDZ has prioritised five priority areas as guided by both the Companies Act and King IV. As part of integrating ESG reporting in the ELIDZ it is proposed that the ELIDZ Streamlines its priorities into three priorities namely, Environment, Social and Governance.

ENVIRONMENT	SOCIAL	GOVERNANCE
• Environmental Impact Management • Climate Change • Energy Efficiency • Carbon intensity • Biodiversity and natural resources	• Employment Practices (safety, human rights) • Economic Development and Transformation • Community Development and Relations • Customer and product responsibility	• Business Ethics and Transparency • Board functionality and transparency • Executive Compensation

Environment: With relation to Environment, the ELIDZ's priority in prior years had mainly been focused on monitoring and minimising the impact of the zone on the environment. This was mainly accomplished through compliance to various Environmental Management Systems and best practice. To align to ESG best practice, the priority for the ELIDZ going forward will be to broaden its focus to include setting priorities in relation to climate change, energy efficiency, carbon intensity and the management of biodiversity and other natural resources.

Social: With its mandate rooted on being catalyst for economic development and broad-based socio-economic impact, the ELIDZ has in the past mainstreamed its reporting on employment practices, economic development and transformation and community development. To ensure alignment to ESG best practice, the ELIDZ will going forward need to set priorities relating to customer and product responsibilities and develop clear indexes to measure these. Additionally, the ELIDZ will need to align its economic development and transformation priorities and its CSR priorities to its prioritised SDGs.

Governance: The ELIDZ's past Social and Ethics priorities have focused a great deal on business ethics and transparency and the creation of a conducive organisational culture. The ELIDZ will need to augment its reporting on board functionality and transparency as well as executive compensation reporting in line with guiding ESG frameworks.

3.12.4. Social and Ethics Progresss 2023/24

Environment

Key to the ELIDZ's priorities for the period under review was to ensure that the ELIDZ sets the direction of how environmental management should be approached and addressed by the organisation. This was done through ensuring that the ELIDZ's environmental management policies were in line with best practice and that the ELIDZ continued to retain all relevant Safety, Health, Environment and Quality (SHEQ) system certifications and accreditations. By the end of the financial year, the ELIDZ had successfully implemented and retained the following certifications:

- 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

Moreover, the ELIDZ prioritized to the development and implementation of a ESG Roadmap, which would see the organization , over a three-year period , implementing various strategies to ensure compliance to ESG Best practice. The ELIDZ, during the period under review made various strides in implementing this roadmap an by the end of the period, 60% of the roadmap had been implemented. This included an in-depth analysis of current environmental practices within the ELIDZ and key strategies that would need to be executed to close the gap between current practices and the ideal practices in line with best practice. To this end the following were completed during this period

- Environmental analysis had been completed
- Carbon footprint analysis has been completed.
- Alien vegetation analysis and protection programmes in place.
- Water quality and air quality analysis systems in place and integrated into SHEQ objectives.

- The ELIDZ has developed and is monitoring a set of environmental KPOIS which include Maintenance of the ISO 14001 Environmental Management System, reducing energy consumption, reducing water consumption, reducing paper usage & zero Environmental citations.

Moreover by the end of the period the ELIDZ had developed an energy masterplan to ensure energy efficiency through a mixed energy mix. On the right is an illustration of this masterplan:

There were no she citations for the ELIDZ during the period under review and the ELIDZ continued and during the period under review.

The ELIDZ has undertaken Environmental Due Diligence for the following investments

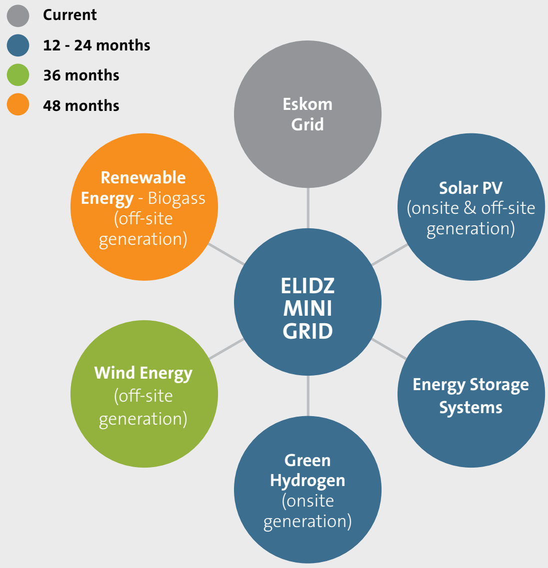
- 7 Renewable Energy
- 13 Auto and Gen
- 5 Aqua and Agro

Responsible Citizenship in the Workplace

The ELIDZ board, as part of its Human Capital Management Strategy acknowledges that employees are an important asset to the organisation. As part of this realisation, during the period under review the ELIDZ refined its Employee Value Proposition to include the following:

ELIDZ is currently implementing its long-term energy planning master plan to support industries in the zone.

The master plan prioritises:
Energy security | Energy cost efficiency | Green energy production



Moreover during the period the ELIDZ continue to develop and review various policies to ensure that the was a clear direction set by the board on how various issues would be approached and address in the work place. As part of its workforce planning the ELIDZ sets annual targets with respect to its staff vacancy rate and its staff turnover rate. During the period under review the ELIDZ's vacancy rate was sitting at 11% against a target of 15%.

The staff turnover rate for the same period was sitting at 6,82% against a target of 10%.

During the period under review, the ELIDZ developed and approved a new 5-year plan (effective from 01 November 2022 to 31 October 2027). 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. In preparing the Employment Equity Plan, the Committee went through an extensive and thorough analysis of qualitative and quantitative aspects related to the workplace. A qualitative analysis was conducted of the then current employment equity plan goals, employment policies, practices, procedures and the working environment to identify barriers which were deemed to adversely affect people from designated groups. This resulted in non-numerical goals being formulated aimed at removing affirmative action barriers and obstacles which may negatively impact on the organisation's ability to reach the numerical targets. A quantitative analysis was also conducted of the workforce profile, per occupational category, to determine the under-representation of people from designated groups based on the Economically Active Profile (EAP) of the Eastern Cape; the then current vacancies, possible opportunities and vacancy trends were also considered. This resulted in the setting of numerical goals focusing on increasing the representation of designated groups across the necessary occupational levels in an effort to achieve alignment with the EAP.

In terms of the Skills Development Act read together with the Skills Development Levies Act, designated employers are required to submit their Workplace Skills Plan and Annual Training Report (WSP/ATR) annually on/before 30 April. As a designated employer, the ELIDZ compiled its WSP from the developmental interventions identified through the Personal Development Plans and reported on the training conducted in the previous financial year.

The 2023/24 WSP/ATR was endorsed by the Employment Equity and Skills Development Committee, the Chief Financial Officer and the Chief Executive Officer and was submitted before the legislated deadline of 30 April 2023. During 2023/24, a total number of eighty eight (88) employees have been trained on numerous training interventions in line with their personal development plans and in-house driven programmes including bursary beneficiaries. This translates to a participation rate of 100%. It is envisaged that all employees are to be trained in line with their personal development plans, hence a 100% participation rate is desired and was achieved. The total training expenditure as at end Quarter 4, inclusive of training & development interventions, bursaries, and internship programme, amounts to R6 083 673 which is 7% of the annual cost of employment. The targeted Organisational training expenditure percentage for the 2023/24 financial year is 3% of the total cost of employment. The expenditure to date 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.

Economic Development and Transformation

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. 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.

An important part of the ELIDZ's current vision is growing our very own local enterprises in our targeted sectors and support these to not only growth but to build a resilient and growing global footprint. The ELIDZ has prioritised the development of an innovation support ecosystem within the ELIDZ's Science and Technology Park to support this ambition. As part of this ecosystem, in the last year, the ELIDZ has successfully hosted two incubators to support and grow entrepreneurs in both the ICT sector and in the Textiles sector. A successful partnership with CISCO to support and grow entry level tech companies through the provision of infrastructure, training and other business support tools has contributed to increased impact by the ELIDZ. The ELIDZ continues to implement a skills development programme to build new capabilities to support the manufacturing activity in the zone and during the period under review, 308 beneficiaries were trained.

The ELIDZ also has a construction incubator which is currently incubating 58 construction companies from the Eastern Cape and despite the current economic climate, this incubator has, in the last few months seen. For the period under review, a total of eleven contractors had been upgraded at least by 2 grades according to the CIDB calculator. A strategic priority in the ELIDZ's automotive sector growth plan is the localisation of additional components and the planned manufacturing incubator which will play a key role in the following 5-year cycle in realising new automotive component manufacturers and driving for increased localisation of the sectoral value chain.

Community Development and Corporate Social Investment

Key to the ELIDZ's Sustainable Development Agenda is the prioritization of Community Development Programmers that prioritize 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 supporting 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 period under review the ELIDZ implemented 15 Corporate Social Investment initiatives in surrounding communities. These initiatives included the sponsorship and development of sport and sporting facilities in rural areas, the support of youth development programmes and the training of local entrepreneurs to enable them to thrive in the current economic climate. The ELIDZ also awarded bursaries to deserving students who are furthering their under graduate studies in local institutions of higher learning.

Moreover, there were no material non compliances noted on matters relating to the management of the organization's environmental impact and the ELIDZ undertook the necessary environmental due diligence and approval processes prior to the establishment of new enterprises in the zone.

Governance

Key to the ELIDZ's values is the commitment for every member of the board, management and staff to be ethical by nature and to ensure that due care is taken in the use and optimisation of organisational resources. The board is tasked with assuming responsibility for the governance of ethics by setting the direction and the tone from the top. During the period under review the ELIDZ amended its ethics framework to strengthen its controls with respect to management of the declaration of interest process. Ongoing awareness to ensure that employees were aware of the ELIDZ's policies in relation to employee conduct, fraud and ethics management was implemented. To ensure that the organisation promoted an organisational culture that was supportive of its aspirations to be ethical by nature, the ELIDZ nominated an organisational culture task team who implemented a culture enhancement programme that supported the living of the ELIDZ values and the promotion of good ethics within the organisation.

To mitigate the risk of conflict of interest in in operations , the ELIDZ has an automated process for the declaration of interest and requires all employees to recommit to the Code of Conduct annual and further requires the declarations of interest to be updated at the beginning of each financial year. The ELIDZ has various policies and practices in place to ensure that the organisation's ethical standards are applied in all recruitment, performance evaluation, rew3ard of employees and award of contracts to suppliers and the ELIDZ 's internal audit plan includes auditing the implementation of these policies in a manner that upholds the ethical standards of the organisation. The ELIDZ continues to have an externally managed Fraud Hotline and all matters reported to the hotline are handled confidentially and investigated. The Auditor General of South Africa (AGSA) is an important assurance partner for the ELIDZ in ensuring that ELIDZ complies to all its policies and applicable legislation in all its operations. During the period under review the ELIDZ received a clean audit opinion from the AGSA for the period under review and there were no findings relating to any fraudulent or corrupt activity.

CONCLUSION

Based on the committee's performance during the year, we are satisfied that it has fulfilled its mandate in terms of the Companies Act read with Regulation 43 of the Regulations to the Companies Act. There were no known instances of material non-compliance with legislation or regulations, or non-adherence with codes of best practice in terms of the areas within the committee's mandate, during the year under review, or repeated regulatory penalties, fines, censures or compliance orders. As such, we are satisfied that the group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development.

KEY AREAS OF FOCUS FOR NEXT YEAR

The ELIDZ will continue to implement its ESG Roadmap with a specific focus on benchmarking and setting priorities for the Social and Governance elements of the ESG Framework. The organization will also identify the SDG Goals that its ESG activities are contributing to and further develop a tool to track its performance in this regard.

As an organization that is focused on attracting global industries into South Africa and whose value proposition is anchored on providing customers with world class industrial precinct which enables industries to be globally competitive, the ELIDZ will, in 2023/24 prioritize ESG Investment and reporting and the need to establish robust data collection, analysis and reporting mechanisms to effectively track and measure ESG performance.

> ***we are satisfied that the group has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development***

3.13

AUDIT COMMITTEE ***REPORT***

The Audit Committee is pleased to present its report for the financial year ended 31 March 2024.

3.13.1 Audit Committee Members and Attendance

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

Name	Number of meetings attended
Mr A Kanana (Chairperson)	8 of 8
Mr E Jooste (Member)	8 of 8
Ms C Kongwa (Member)	6 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 2024 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.

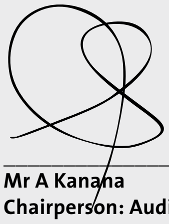
The Audit Committee has therefore, at its meeting held on 21 August 2024 recommended the adoption of the financial statements by the Board of Directors..

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

3.13.5 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

The Audit Committee has therefore, at its meeting held on 21 August 2024 recommended the adoption of the financial statements by the Board of Directors.

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 R29 314 892. This represents 1% of ELIDZ's total assets as at 31 March 2022. ELIDZ's total assets for the period then reported was R2 931 489 164.

east london idz
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PART D:

HUMAN RESOURCE **MANAGEMENT**

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:

- ***STRATEGIC HRM***
- ***ORGANISATIONAL DESIGN***
- ***WORKFORCE PLANNING***
- ***LEARNING AND DEVELOPMENT***
- ***PERFORMANCE MANAGEMENT***
- ***REWARD AND RECOGNITION***
- ***EMPLOYEE WELLNESS***
- ***EMPLOYEE RELATIONS***

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 to maintain employee satisfaction levels. 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 2024/25 financial year.

4.2

HUMAN RESOURCES ***OVERSIGHT STATISTICS***

4.2.1 Personnel cost by programme

EXPENDITURE: Personnel Costs by Programme: 2023 / 24				
Programme/activity/objective	**Total Expenditure for the entity**	**Departmental exp. as a % of total exp.**	**No. of employees**	**Average Personnel cost per employee**
Office of the CEO	14 147 144	16%	8	1 768 393
Corporate Affairs	24 984 620	29%	28	892 308
Finance	14 227 320	16%	16	889 208
Operations	32 969 261	38%	36	915 813
TOTAL	**86 328 345**	**100%**	**88**	**981 004**

4.2.2 Personnel cost by salary band

EXPENDITURE: Personnel Costs By Salary Bands: 2023/24				
Programme/activity/objective	**Personnel Expenditure**	**% of personnel exp. to total personnel cost**	**No. of employees**	**Average Personnel cost per employee**
Top management	4 705 772	5%	1	4 705 772
Senior management	10 719 786	12%	3	3 573 262
Professionally qualified and experienced specialists and mid-management	39 358 301	46%	22	1 789 014
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	27 715 461	32%	46	602 510
Semi-skilled and discretionary decision making	2 553 970	3%	8	319 246
Unskilled and defined decision making	1 275 053	1%	8	159 382
TOTAL	**86 328 345**	**100%**	**88**	**981 004**

Notes:
The ELIDZ does not pay a homeowner's allowance
R 31 330.56 in overtime was paid during the Financial Year ended 31 March 2024
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
No employee's salary positions were upgraded due to their posts being upgraded
Employees whose salary level exceeds the grade determined by job evaluation
No employee's salary levels exceeded the grade determined by job evaluation outcomes during the period

4.2.3 Performance rewards

Programme/activity/objective	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Top management	668 330	4 705 772	14%
Senior management	1 730 418	10 719 786	16%
Professionally qualified and experienced specialists and mid-management	5 503 114	39 358 301	14%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	4 341 624	27 715 461	16%
Semi-skilled and discretionary decision making	425 115	2 553 970	17%
Unskilled and defined decision making	215 769	1 275 053	17%
TOTAL	**12 884 371**	**86 328 345**	**15%**

4.2.4 Training costs

Programme/activity/objective	Personnel Expenditure	Training Expenditure	% of Training Expenditure to total Personnel Expenditure	No. of employees trained	Avg training cost per employee
Top management	4 705 772	15 500	0%	1	15 500,00
Senior management	10 719 786	55 221	1%	3	18 407,00
Professionally qualified and experienced specialists and mid-management	39 358 301	673 482	2%	22	30 612,82
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	27 715 461	1 097 103	4%	46	23 850,07
Semi-skilled and discretionary decision making	2 553 970	750 120	29%	8	93 765,00
Unskilled and defined decision making	1 275 053	529 777	42%	8	66 222,13
TOTAL	**86 328 345**	**3 121 203**	**4%**	**88**	**248 357,01**
Internship Programme	-	2 962 470	3%	59	50 211,36
GRAND TOTAL	**86 328 345**	**6 083 673**	**7%**	**147**	**298 568,36**

4.2.5 Employment and Vacancies

Program / activity / objective	2020/21 No of Employees	2020/21 Approved Posts	2021/22 No. of Employees	2021/22 Approved Posts	2022/23 No. of Employees	2022/23 Approved Posts	2023/24 No. of Employees	2023/24 Approved Posts	2023/24 Vacancies (Budgeted)	% of Vacancies
Office of the CEO	9	10	9	10	8	9	8	9	1	0,99%
Corporate Affairs	26	26	24	26	25	30	28	30	2	1.98%
Finance	14	15	15	15	15	16	16	16	0	0,00%
Operations	35	39	35	39	36	46	36	46	10	9,90%
TOTAL	**84**	**90**	**83**	**90**	**84**	**101**	**88**	**101**	**13**	**12.87%**

Program / activity / objective	2020/21 No of Employees	2020/21 Approved Posts	2021/22 No. of Employees	2021/22 Approved Posts	2022/23 No. of Employees	2022/23 Approved Posts	2023/24 No. of Employees	2023/24 Approved Posts	2023/24 Vacancies (Budgeted)	% of Vacancies
Top management	1	1	1	1	1	1	1	1	0	0,00%
Senior management	3	3	3	3	3	3	3	3	0	0,00%
Professionally qualified and experienced specialists and mid-management	25	24	23	24	22	24	22	24	2	1.98%

Program / activity / objective	2020/21 No of Employees	2020/21 Approved Posts	2021/22 No. of Employees	2021/22 Approved Posts	2022/23 No. of Employees	2022/23 Approved Posts	2023/24 No. of Employees	2023/24 Approved Posts	2023/24 Vacancies (Budgeted)	% of Vacancies
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	34	39	33	39	41	55	46	55	8	7.92%
Semi-skilled and discretionary decision making	13	15	15	15	9	9	8	9	1	0,99%
Unskilled and defined decision making	8	8	8	8	8	9	8	9	2	1.98%
TOTAL	**84**	**90**	**83**	**90**	**84**	**101**	**88**	**101**	**13**	**12.87%**

4.2.6 Employment changes

EMPLOYMENT CHANGES: ANNUAL TURNOVER RATES BY SALARY BAND & CRITICAL OCCUPATION FOR THE PERIOD 01 APRIL 2023 TO 31 MARCH 2024				
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	24	2	2	22
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	49	8	3	46
Semi-skilled and discretionary decision making	9	-	1	8
Unskilled and defined decision making	8	-	-	8
TOTAL	**94**	**10**	**6**	**88**

4.2.7 Reasons for staff leaving

EMPLOYMENT CHANGES: REASONS WHY STAFF ARE LEAVING		
REASON	**Number**	**% of total no, of staff leaving**
Death	-	-
Resignation	6	6.82%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
Total number of employees who left as a % of the total employment	**6**	**6.82%**

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 the CCMA during the period under review. The ELIDZ and the aggrieved employee were able to settle a claim without the need to proceed to arbitration in the one matter. The second matter was withdrawn by the referring parties at Con/Arb stage.

INTERNAL DISCIPLINARY CASES:
Two issues of misconduct were raised. Charges were drafted and approved by the respective Supervisors. Both subordinates tendered in their respective resignations prior to disciplinary proceedings taking place.

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				Sub Total	FEMALE				Sub Total	Grand Total
	AFRICAN	COLOURED	INDIAN	WHITE		AFRICAN	COLOURED	INDIAN	WHITE		
Top management	1	-	-	-	1	-	-	-	-	-	1
Senior management	2	-	-	-	2	1	-	-	-	1	3
Professionally qualified and experienced specialists and mid-management	6	1	2	3	12	7	-	-	3	10	22
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	17	1	-	3	21	22	3	-	-	25	46
Semi-skilled and discretionary decision making	3	-	-	-	3	5	-	-	-	5	8
Unskilled and defined decision making	-	-	-	-	-	8	-	-	-	8	8
Grand total	**29**	**2**	**2**	**6**	**39**	**43**	**3**	**-**	**3**	**49**	**88**

4.2.10 Foreign workers

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


east london idz


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EXCELLENCE
2023

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PART E:

ANNUAL FINANCIAL **STATEMENTS**

GENERAL **INFORMATION**

Country of incorporation and domicile	Republic of South Africa
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 N Mnconywa B Sauli M Mfuleni B Mpondo AS Gqalangile T Zweni (CEO)
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 of South Africa
Auditors	Auditor-General of South Africa
Secretary	Ms. Jo-Anne Palmer
Preparer	The financial statements were internally compiled under the supervision of. Gift Matengambiri CA (SA) Chief Financial Officer
Specific governing legislation	Public Finance Management Act 1999 (Act 1 of 1999), Special Economic Zone Act 2014 (Act 16 of 2014), Companies Act 71 of 2008

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

Abbreviations used:

DTIC	Department of Trade, Industry and Competition
SEZ	Special Economic Zone Act
GRAP	Generally Recognised Accounting Practice
DEDEAT	Department of Economic Development Enviromental Affairs and Tourism
PFMA	Public Finance Management Act

BOARD OF DIRECTORS' RESPONSIBILITIES **& APPROVAL**

The board of 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 board of 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 are 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 judgments and estimates.

The board of directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the board of directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board of directors 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 board of directors have reviewed the entity's cash flow forecast for the 12 months to 31 March 2025 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 70, which have been prepared on the going concern basis, were approved by the board on 31 May 2024 and were signed on its behalf by:

MW Makalima (Chairperson)
Chairperson of the Board of Directors

T Zweni (Ex-officio)
Chief Executive Officer

BOARD OF DIRECTORS' **REPORT**

The board of directors submit their report for the year ended 31 March 2024.

1. Going concern

The total assets of the entity exceed its total liabilities by R2 795 865 069 (2023: R2 639 133 122).The entity has realised a profit of R156 731 947 (2023: (R77 472 763) for the current period and is expected to realise profits 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 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. 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. Also at the reporting period, 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 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 erstwhile 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 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.

The zone is facing load shedding from stage 5 going upwards. The organisation is not load shed when its level 4 and below. The organisation has responded by forming a forum with the Buffalo City Metropolitan Municipality (BCMM) and the business community. The forum has come up with plans to encourage all the large users of electricity, of which the ELIDZ is part of, to curtail load on rotation basis based on the blocks that the larger users have been placed in. The plan has made production predictable and enhanced production.

In addition to the above, the organization has prepared an energy master plan which consists of solar energy, wind energy, biogas and the Eskom grid. The organisation is in the process of implementing renewable energy plan that would see the organisation relying less on Eskom grid and improve production in the zone.

2. Subsequent events

The CEO of the ELIDZ Mr S Kondlo retired effectively from the 31 of March 2024. The board appointed Mr T Zweni as the CEO effective from 01 July 2024.

3. Accounting policies

The 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 / contributed 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 to shareholders during the period.

6. Board Of Directors

The board of 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	Retired, 31 March 2024
N Mnconywa	South African	
B Sauli	South African	Appointed, 07 November 2023
M Mfuleni	South African	
B Mpondo	South African	
AS Gqalangile	South African	Appointed, 07 November 2023
T Zweni (CEO)	South African	Appointed, 01 July 2024

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

T Zweni (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.

Palmer

Ms. Jo-Anne Palmer
Company Secretary

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Other financial assets	3	3 471 909	1 778 724
Cash and cash equivalents	4	183 918 232	183 215 748
Receivables from exchange transactions	5	114 172 624	102 293 263
VAT receivable	6	2 420 374	1 116 708
Prepayments	7	7 902 003	6 263 268
Current tax receivable	30	1 625 280	251 152
		313 510 422	**294 918 863**
Non-Current Assets			
Other financial assets	3	2 534 839	823 812
Investment property	8	2 107 252 362	2 009 551 230
Property, plant and equipment	9	541 285 354	500 145 372
Intangible assets	10	14 643 824	4 919 649
		2 665 716 379	**2 515 440 063**
Total Assets		**2 979 226 801**	**2 810 358 926**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	31 187 938	21 458 461
Payables from non-exchange transactions	12	15 576 012	1 771 856
Unspent conditional grants and receipts	13	121 666 456	132 548 927
Provisions	14	14 931 326	15 446 560
Total Current Liabilities		**183 361 732**	**171 225 804**
Total Liabilities		**183 361 732**	**171 225 804**
Net Assets		**2 795 865 069**	**2 639 133 122**
Share capital	15	1 000	1 000
Accumulated surplus		2 795 864 069	2 639 132 122
Total Net Assets		**2 795 865 069**	**2 639 133 122**

STATEMENT OF **FINANCIAL PERFORMANCE**

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Rendering of services	16	187 883 300	158 386 190
Rental of facilities and equipment	17	173 860 011	176 871 592
Sundry income	18	505 164	7 323 353
Interest received	19	6 775 048	3 536 604
Fair value adjustments	8	51 710 338	-
Gain on disposal of non-current assets	9	-	177 000
Total revenue from exchange transactions		**420 733 861**	**346 294 739**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	20	194 910 545	128 796 306
Total revenue		**615 644 406**	**475 091 045**
Expenditure			
Employee related costs	21	(113 956 254)	(105 085 805)
Depreciation and amortisation	22	(27 339 293)	(26 933 050)
Lease rentals on operating lease	23	(738 442)	(686 052)
Finance costs	24	(664 224)	(245 458)
Debt impairment and bad debts written off	25	(24 838 785)	728 855
Fair value adjustments	26	-	(135 367 755)
Loss on non-current assets disposal	9	(842 962)	(6 862)
General expenses	27	(288 392 566)	(282 866 776)
Total expenditure		**(456 772 526)**	**(550 462 903)**
Surplus (deficit) before taxation		**158 871 880**	**(75 371 858)**
Taxation	30	2 139 933	2 100 905
Surplus/(Deficit) for the period		**156 731 947**	**(77 472 763)**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital/ contributed capital	Accumulated surplus / deficit	Total net assets
Balance at 01 April 2022	**1 000**	**2 716 604 885**	**2 716 605 885**
Changes in net assets			
Deficit for the period	-	(77 472 763)	(77 472 763)
Total changes	-	(77 472 763)	(77 472 763)
Balance at 01 April 2023	**1 000**	**2 639 132 122**	**2 639 133 122**
Changes in net assets			
Deficit for the period	-	156 731 947	156 731 947
Total changes	-	156 731 947	156 731 947
Balance at 31 March 2024	**1 000**	**2 795 864 069**	**2 795 864 069**
Note(s)	15		

CASH FLOW **STATEMENT**

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Sale of goods and services		321 380 318	330 293 720
Grants		184 028 074	83 002 073
Interest income		6 217 180	3 407 637
		511 625 572	416 703 430
Payments			
Employee costs		(113 638 099)	(104 077 513)
Suppliers		(269 485 267)	(289 420 628)
		-	-
Income tax paid		(3 514 061)	(2 352 056)
		(386 637 427)	(395 850 197)
Net cash flows from operating activities	29	**124 988 145**	**20 853 233**
Cash flows from investing activities			
Completion of property, plant and equipment	9	(55 204 883)	(15 897 740)
Proceeds from sale of property, plant and equipment	9	32 057	173 786
Construction of investment property	8	(57 807 252)	(28 127 992)
Proceeds from sale of investment property	8	-	7 347 000
Purchase/Completion of other intangible assets	10	(11 305 583)	(174 000)
Net cash flows from investing activities		**(124 285 661)**	**(36 678 946)**
Net increase/(decrease) in cash and cash equivalents		**702 484**	**(15 825 713)**
Cash and cash equivalents at the beginning of the year		183 215 748	199 041 461
Cash and cash equivalents at the end of the year	4	**183 918 232**	**183 215 748**

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	192 769 586	-	**192 769 586**	187 883 300	**(4 886 286)**	
Rental of facilities and equipment	163 292 848	1 844 348	**165 137 196**	167 136 587	**1 999 391**	
Total revenue from exchange transactions	**356 062 434**	**1 844 348**	**357 906 782**	**355 019 887**	**(2 886 895)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	92 222 609	(1 844 348)	**90 378 261**	90 378 261	-	
Total revenue	**448 285 043**	**-**	**448 285 043**	**445 398 148**	**(2 886 895)**	
Expenditure						
Employee related costs	(116 882 491)	-	**(116 882 491)**	(113 956 254)	**2 926 237**	39
Lease rentals on operating lease	-	-	**-**	(738 442)	**(738 442)**	39
General Expenses	(331 402 505)	-	**(331 402 505)**	(288 392 566)	**43 009 939**	39
Total expenditure	**(448 284 996)**	**-**	**(448 284 996)**	**(403 087 262)**	**45 197 734**	
Surplus before taxation	**47**	**-**	**47**	**42 310 886**	**42 310 839**	
Taxation	-	-	**-**	2 139 933	**2 139 933**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**47**	**-**	**47**	**40 170 953**	**40 170 906**	

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				104 532 284		
Operating lease smoothing - income				6 723 424		
Interest received				6 775 048		
Debt impairment and bad debts written off				(24 838 785)		
Depreciation and Amortisation				(27 339 293)		
Other Income				505 164		
Finance Costs				(664 224)		
Investing activities						
Fair value adjustment				51 710 338		
Loss on disposal of non current asset				(842 962)		
Actual Amount in the Statement of Financial Performance				**156 731 947**		

ACCOUNTING **POLICIES**

1. Presentation of Annual 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 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 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 for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the organisation 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 the debtor's payment trends and the risk of defaults.

Impairment testing

The recoverable amounts of cash-generating units, non 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 14 - Provisions and Note 1.15 of the accounting policies .

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 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.

1.3 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.

Investment property under construction is measured at cost.

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.

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.

1.4 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	7 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 9).

1.5 Intangible assets

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.

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 - 7 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised

1.6 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.

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.

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
Receivable from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value
Other financial asset	Financial asset measured at amortised cost

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	Financial liability measured at amortised cost
Provisions-Retentions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost
Provisions legal procedings	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.

All financial assets measured at amortised 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 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 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.

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.

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.

1.7 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.

1.8 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.

1.9 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.

1.10 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. 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.

1.11 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 of 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.

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 the entity use of 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

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.

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.

1.12 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.

The organisation has designated all Property and Equipment(PPE) as non cash generating units as all of these assets are enabling assets that do not generate cash on their own. The only asset that has been designated as cash generating asset is the metal surface treatment equipment rented out to one the investors in the zone.

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.

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.

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.

1.13 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.

1.14 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.

1.15 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).

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

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.

1.16 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-cancelable or only cancelable 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.

1.17 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

Revenue arising from the use by others of entity assets yielding interest 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.

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

Rental of facilities and equipment

Revenue from the rental of facilities 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.

Revenue from the rental of facilities is recognised at the fair value of the consideration received or receivable.

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).

1.18 Revenue from non-exchange transactions

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 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 event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Interest is recognised using the effective interest rate method for financial instruments. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Grants

Apart from Services in kind, which are not recognised, the entity recognises all grants on receipt 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.

1.19 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.

1.20 Investment income

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

1.21 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.

1.22 Change in estimate and errors

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors are applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the entity shall restate the opening balances of assets and liabilities and net assets for the earliest period for which retrospective restatement is practicable. Details of the changes in accounting policy are disclosed in the notes to the annual financial statements where applicable.

1.23 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.

1.24 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 2023/04/01 to 2024/03/31.

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.'

1.25 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 ventures).

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.

1.26 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	2024	2023

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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

3. Other financial assets

	2024	2023
At amortised cost		
Other financial assets	6 006 748	2 602 536
Non-current assets		
At amortised cost	2 534 839	823 812
Current assets		
At amortised cost	3 471 909	1 778 724

	2024	2023
Financial assets at amortised cost		
Time value of money effect	154 118	69 270
Current assets	755 564	176 188
Non Current Asset	**909 682**	**245 458**

Reconciliation of net carrying amount other financial asset	**2024**	**2023**
Current other financial asset	6 511 638	1 847 994
Time value for money current	(154 118)	(69 270)
Impairment	(2 885 612)	-
Non current other financial asset	3 733 786	1 000 000
Time value for money non current	(755 564)	(176 188)
Impairment	(443 382)	-
	6 006 748	**2 602 536**

Figures in Rand	2024	2023

Financial assets at amortised cost

The other financial assets are debt restructurings done to four tenants that were in financial distress. The debts were restructured and are still in compliance with the terms of the debt restructuring excluding one tenant that defaulted in March 2024. The arrangements were part of the business rescue programs perfomed by the company in accordance with its debtor's policy.

As of 31 March 2024, other financial assets were measured at an amortised cost of R6 006 748 (2023: R2 602 536)

The ageing of these loans is as follows.

0 to 12 months	3 471 909	1 778 724
Over 12 months	2 534 839	823 812

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 257	5 273
Bank balances	13 468 007	8 302 513
Short-term deposits	170 446 968	174 907 962
	183 918 232	**183 215 748**

Cash and cash equivalents held by the entity that are ringfenced for capital projects. .	121 666 455	132 548 927

Refer to note 13

Cash and cash equivalents are held at fair value. During the year the short term deposits earned approximately 7.4% in interest.

The total amount of undrawn facilities available for future operating activities and commitments	30 000	30 000

5. Receivables from exchange transactions

Trade debtors	67 540 988	43 283 732
Impairment for bad debts	(46 556 622)	(25 046 831)
Operating lease receivables	87 615 478	80 977 498
Sundry receivables	1 883 738	1 017 362
Related party receivables	3 689 042	2 061 502
	114 172 624	**102 293 263**

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

Operating lease receivables	87 615 478	80 977 498
Financial asset receivables included in receivables from exchange transactions above	**26 557 146**	**21 315 765**

Figures in Rand	2024	2023

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

Terms of payments were renegotiated for receivables with a net carrying amount of R17 856 519 (2023: R4 452 362) in the current year.

Trade and other receivables past due but not impaired

As at 31 March 2024, receivables with a net carrying amount of R7 576 649 (2023:R9 575 486) were past due but not impaired. The debtors are sitting at 30 days, they are not experiencing any known difficulties that may threaten their ability to fullfil their account obligations and their payment trends reflect an ability to settle account obligations.No collectaral held for these debtors.

1 month past due	7 576 649	9 575 486

Trade and other receivables impaired

As at 31 March 2024, trade and other receivables of R53 764 756 (2023: R28 822 787) were impaired and provided for.

The amount of the provision was R46 556 622 as at 31 March 2024 (2023: R25 046 831).

2 to 6 months	16 310 737	11 148 311
Over 6 months	37 454 018	17 674 476

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 trade and other receivables approximates their fair value.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(25 046 831)	(25 775 687)
Provision for impairment	(21 509 791)	728 856
	(46 556 622)	**(25 046 831)**

6. VAT receivable

VAT	2 420 374	1 116 708

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 period.

Figures in Rand	2024	2023

7. Prepayments

Reconciliation of closing balance	2024	2023
Opening balance	6 263 268	150 968
Expenditure incurred and prepayments released	(6 263 268)	(150 968)
Prepayment recognised during the year	7 902 005	6 263 268
	7 902 005	**6 263 268**

8. Investment property

	2024		2023	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	2 107 252 362	2 107 252 362	2 009 551 230	2 009 551 230

Reconciliation of investment property - 2024

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	2 009 551 230	58 558 794	(12 568 000)	51 710 338	2 107 252 362

Reconciliation of investment property - 2023

	Opening balance	Additions	Fair value adjustments	Disposals	Total
Investment property	2 123 148 486	28 940 499	(135 367 755)	(7 170 000)	2 009 551 230

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	64 782 170	3 090 607

Proceeds from sale of investment property amounted to Rnil (2023: R7 347 000).

Purchase/Construction costs of investment property cash paid amounted to R57 807 252 (2023:R28 127 992).The organisation changed the retrofitting of one of its investment properties for use as a data centre, which will be used to provide storage services for clients.

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

Investment properties were valued by an external valuer in the current year. The effective date of these revaluations is 31 March 2024 .These valuations were performed by John Cloete and Gcobani Ntshanga (co-principals of the same company) who are registered with the South African Council for the Property Valuers Profession , Reg. No 5327 and Reg. No 7364 respectively. The valuers have market knowledge and experience in the investment property being valued.

Figures in Rand	2024	2023

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 requiring 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.

The significant assumptions used are as follows:

For commercial properties
Market Rentals: R80-R140/m2
Operating cost (OPC): 30%
Escalation on OPC: 7%
Capitalisation rate: 9,5% -11,5%
Vacancy: 6% - 10%

For Industrial properties
Market Rentals: R11 - R72/m2
Operating cost (OPC): 10% - 25%
Capitalisation rate: 10% - 14,25%
Vacancy : 3% - 5%

For Hardstands
Rentals: R6 - R15/m2

For land and farms
The market related rates are used based on the latest sales

Amounts recognised in surplus (2023: deficit)

	2024	2023
Rental revenue from Investment property	171 098 923	173 698 870
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	(31 265 838)	(32 258 749)
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	(3 060 383)	(2 024 261)
Repairs and maintenance	(1 615 373)	(10 010 188)
	(4 675 756)	**(12 034 449)**

The repairs and maintenance for investment properties relates to buildings that were damaged by a storm in July 2023.

Figures in Rand	2024	2023

9. Property, plant and equipment

	2024			2023		
	Cost / Valuation	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	841 566 333	(348 270 089)	493 296 244	776 625 117	(327 982 032)	448 643 085
Plant and machinery	64 012 533	(28 792 585)	35 219 948	64 012 533	(25 985 865)	38 026 668
Furniture and fixtures	4 616 442	(3 520 331)	1 096 111	4 739 250	(3 608 689)	1 130 561
Motor vehicles	3 334 067	(929 822)	2 404 245	2 954 303	(625 784)	2 328 519
Office equipment	525 959	(364 472)	161 487	574 280	(425 023)	149 257
IT equipment	20 908 459	(16 654 189)	4 254 270	27 740 706	(22 854 042)	4 886 664
Laboratory and other property, plant and equipment	2 461 003	(1 429 315)	1 031 688	3 679 448	(2 520 191)	1 159 257
Total	**941 246 157**	**(399 960 803)**	**541 285 354**	**884 146 998**	**(384 001 626)**	**500 145 372**

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Land	3 821 361	-	-	-	-	3 821 361
Infrastructure including buildings	448 643 085	52 643 496	(989)	12 568 000	(20 557 348)	493 296 244
Plant and machinery	38 026 668	-	-	-	(2 806 720)	35 219 948
Furniture and fixtures	1 130 561	98 748	(25 004)	-	(108 194)	1 096 111
Motor vehicles	2 328 519	421 431	(6 000)	-	(339 705)	2 404 245
Office equipment	149 257	46 000	(853)	-	(32 917)	161 487
IT equipment	4 886 664	1 941 511	(842 097)	-	(1 731 808)	4 254 270
Laboratory and other property, plant and equipment	1 159 257	53 698	(76)	-	(181 191)	1 031 688
Total	**500 145 372**	**55 204 884**	**(875 019)**	**12 568 000**	**(25 757 883)**	**541 285 354**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Land	3 821 361	-	-	-	3 821 361
Infrastructure including buildings	457 599 763	11 685 582	-	(20 642 260)	448 643 085
Plant and machinery	40 833 411	-	-	(2 806 743)	38 026 668
Furniture and fixtures	1 200 179	62 920	(4 148)	(128 390)	1 130 561
Motor vehicles	990 916	1 587 890	(75 000)	(175 287)	2 328 519
Office equipment	182 618	-	-	(33 361)	149 257
IT equipment	4 247 496	2 217 186	(101 500)	(1 476 518)	4 886 664
Laboratory and other property, plant and equipment	1 041 499	344 162	-	(226 404)	1 159 257
	509 917 243	**15 897 740**	**(180 648)**	**(25 488 963)**	**500 145 372**

Figures in Rand	2024	2023

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Infrastructure and buildings	90 204 211	46 307 441

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	25 494 175	25 494 175
The Project is linked to the settlement of an investor in Berlin which did not materialise. The transformers are unused and potential investors in the renewable energy sector have indicated their desire to utilise them in their future projects.	-	-
	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	479 200	479 200

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**

Management has assessed the recoverable amount of the work in progress. The project cost of R25 041 050 relating to the windfarm was impaired to a recoverable amount of R479 200 in prior years.The recoverable amount of replacing the transformers is more than the carrying amount. Therefore no changes to the recoverable amounts during the current reporting period.

Reconciliation of Work-in-Progress 2024	Included within Infrastructure	Total
Opening balance	46 307 441	46 307 441
Additions/capital expenditure	52 472 778	52 472 778
Transferred to completed items	(8 576 008)	(8 576 008)
	90 204 211	**90 204 211**

Reconciliation of Work-in-Progress 2023	Included within Infrastructure	Total
Opening balance	35 621 859	35 621 859
Additions/capital expenditure	11 685 582	11 685 582
Transferred to completed items	(1 000 000)	(1 000 000)
	46 307 441	**46 307 441**

NOTES TO THE **FINANCIAL STATEMENTS:** *9. Property, plant and equipment - (continued)*

Figures in Rand	2024	2023
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		
Contracted services	(45 576 586)	(36 124 804)

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 has not recognised an impairment loss for the current period 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 value of R875 019 (2023: R180 646). A loss on disposal of R842 962 (2023:R6 862) was realised.
Proceeds from sale of property plant and equipment amounted to R32 057 (2023:R173 786).
Total purchases/completion of property plant and equipment amounted to R55 204 883 (2023:R15 897 740).

10. Intangible assets

	2024			2023		
	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value
Trademarks	30 000	(28 378)	1 622	30 000	(23 513)	6 487
Computer software	26 911 070	(12 268 868)	14 642 202	15 909 282	(10 996 120)	4 913 162
Total	**26 941 070**	**(12 297 246)**	**14 643 824**	**15 939 282**	**(11 019 633)**	**4 919 649**

Reconciliation of intangible assets - 2024

	Opening balance	Additions	Amortisation	Total
Trademarks	6 487	-	(4 865)	1 622
Computer software	4 913 162	11 305 585	(1 576 545)	14 642 202
	4 919 649	**11 305 585**	**(1 581 410)**	**14 643 824**

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Trademarks	11 351	(4 864)	6 487
Computer software	6 352 385	(1 439 223)	4 913 162
	6 363 736	**(1 444 087)**	**4 919 649**

Pledged as security

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

Figures in Rand	2024	2023
Intangible assets in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of Intangible assets		
Computer software	11 305 585	3 164 659

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.

The total purchases/completion of other intangible assets amounted to R11 305 585 (2023:R174 000).

11. Payables from exchange transactions

Trade payables	18 374 463	6 483 872
Other payables*	1 418 465	3 569 902
Accrued leave pay	4 782 911	4 885 913
Deposits received	6 612 099	6 518 774
	31 187 938	**21 458 461**

*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.

12. Payables from non-exchange transactions

Other payables from non-exchange transactions	15 576 012	1 771 856

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 40 under accounting by principals and agents.

Reconciliation of closing balance

Opening balance	1 771 856	2 755 922
Transfers received	15 652 173	774 000
Expenditure incurred	(1 936 839)	(1 918 538)
Interest income	280 055	160 472
Funds surrendered	(191 233)	-
	15 576 012	**1 771 856**

Figures in Rand	2024	2023

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Unspent grant DTIC & DEDEAT	121 666 456	132 548 927

Movement during the year

Balance at the beginning of the year	132 548 927	178 343 160
Grant received	83 326 262	32 173 913
Interest received	10 323 551	11 439 464
Conditions met during the reporting period (recognised in statement of financial performance)	(104 532 284)	(33 407 610)
Funds Surrendered	-	(56 000 000)
	121 666 456	**132 548 927**

See note 20 for reconciliation of grants from National/Provincial Government.

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

14. Provisions

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	1 319 670	296 877	(950 000)	(369 670)	296 877
Retentions	716 121	506 037	(419 635)	-	802 523
Performance bonus provision	13 410 769	13 831 926	(12 884 371)	(526 398)	13 831 926
	15 446 560	**14 634 840**	**(14 254 006)**	**(896 068)**	**14 931 326**

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	-	1 319 670	-	-	1 319 670
Retentions	1 005 339	718 571	(1 007 789)	-	716 121
Performance bonus provision	11 978 867	13 410 769	(11 977 944)	(923)	13 410 769
	12 984 206	**15 449 010**	**(12 985 733)**	**(923)**	**15 446 560**

The figure for legal proceedings relates to an invoice for legal services provided by a service provider for which the amount of the invoice is in dispute. The timing of the outflow is unknown at this point.

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 2024. 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 the end of the reporting period. 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.

Figures in Rand	2024	2023

15. Share capital

Authorised

1000 000 Ordinary shares of 0,01 each	10 000	10 000

Reconciliation of number of shares issued:

Reported as at 31 March 2024	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 organ of the state. The declaration of dividends is considered at an annual general meeting of the shareholders. Since incorporation, the company has not declared any dividends.

16. Rendering of services

Electricity Income	156 284 084	131 758 597
Conference hire Income	2 578 076	1 062 202
Analytic Lab Income	5 938 074	4 781 274
Telephone and Internet services Income	7 409 864	6 286 863
Estate Service Income	5 529 344	5 264 886
Water Income	5 756 311	5 092 253
Sewerage Income	4 387 547	4 140 115
	187 883 300	**158 386 190**

Refer to note 3 and 5 for the provision for impairment for the receivables relating to the above revenue

17. Rental of facilities and equipment

Premises

Premises and Equipment	167 136 587	159 066 876
Rental Smoothing	6 723 424	17 804 716
	173 860 011	**176 871 592**

Refer to note 3 and 5 for the provision for impairment for the receivables relating to the above revenue.

18. Sundry income

Sundry Income (Insurance payments and other income)	505 164	7 323 353

Figures in Rand	2024	2023

19. Interest received

Interest revenue		
Bank	6 217 180	3 407 637
Interest charged on trade and other receivables	557 868	128 967
	6 775 048	**3 536 604**

20. Government grants & subsidies

Operating grants		
Government grant DEDEAT	90 378 261	96 574 039
Capital grants		
Government grant DEDEAT	76 869 107	5 372 375
Government grant DTIC	27 663 177	26 849 892
	104 532 284	**32 222 267**
	194 910 545	**128 796 306**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants released	104 532 284	33 407 610
Unconditional grants released	90 378 261	95 388 696
	194 910 545	**128 796 306**

The conditions for the above grants have been met and the amounts were released to the statement of financial performance.

21. Employee related costs

Basic	84 247 683	77 030 162
Bonus	13 305 527	13 409 846
UIF	584 805	622 485
SDL	1 023 695	938 293
Leave pay provision charge	1 308 802	866 836
Internships	3 768 015	3 343 567
Other short term costs	110 000	210 000
Defined contribution plans	9 607 727	8 664 616
	113 956 254	**105 085 805**

Figures in Rand	2024	2023

22. Depreciation and amortisation

Property, plant and equipment	25 757 883	25 488 963
Intangible assets	1 581 410	1 444 087
	27 339 293	**26 933 050**

23. Lease rentals on operating lease

Equipment

Contractual amounts	738 442	686 052

24. Finance costs

GRAP 104- Impact of time value of money	664 224	245 458

There were some debtors whose payment terms were re-negotiated. The above figure relates to the GRAP 104 adjustment that should be done to profit and loss to account for the time value of money.

25. Debt impairment and bad debts written off

Contributions to debt impairment provision - Other financial assets	3 328 994	-
Contributions to debt impairment provision - Receivables from exchange transactions	21 509 791	(728 855)
	24 838 785	**(728 855)**

This amount is the increase in the provision for bad debts from the prior year to the current year. Refer to note 3 and 5 for the provision amounts.

26. Fair value adjustments

Investment property (Fair value model)	51 710 338	(135 367 755)

This relates to the fair value adjustment performed on investment property, the details of the valuation and methods utilised are disclosed in note 8.

Figures in Rand	2024	2023

27. General expenses

Advertising	740 730	703 645
Auditors remuneration	1 931 454	2 051 298
Bank charges	153 641	276 606
Board fees	1 639 769	1 012 754
Cleaning services	1 463 223	1 314 240
Computer expenses	199 658	638 403
Conferences and seminars	819 000	-
Consulting and professional fees	7 047 251	8 253 512
Consumables (laboratory and conference centre)	6 291 159	4 219 368
Donations	1 416 651	1 127 682
Electricity	112 023 687	102 789 724
Entertainment	324 836	146 160
IT expenses	1 418 190	1 470 345
Insurance	10 532 124	7 050 513
Internal Audit services	634 345	397 531
Motor vehicle expenses	161 269	155 890
Placement fees	866 828	330 927
Postage and courier	54 441	33 271
Printing and stationery	189 332	141 937
Project expenses contracted services	20 481 211	31 712 042
Promotions	1 881 815	1 609 660
Rates and taxes	31 265 838	32 258 749
Repairs and maintenance contracted services	47 191 960	46 134 992
SHEQ Expenses	5 475 126	4 291 299
Security costs	12 174 898	12 354 370
Sewerage	3 152 552	3 389 710
Software licences	10 226 060	8 962 131
Staff welfare	362 161	272 213
Subscriptions and membership fees	533 430	453 598
Telephone and fax	1 353 342	1 853 010
Training	2 315 657	2 146 993
Travel and accommodation	769 690	560 527
Water	3 301 238	4 753 676
	288 392 566	**282 866 776**

28. Auditors' remuneration

External audit fees	1 931 454	2 051 298

Figures in Rand	2024	2023

29. Cash generated from operations

Surplus/(Deficit)	156 731 947	(77 472 763)
Adjustments for:		
Depreciation and amortisation	27 339 293	26 933 050
Gain on sale of non current asset	-	(177 000)
Loss on sale of non current asset	842 962	6 862
Fair value adjustments	(51 710 338)	135 367 755
Movements in provisions	(515 234)	2 462 354
Movement in tax receivable and payable	(1 374 128)	(251 152)
Changes in working capital:		
Increase in Receivables from exchange transactions	(11 879 361)	(13 317 397)
Increase in Prepayments	(1 638 735)	(6 112 300)
Increase in Other financial assets	(3 404 212)	(2 602 536)
Increase in Payables from exchange transactions	8 977 932	19 963
(Increase)/Decrease in VAT asset	(1 303 666)	2 774 696
Increase/(decrease) in Payables from non-exchange transactions	13 804 156	(984 066)
(Decrease) in Unspent conditional grants and receipts	(10 882 471)	(45 794 233)
	124 988 145	**20 853 233**

The net cash flow from operating activities amounted to R124 988 145 (2023:R20 853 233)

30. Taxation

Major components of the tax expense

Current

Profit /(Deficit) before tax	158 871 880	(75 371 858)
Permanent differences	(79 087 341)	(30 884 527)
Temporary differences	(40 156 179)	145 020 436
Utilised tax assessed loss	(31 702 704)	(31 124 521)
Capital gains	-	141 600
	7 925 656	**7 781 130**

Assessed loss

Opening assessed loss	(73 003 129)	(104 127 650)
Assessed loss utilised	31 702 704	31 124 521
	(41 300 425)	**(73 003 129)**

Figures in Rand	2024	2023
Reconciliation of the tax expense		
Reconciliation of the income tax expenses		
Applicable tax rate	27	27
Permanent differences		
Expenses not deductible for tax purposes	16	(35)
Grant income not taxable	(33)	46
Other	4	-
Temporary differences		
Investment property fair value	(9)	(48)
Operating lease smoothing	(2)	6
Depreciation and wear and tear adjustments	-	(9)
Provision for doubtful debts	2	-
Utilised assessed loss for the year	(6)	11
Taxable income for the year	1	2
	- %	**- %**

A taxation expense of R2 139 933 has been recognised in the current period. The South African Revenue services issued an amendment to the income tax act. The amendment curtails the use of accumulated assessed loss to the higher of R1million and 80% of taxable income.

This amendment has resulted in the entity levying the income tax rate on 20% of its taxable income.The estimated tax loss available for set off against future taxable income is R41 300 425 (2023:R73 003 129). Deferred tax was assessed and the resultant deferred tax asset could not be recognized for all deductible temporary differences because it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

Reconciliation of current tax Receivable		
Opening Balance	(251 151)	-
Provisional tax payment	(3 514 061)	(2 352 056)
Current tax expense	2 139 933	2 100 905
	(1 625 279)	**(251 151)**

31. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	-	6 006 748	6 006 748
Trade and other receivables from exchange transactions	-	26 557 146	26 557 146
Cash and cash equivalents	183 918 232	-	183 918 232
	183 918 232	**32 563 894**	**216 482 126**

Figures in Rand	2024	2023

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	26 405 027	26 405 027
Payable from non-exchange transactions	15 576 012	15 576 012
Provisions - Retentions	802 523	802 523
Unspent Conditional Grant	121 666 456	121 666 456
Provision - Legal Proceedings	296 877	296 877
	164 746 895	**164 746 895**

2023

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	-	2 602 536	2 602 536
Trade and other receivables from exchange transactions	-	21 315 765	21 315 765
Cash and cash equivalents	183 215 748	-	183 215 748
	183 215 748	**23 918 301**	**207 134 049**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	16 572 548	16 572 548
Payables from non-exchange transactions	1 771 856	1 771 856
Provisions-Retentions	716 121	716 121
Unspent Conditional Grant	132 548 927	132 548 927
Provisions - Legal Proceedings	1 319 670	1 319 670
	152 929 122	**152 929 122**

Financial instruments in Statement of financial performance

2024

	At fair value	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	6 217 180	557 868	6 775 048
Debt impairment	-	(24 838 785)	(24 838 785)
	6 217 180	**(24 280 917)**	**(18 063 737)**

2023

	At fair value	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	3 407 637	128 967	3 536 604
Debt impairment and bad debts written off	-	728 855	728 855
	3 407 637	**857 822**	**4 265 459**

Figures in Rand	2024	2023

32. Commitments

Authorised capital expenditure

Already contracted and budgeted for		
• Property, plant and equipment	32 898 613	42 813 605
• Investment property	11 083 546	58 317 405
• Intangible assets	4 599 451	-
	48 581 610	**101 131 010**

Total capital commitments		
Already contracted for and provided for	48 581 610	101 131 010

Total commitments

Total commitments		
Authorised capital expenditure	48 581 610	101 131 010

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		
- within one year	615 369	738 442
- in second to fifth year inclusive	-	615 369
	615 369	**1 353 811**

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 payments due		
- within one year	160 199 022	156 153 832
- in second to fifth year inclusive	511 003 898	597 869 505
- later than five years	36 514 911	102 715 420
	707 717 831	**856 738 757**

Figures in Rand	2024	2023

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 8.

The entity owns a metal surface treatment plant which 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 leased out. However, the lease contains a minimum amount that is charged in the event that the units produced fall below a prescribed level.

33. Contingencies

Contingent Liability

1. ELIDZ is a defendant in a case involving a former employee who is allegedly she was unfairly dismissed. The entity received an unfavourable ruling but appealed the ruling because the employee has already taken occupation somewhere else. 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.

2. A claim was initiated by a previous service provider for unpaid services. The case was referred to Arbitration by the plaintiff. In the unlikely event that the entity is unsuccessful an amount of R555 663 will be payable.

34. Related parties

Relationships

Shareholder with controlling interest	Department of Economic Development Environmental Affairs and Tourism (DEDEAT)
Shareholder with significant influence	Buffalo City Metropolitan Municipality (BCMM)
Other related parties with significant influence	Department of Trade, Industry and Competition (DTIC) as custodian of the SEZ act, an enabling legislation to the ELIDZ and the providers of capital funding through grants which are considered material.
Members of key management	S. Kondlo (CEO) T. Zweni G Matengambiri N Makhoba
Non-executive directors	M W Makalima A. Kanana B. Mpondo E. V. Jooste N. Mnconywa M. Mfuleni B. Sauli A. S. Gqalangile

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 35.

Figures in Rand	2024	2023
Related party balances		
Buffalo City Metropolitan Municipality		
Payables from exchange transactions	-	-
Buffalo City Metropolitan Municipality		
Receivables (Prepayment)	7 902 005	6 263 268
Related party transactions		
Buffalo City Metropolitan Municipality		
Expenditure (rates and taxes)	31 265 837	32 258 749
Expenditure (electricity)	112 023 686	102 789 724
Expenditure (water)	3 301 238	4 753 676

For director's remuneration refer to note 35.
For grant funding received from DEDEAT refer to note 20.
For grant funding received from DTIC refer to note 20.

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.

35. Directors and Executive managements' remuneration

Executive

2024

	Basic salary	Allowances	Employer contributions to funds	Performance bonus	Total
S Kondlo (Ex officio)	2 647 591	1 389 851	517 383	668 330	5 223 155
T Zweni	2 197 255	1 153 448	443 084	632 490	4 426 277
G Matengambiri	1 845 795	968 949	374 908	555 857	3 745 509
N Makhoba	1 845 795	968 949	379 296	542 071	3 736 111
	8 536 436	**4 481 197**	**1 714 671**	**2 398 748**	**17 131 052**

2023

	Basic salary	Allowances	Employer contributions	Performance bonus	Total
S Kondlo (Ex officio)	2 475 050	1 298 927	488 279	647 704	4 909 960
T Zweni	2 054 063	1 077 989	417 158	602 765	4 151 975
G Matengambiri	1 728 134	899 829	351 159	421 211	3 400 333
N Makhoba	1 730 155	895 424	349 646	472 565	3 447 790
	7 987 402	**4 172 169**	**1 606 242**	**2 144 245**	**15 910 058**

Figures in Rand	2024	2023

Non-executive

2024

	Directors' fees	Allowances	Total
MW Makalima (Chairperson)	274 594	3 829	278 423
EV Jooste	316 183	3 833	320 016
A Kanana	217 176	5 060	222 236
N Mnconywa	309 451	2 821	312 272
B Sauli	65 174	2 129	67 303
M Mfuleni	241 128	6 388	247 516
B Mpondo	180 508	11 495	192 003
	1 604 214	**35 555**	**1 639 769**

2023

	Directors' fees	Allowances	Total
MW Makalima (Chairperson)	204 418	1 890	206 308
EV Jooste	178 465	1 278	179 743
A Kanana	158 857	1 278	160 135
N Mnconywa	182 385	2 768	185 153
M Mfuleni	84 397	2 555	86 952
B Mpondo	121 340	2 555	123 895
Cllr. N Kumbaca	69 708	860	70 568
	999 570	**13 184**	**1 012 754**

36. Change in estimate

Property, plant and equipment

In the current year management revised the estimated usefulife of some items in the following categories:

1. IT equipment from 3 years to 6 years , the effect of this revision has decreased the depreciation for the current year depreciation by R306 695 and increased future depreciations by R921 425.

2. Lab and other PPE from 5 years to 10 years , the effect of this revision has decreased the depreciation for the current year depreciation by R48 409 and increased future depreciations by R36 692.

3. Furniture and fixtures from 20 years to 25 years, the effect of this revision has decreased the depreciation for the current year depreciation by R16 623 and increased future depreciations by R19 349.

Figures in Rand	2024	2023

37. 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 funds availability.

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. Cash flow forecasts are prepared and adequate availability of funds is monitored.

A maturity analysis of ELIDZ's financial instruments as at 31 March 2024 is as follows:

2024 Liquidity gap analysis

	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Other financial assets	-	3 471 909	2 534 839	6 006 748
Receivables from exchange transactions	26 557 146	-	-	26 557 146
Cash and cash equivalents	183 918 232	-	-	183 918 232
Subtotal	210 475 378	3 471 909	2 534 839	216 482 126
Liabilities				
Payables from exchange transactions	(24 575 839)	-	(6 612 099)	(31 187 938)
Payables from non-exchange transactions	(15 576 012)	-	-	(15 576 012)
Provisions - retentions	(802 523)	-	-	(802 523)
Unspent Conditional Grant	-	(121 666 456)	-	(121 666 456)
Provision - Legal Proceedings	(296 877)	-	-	(296 877)
	169 224 127	**(118 194 547)**	**(4 077 260)**	**46 952 320**

Figures in Rand	2024	2023

2023 Liquidity gap analysis

	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Other financial assets	-	1 778 724	823 812	2 602 536
Receivables from exchange transactions	21 315 765	-	-	21 315 765
Cash and cash equivalents	183 215 748	-	-	183 215 748
Subtotal	204 531 513	1 778 724	823 812	207 134 049
Liabilities				
Payables from exchange transactions	(14 939 687)	-	(6 518 774)	(21 458 461)
Payables from non-exchange transactions	(1 771 856)	-	-	(1 771 856)
Provisions - retentions	(716 121)	-	-	(716 121)
Unspent Conditional Grant	-	(132 548 927)	-	(132 548 927)
Provision-Legal proceedings	-	(1 319 670)	-	(1 319 670)
	187 103 849	**(132 089 873)**	**(5 694 962)**	**49 319 014**

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 gross 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.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 2024 the entity holds deposits from tenants amounting to R6 612 099 (2023: R6 518 774) 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:	2024	2023
Receivables from exchange transactions	73 113 767	46 362 596
Cash and cash equivalent	183 918 232	183 215 748
Other financial asset	9 335 734	2 602 536

Figures in Rand	2024	2023
Analysis by credit quality of financial assets is as follows: Neither past due nor impaired		
Cash and cash equivalents	183 918 232	183 215 748
Trade and other receivables	11 772 363	7 964 324
Other financial asset	5 640 882	2 602 536
	201 331 477	**193 782 608**
Past due and not impaired		
Trade and other receivables	7 576 649	9 595 486
Impaired financial assets		
Trade and other receivables	53 764 756	28 822 786
Other financial assets	3 694 852	-
	57 459 608	**28 822 786**

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 change in interest rate on surplus.

Estimated increase in rates		
Cash and cash equivalents	183 918 232	183 215 748
1% thereof	1 839 182	1 832 157

Figures in Rand	2024	2023

38. 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 (SEZ): 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.

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 (SEZ)	Letting of facilities and supply of municipal type services.
Science and Technology Park	Provision of analytical laboratory testing for water and 3D design service

Segment surplus or deficit, assets and liabilities

31 March 2024	Information communication and technology	Operations (SEZ)	Science and Technology Park	Total
Revenue				
Revenue from non-exchange transactions	9 155 422	47 674 146	3 432 372	60 261 940
Revenue from exchange transactions	7 409 864	348 395 373	5 938 074	361 743 311
Total segment revenue	**16 565 286**	**396 069 519**	**9 370 446**	**422 005 251**
Expenditure				
Employee related costs	(7 413 482)	(15 266 386)	(9 902 786)	(32 582 654)
General expenses	(39 285 818)	(212 789 839)	(11 948 039)	(264 023 696)
Total segment expenditure	**(46 699 300)**	**(228 056 225)**	**(21 850 825)**	**(296 606 350)**
Total segmental surplus/(deficit)				**125 398 901**

Figures in Rand	2024	2023

Segment surplus or deficit, assets and liabilities (continued)

Reconciliation

Non-segment revenue from non-exchange transactions	134 648 605
Non-segment revenue from exchange transactions	58 990 550
Non-segment expenses	(160 166 176)
Entity's surplus (deficit) before tax for the period	**158 871 880**

31 March 2023	Information communication and technology	Operations (SEZ)	Science and Technology Park	Total
Revenue				
Revenue from non-exchange transactions	9 233 390	52 364 756	2 963 931	64 562 077
Revenue from exchange transactions	6 286 863	324 285 898	4 781 274	335 354 035
Total segment revenue	**15 520 253**	**376 650 654**	**7 745 205**	**399 916 112**
Expenditure				
Employee related costs	(6 163 546)	(38 772 553)	(7 665 457)	(52 601 556)
General expenses	(36 881 877)	(211 704 994)	(23 619 514)	(272 206 385)
Total segment expenditure	**(43 045 423)**	**(250 477 547)**	**(31 284 971)**	**(324 807 941)**
Total segmental surplus/(deficit)				**75 108 171**

Reconciliation

Non-segment revenue from non-exchange transactions	64 234 229
Non-segment revenue from exchange transactions	10 940 704
Non-segment expenses	(225 654 962)
Entity's surplus (deficit) before tax for the period	**(75 371 858)**

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.

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

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 statement of financial performance.

The nature of differences between the measurements of the reportable segments' assets or liabilities and the entity's assets or liabilities

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.

Figures in Rand	2024	2023

39. Budget variances

Material variances between budget and actual amounts

The favourable variance of 1% on budgeted revenue from factory rentals is as a result of existing tenants leasing additional facilities on a month-to-month basis and new tenants secured in the period under review.

The unfavourable variance of 3% for revenue from rendering of services is as a result of lower utilities revenue resulting from less usage by investors due to loadshedding going up to Stage 6 in the first 6 months of the year.

The favourable variance of 3% for employee costs is as a result of resignations and vacancies not filled due to cost- containment measures.

The favourable variance of 13% on budgeted expenditure is mainly as a result of lower training, travel and professional fees expenses due to cost-containment measures. Utilities budget was also underspent due to less usage than expected due to Eskom loadshedding going up to Stage 6 which impacted investor operations in the first 6 months of the year. The lease rentals on operating lease was budgeted for under general expenditure which resulted in the unfavourable variance of 100%.

40. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangements are as follows:

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

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 of the local municipality.The project is still on-going.

The Second 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.

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 12.

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 note12. 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

Rnil (2023: R75 000) 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 12.

Figures in Rand	2024	2023

41. BBBEE Performance

During the financial period ended 31 March 2024, 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 2023 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 5 and submitted the final report and B-BBEE certificate, Form 1 together with the Annual Report to the B-BBEE commission.

42. Load shedding Impact

The zone is facing load shedding from stage 5 going upwards. The organisation is not load shed when its level 4 and below. The organisation has responded by forming a forum with the Buffalo City Metropolitan Municipality (BCMM) and the business community. The forum has come up with plans to encourage all the large users of electricity, of which the ELIDZ is part of, to curtail load on rotation basis based on the blocks that the larger users have been placed in. The plan has made production predictable and enhanced production.

In addition to the above, the organization has prepared an energy master plan which consists of solar energy, wind enerrgy, biogas and the Eskom grid. The organisation is in the process of implementing renewable energy plan that would see the organisation relying less on Eskom grid and improve production in the zone.

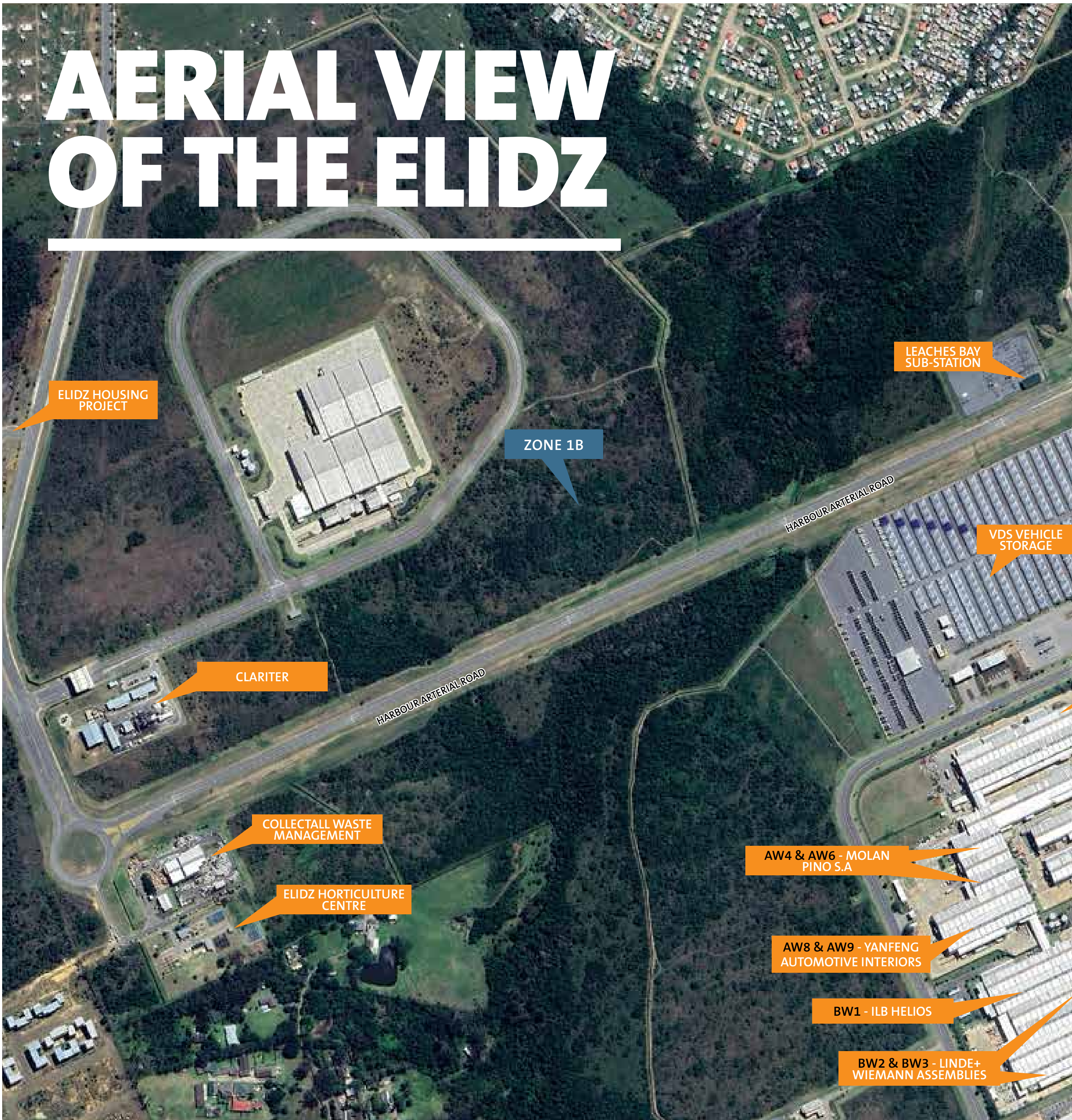
43. Investigations

1. 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.

   At reporting date, the investigation was still in progress and draft reports had been issued by the SIU & the management of the entity has responded to the findings.

2. On 22 November 2022 audit committee approved a preliminary investigation into misconduct based on the whistle-blower reports, where it was alleged that a staff member of the ELIDZ has been involved in a fraudulent activity with a service provider. The impact of the fraudulent activity will be known once investigation is finalised.

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
BOYSEN
MAINTENANCE STORE
voestalpine
IKHALA ROAD NORTH
FROTEK
MSC STORAGE
IKHALA ROAD EAST
AUTOMOULD
D-FENCE
RG BROSE
IKHALA ROAD NORTH
UMSIMBITHI ROAD
SUNDALE DIARY
AE1 - FELTEX TRIM
EW1 - TI GROUP
IW4 - Dräger
MKHOKHOKHO ROAD
ZONE 1A
AE4 - AURIA FELTEX
AE6 - FELTEX CARAVELLE
FW1 - MBSA
AE6 - FELTEX FEHRER
IKHALA ROAD SOUTH
ELIDZ CONFERENCE CENTRE / CANTEEN
BE2 - METALSA
GW1 - VALEO
WHEEL ASSEMBLERS
BE4 - L+W WHAREHOUSE
GE1 - AURIA
BUSHVELD
BE5 & BE6 - DSV
IKHALA ROAD SOUTH
CE1 - SEDA CONSTRUCTION INCUBATOR
HE1 - POLYTEC
CE1 - LINDE+WIEMANN MST
HS1 - AIH
HW1 - EBOR
C2 - YANFENG AUTOMOTIVE INTERIORS
KINGFISH ENTERPRISES
ELIDZ SEA WATER PUMPSTATION

INTERNATIONAL FOOTPRINT AND ***CUSTOMERS IN THE ZONE***

FELTEX AUTOMOTIVE TRIM

Mercedes-Benz

EBOR AUTOMOTIVE SYSTEMS (PTY) LTD

Techniplas Making the Connected World™

Fehrer AUTOMOTIVE

Valeo

BOYSEN INNOVATIONEN ABGASTECHNOLOGIE

Sundale

caravelle AUTOMOTIVE CARPETS

Wheel Assemblers Pty Ltd

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

ONELOGIX VDS

LINDE+WIEMANN

FELTEX

MARTINREA

BIGFOOT EXPRESS FREIGHT

TI Automotive

clariter®

TEM Tooling

SERAPHIM®

POLYTEC

msc

KINGFISH ENTERPRISES

Dräger

MOLAN PINO

COLLECTALL

BUSHVELD ELECTROLYTE COMPANY

Thezi Langa Pty Ltd

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