



# ANNUAL **REPORT** 2024/25



**east london idz**  
business streamlined

# ELIDZ IN **NUMBERS**

## FIVE-YEAR PERFORMANCE



**R9** **billion**  
worth of new **private  
sector investment** secured



**5409**

active  
**manufacturing  
and services** jobs



**4455** **construction  
jobs**  
created

**580%**

growth in **industrial  
turnovers of zone  
enterprises**



**25** **new  
investors**  
attracted

**880%**

growth in **export-  
oriented production**  
by SEZ enterprises



**19** **new  
investors**  
operationalised

**5** **new  
innovations**  
commercialized



**1102** **skills  
beneficiaries**  
trained

**5** *enterprises active* in ELIDZ incubators

**3** *incubators operational*



**11** *SMME development programme beneficiaries*  
upgraded by at least 2 levels in CIDB grading

**56** *development beneficiaries*

*active in ELIDZ construction incubation programme*

**255**

*internships offered within ELIDZ*



**64** *bursaries awarded*

*by ELIDZ*



**CSI projects 86**

*administered by ELIDZ*



# APPROVAL OF ANNUAL REPORT 2024 / 2025



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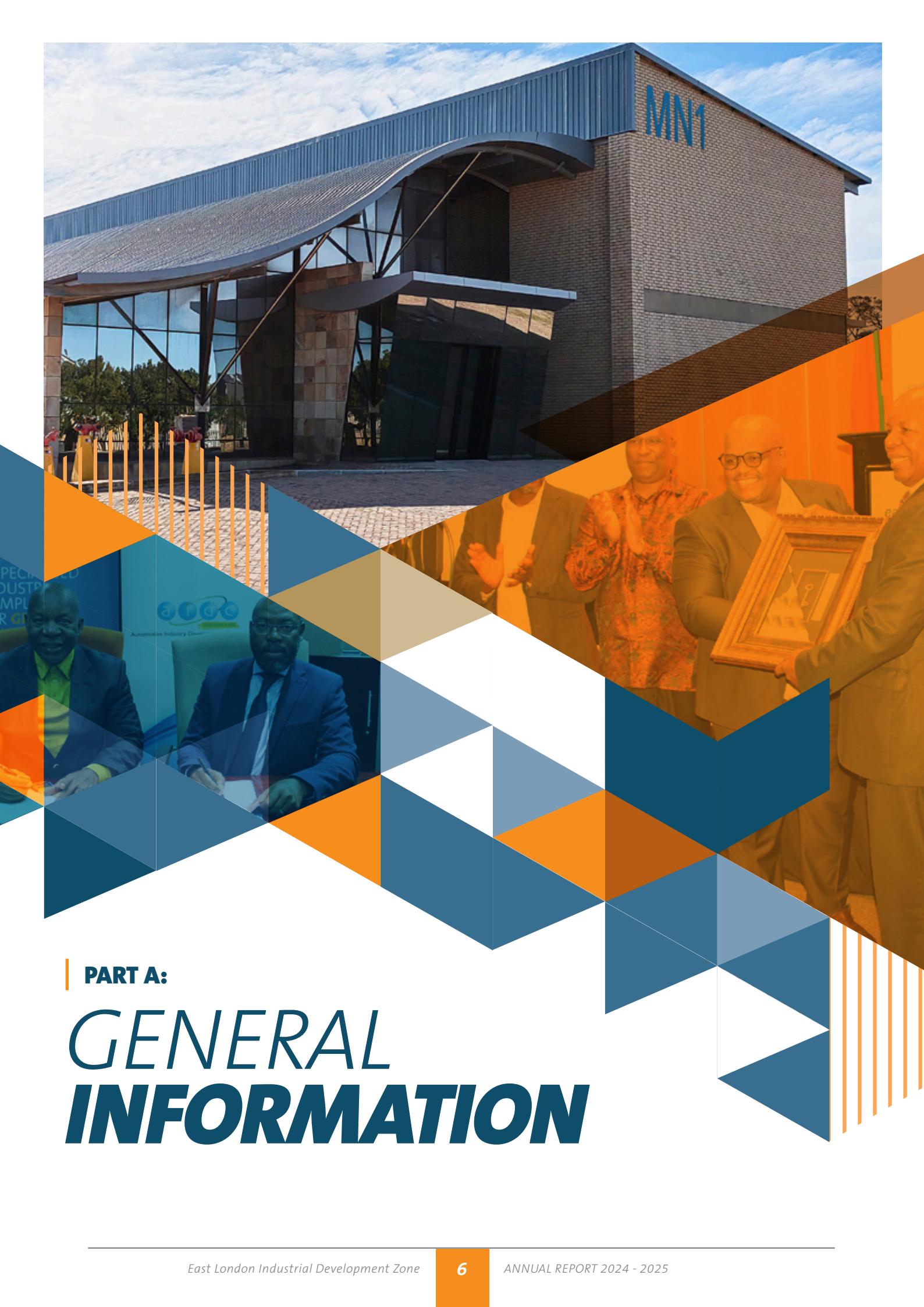
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**PART A:**

# **GENERAL INFORMATION**

# ELIDZ GENERAL INFORMATION

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

# LIST OF **ABBREVIATIONS/ACRONYMS**

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

# FOREWORD BY THE **BOARD CHAIRPERSON**

*The closing year of government's five-year strategic cycle presents public entities like the ELIDZ with an invaluable opportunity to reflect on the road travelled over the term. A reflection that seeks to gauge – with the benefit of hindsight – how well the organisation had developed the foresight of its operating environment and opportunities, both to allow it to plan effectively and also to best organise and steel itself to perform well.*

The close of the strategic term lends opportunity, then, to evaluate how successful the organisation has been in tackling the bold dreams and initiatives it had cemented into its five-year mission. How well it has fared in materialising its deliverables as pledged to the ELIDZ's shareholders and stakeholders in the contracting of the company's Strategic Plan 2021-2025.

In tabling this ELIDZ Annual Report 2024/25, it is fitting to note that both the initial and terminating financial periods of each administrative term of government place complex demands on the exercise of the courage and fortitude of public entities. And more especially for those entities assuming roles as actors, contributors or enablers within the public developmental arena.

This was, once again, the case with the setting of the ELIDZ's Vision 2025 agenda for the programmes to be delivered over the 2021-2025 government Sixth Administration planning cycle.



**Motse Mfuleni**  
Board Chairperson

## A Most Extraordinary and Unfortunate Season

Looking back, the directors, executive and management of the entity had geared up for the Vision 2025 term amidst a mixed bag of sentiments and apprehensions.

On the one hand, planners were daunted and hesitant in their five-year term strategy-setting, having just encountered the unprecedented economic shockwave that would be unleashed with the outbreak of the coronavirus pandemic which gripped the world late in the 2019/20 financial period.

The pandemic would go on to exert massive disruptive effects on global trade and investment flows and severely dent the confidence of both domestic industry and foreign direct investors (and, indeed, the extended business community in the world at large).

Nationally and globally, these events would change the economy and industrial landscape permanently and deeply -- and both in structural and psychological ways that continue to manifest and become better understood to the current day.

Reviewing the developments of the Sixth Administration term, the dtic reported that COVID-19 gave rise to a 17% fall in South Africa's GDP. Production would only begin to return to pre-pandemic levels in 2022, while employment recovery would only begin to be felt in mid-2023.

In May 2024, the dtic would observe in the issuing of its five-year Industrial Policy and Strategy Review that South Africa's economy and industries had "confronted" a complex economic environment. An environment where efforts to stimulate industrial expansion would become severely impacted and constrained by:

- Post-pandemic downturns and disruptions to the economy that cost South Africa close to an estimated R1 trillion in foregone economic output between 2020 and 2023
- Corruption and state capture which impacted already-strained State finances and capacity to manage and mitigate the effects of the pandemic
- A crisis in public infrastructure and related services, especially as relating to electricity generation and supply and to the operation of logistics services (rail and port).

Post-covid economic recovery would be battered by a series of national crises. These included serious civil unrest in July 2021, devastating flooding in KwaZulu-Natal in 2022, intensified electricity loadshedding from 2022 and an increasing number of rail and port bottlenecks in 2023.

It was inevitable that these debilitating social and infrastructural shocks would find expression in industrial activities being pursued by the SEZ sector and within the platforms of its operational SEZs. And the ELIDZ was not spared.

In the frank assessment stated in the ELIDZ Corporate Plan for 2024/25 the organisation had signalled that it contemplated that the five-year strategic term could well terminate with the entity facing its toughest operating conditions since project inception.

With the term now having run its course, section 2.3 of this Annual Report unpacks the performance results, both in respect to the outcomes of the concluding 2024/25 financial period as well as quantifying the effects upon the cumulative performance over the full Vision 2025 five-year term.

The analysis uncovers the unfortunate impacts that were extracted by way of the dampening of the rates of settlement of new investors and the curbing of the scale and pace in the construction of additional output and revenue-generating production facilities on the SEZ platform.

These developments would exact a disconcerting toll upon the ELIDZ's critical performances in growing and retaining SEZ employment levels – both in relation to the SEZ's construction activity and in the activation of the industrial operations of SEZ Enterprises.

## Continuity and Advancement Through Community

The negative economic, social and political climate would severely buffet the ELIDZ in the roll-out of its strategic plans and the pursuit and fuller demonstration of its carefully crafted theory of change.

The outworking of these factors was felt on the ELIDZ platform acutely as tenant industries came under various operational distresses and discontinuity pressures.

Enterprises were obliged to undergo downturns and production impediments related to disrupted supply chains, new, constrictive regulatory impositions, rising geopolitical trade tensions and the pre-occupation of policymakers with immediate and urgent public health and safety concerns.

These and other influencing factors had unfortunate consequences for the productive deployment of industry workforces and for the generation of employee livelihoods and support of household incomes welfare.

Circumstances necessitated that the ELIDZ draw deeply on its resources and ingenuity to mount concessions and support services to its industrialist community. These entailed some short-term rental relief measures in qualifying circumstances. Further interventions targeted specific industry support measures and business rescue assistance, including through market access and productivity enhancement interventions.

The organisation would be remiss if it did not use this Annual Report to acknowledge publicly its deep appreciation to its shareholder principals and to various other stakeholder partner institutions who enabled these industry support responses to be delivered. This includes both aid and assistances received in tenant industry financial relief support and in technical, advisory and other non-financial forms.

As the five-year term proceeded, it became clear that the strategic term would go down in memory for the occasion and necessity it presented for the SEZ operator to assert, hone and become proficient in its efforts to defend, protect and retain its existing industrialist base. And, in the process, safeguard as far as possible the much-prized employment that these industries create and sustain.

This would emerge to become a distinct and valuable feature of the SEZ and location value proposition (and social contribution). Its defensive and retentive value would increasingly come to be recognised to hold a significance and importance on par with the historic preoccupation of the ELIDZ with the initial targeting and attraction of new inward investment into the region.

Indeed, the turbulent 2025 strategic term would cement a learning that the best prospects for the SEZ and its host region to thrive and grow – irrespective of the prevailing social and economic climate – lies in the degree of sustained investment into, and closer and deeper forging of, community synergy, solidarity and collaborative partnerships.

## An Unwavering Appetite for Performance and Impact

Counterbalancing the sombre climate prevailing at the start of the five-year term, the organisation's Vision 2025 strategic programme nevertheless chose to remain faithful and stubbornly wedded to a bold and stretching growth-oriented strategy.

A strategy unapologetically emboldened by the unrevoked call placed on SEZs to pursue and make good on the extensive developmental ambitions of the South African SEZ programme. Ambitions as defined and scoped within the objects of the SEZ Act and in the socio-economic transformational objectives of the national SEZ Policy Statement as conceived more than a decade ago.

The East London IDZ's performance appetite entering the five-year term were indeed framed and fuelled by optimism that had been stirred by the earlier change-over to the broadened and strengthened SEZ programme regime. The ELIDZ's successful completion of its IDZ-SEZ transitional phase to secure its formal admission as an SEZ Programme participant had sparked hopes of new impetus and enablement to be forthcoming from the national sphere.

At the same time, Vision 2025 planning also attuned itself to respond explicitly and holistically to needs and aspirations emanating directly from home soil. This was premised on the dire need for the host province to move more decisively in addressing the overriding challenge of an economy that has struggled to industrialise rapidly enough to sustain the development, welfare and livelihood of its communities.

## Learning(s) as Pathway(s) to Growth

With these imperatives serving as its charter and compass, the Strategic Plan 2021-2025 set itself the following bold and overarching objectives:

- *Drive Industrial Development and Diversification*
- *Upgrade and Extend Regional Industrial Capabilities*
- *Upgrade Economic Enabling Infrastructure to improve ELIDZ's value proposition*
- *Leverage Broad-based Industrial Transformation and Impact*
- *Prioritise long-term project and organisational sustainability.*

Stated succinctly and phrased as broad objective statements, a casual reader may infer from the above that the broad-strokes developmental agenda of the company has been stabilised and consistently focused over recent successive strategic planning cycles. This, in one sense, is partly correct since successive planning cycles have upheld common theory of change reference principles.

And yet, at the same time, it is also obscurant of the deeper evolution of the organisation's affairs (with its maturing strategic desires and expanded mandate goals). Desires that, under the Vision 2025 campaign, sought to innovate, reinvent and significantly ratchet up industrial development intentions.

Specifically, three critical industrialisation outcomes were eyed:

- *Establishment of high-performing, competitive and resilient industries*
- *Facilitated enablement of technology-led innovation and industrial modernisation.*
- *Championing of sustainable operational efficiencies and global best practice*

A closer reading of the detailed programme accounts in this Annual Report reveals how and where the company took intentional and recalibrated steps from April 2021 to reimagine, extend, enhance and mainstream its efforts in the more aggressive pursuit of these outcomes.

The pursuit would be staged over three Vision 2025 planning time horizons to allow the organisation to give well considered and nuanced attention to each of the following:

**Horizon One:** Optimise delivery of the ELIDZ's core, property-based value offering

**Horizon Two:** Expand the market offering by graduating projects and services that had earlier been piloted and tested at smaller scale

**Horizon Three:** Research and test new, blue-sky revenue-generating business opportunities to buttress the company's progressive move towards financial self-sustainability.

Strategy execution agility and adaptation would also see new tactics emerge to 'flip' the company's gameplay in significant ways. This was done to mount a value offering that would seek to remain in step with the pressures and changing world that SEZ enterprises would come to face over the course of the five-year term.

As one noteworthy example, strategy execution would fundamentally re-think the formerly opportunistic merits of moving industrial sector development into the emerging renewable energy industrial sector space (encompassing, as it does, both renewable energy manufacturing and alternative energy generation).

Given the nature of the economic climate, business development efforts would reshape and recast the ELIDZ's drive for energy security as nothing less than a critical, high-priority industry sustainability imperative in and of itself, rather than merely as a coincidental aspect of emergent industrial sector development.

In similar manner, initiatives by the SEZ operator to model and introduce global best practices in areas such as environmental, social and governance would also be re-tuned, redirected and ramped up.

Likewise, initiatives to accelerate local industries' engagement with the transformational potentials of the digital and green economy by leveraging information communication and other rapidly emerging technologies taking hold under the fourth industrial revolution would also gain new stature, urgency and impetus.

Management scientists have long applauded the strong interplay between 'learning and growth' as a lever and pathway towards organisational resilience and performance excellence.

In the Vision 2025 term, as perhaps never before, the ELIDZ embraced this learning and growth paradigm with great vigour. It sought to elevate its strategy execution continuously, based on real-world contexts, experiences and the rapidly changing needs of the world of industry (and that of other SEZ-served communities).

## Beyond 2025 – Envisioning The Next Frontier

Reflecting on the 2021-2025 period – and with the passage of five eventful years now behind us – the ELIDZ sees close (and satisfying) parallels between its own maturing strategic ambitions and the planning now expressed in national government's Reimagined Industrial Strategy.

This strategy – together with the co-supporting policy positions and pledges of government – have set the contextual framework for industrial policy innovation moving forward as government enters the Seventh Administration. And in observing and wholeheartedly supporting this drive, the ELIDZ once again gains new wind in its sails as the next five-year cycle beckons.

At the close of the 2025 term, the ELIDZ's sharpened ambitions anticipate and seek to gear (and where necessary re-gear) the organisation to link hands with stakeholder partners more resolutely in driving to:

- *Assert an integrative developmental role for the SEZ within its host region, including in respect to the delivery of more comprehensive and better resourced initiatives in the advancement of industrial innovation, modernisation, technological change, productivity gain and skills development.*

- Promote a more comprehensive SEZ industry growth value proposition reflective of government's full SEZ Programme mandate and associated policy enablement pledges. This includes the pursuit of industrial value chain opportunities that stretch beyond the footprint of the SEZ precinct to unlock more inclusive development outcomes to the benefit of the communities of the host metro and province.
- Lobby for the resolution of gaps and inconsistencies in the SEZ sector legislation to improve clarity and certainty in the sector's legal and regulatory prescriptions and – critically – begin to address and resolve the binding constraints of under-funded public good mandates.
- Mobilise and secure the necessary enabling collaborations and implementation partnerships across the three spheres of State – and with the private sector – to catalyse and bring the SEZ sector's strategic industrialisation and transformation goals into fruition.
- Step up the drive to define and co-create with partners an industry ecosystem and institutional and business support environment that delivers efficiencies and drives down the cost of doing business from the region. A support system that will truly help SEZ enterprises to navigate future adverse operating conditions and to excel and prosper.

To one degree or another, every five-year planning cycle invariably terminates both with victories to celebrate and with elusive target outcomes that were disappointingly found to be delayed, reshaped or unmet. On balance, it is commendable that the ELIDZ has weathered the extraordinary past five-year term in both the offensive and defensive manner that it has done.

The ELIDZ closes the term uncowed and enriched with learnings and insights into how the coming Vision 2030 strategic cycle will undoubtedly present exciting new vistas of both challenge and opportunity.



Motse Mfuleni

Board Chairperson  
Accounting Authority



*In the Vision 2025 term, as perhaps never before, the ELIDZ embraced this learning and growth paradigm with great vigour. It sought to elevate its strategy execution continuously, based on real-world contexts, experiences and the rapidly changing needs of the world of industry (and that of other SEZ-served communities).*





# CHIEF EXECUTIVE OFFICER'S OVERVIEW

**Tembela Zweni**

*ELIDZ Chief Executive Officer*

## 1.4.1. Financial Review of the Entity

The ELIDZ commenced the 2024/25 financial period with an approved operating budget of R475.9 million. This was revised to R462.2 million after the organisation noted that it would be unable to achieve its yearly utilities revenue target. This occurred due to lower utilities consumption by zone enterprises, largely as result of a reduction in production volumes by the automotive sector.

The bulk of the operating budget (64%) was allocated to the ELIDZ's core operations where it was used to fund the maintenance of facilities, the management of the ELIDZ's property portfolio and the operations of the Science and Technology Park (STP). The remaining 36% was allocated to fund the entity's institutional support and administration programmes.

The ELIDZ's operating budget was derived from two main sources, namely the Department of Economic Development's (DEDEAT) public entity grant and income generated from the company's own operations. The key contributions to income from own operations were property lease income, utilities income and income from other services, including ICT, the STP Laboratory and the Canteen and Conferencing Centre.

One investor was operationalised during the year and this contributed to an increase in the rental revenue for the year. This logistics sector investor also served to expand the number of SEZ enterprises serving the automotive industry.

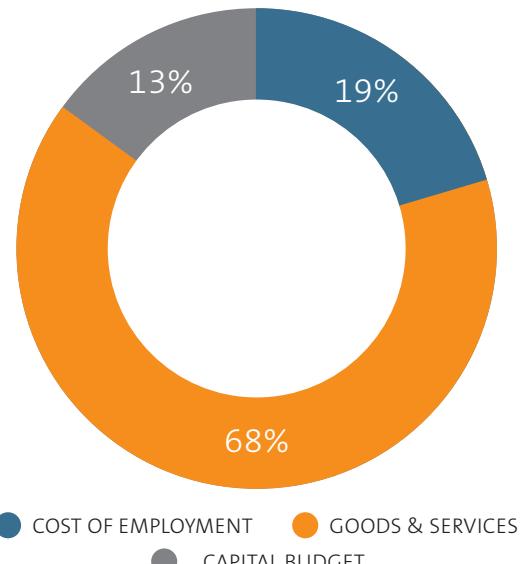
A capital budget of R566.5 million was approved and it was increased to R584.7 million upon the approval of rollover funds from Provincial Treasury.

In February 2025, the capital expenditure budget was subsequently reduced to R72.1 million mainly due to delays in securing funding for the Solar Rooftop & Battery Storage Project and approvals for the Bulk Electricity Project.

Of the R72.1 million, R53.9 million was allocated to projects that had commenced during the 2024/25 financial year. The remaining R18.2 million was allocated to finalising capital projects that had commenced in the 2023/24 financial year but still needed to reach final completion during the year under review.

To the left is a graph that shows the final split of expenditure by economic classification for the year:

ADJUSTED BUDGET BREAKDOWN PER ECONOMIC CLASSIFICATION 2024/25



# 1.4

## 1.4.2. Expenditure and Income Trends

As at the end of the 2024/25 financial year, the ELIDZ had spent 100% of its total operational budget.

Cost of employment remained underspent due to delays in filling vacancies that were budgeted for. These delays were precautionary in nature as the ELIDZ has been closely monitoring the automotive sector supply chain challenges since such events could give rise to reduced revenue collection.

Expenditure on goods and services was slightly over budget, mainly due to the incurring of costs for laboratory consumables as used for compliance purposes and expenditure on laboratory equipment replacement. In addition, the ELIDZ is still being investigated by the SIU and the cost of the investigation is borne by the company.

The balance of R143 million was expended mainly on implementation projects which had been approved by the dtic's SEZ Fund and the DEDEAT Stimulus Fund in the prior year. These projects were implemented and partly finalised during the 2024/25 financial year.

The budget had to be revised to R72.1 million during the year as two projects that were to have started in the 2024/25 period did not commence. One of these related to the Solar Rooftop project (costed at R441 million) where the ELIDZ was unsuccessful in its funding application to the Budget Facility for Infrastructure (BFI) Fund. The project will now be resubmitted for funding in the 2025/26 financial year.

The second affected project was the Bulk Electrical Upgrade project which had to be readvertised as there were no qualifying bidders who responded to the initial tender advertisement. The projects have been budgeted in the 2025/26 financial year.

Project	FY2024/25 Budget	FY2024/25 Revised Budget	Actual FY2024/25 March YTD	Variance	Comments	Funding Status
<b>Data Centre Equipment</b>	R 26 000 000	R 23 600 000	R 19 870 001	R 3 729 999	Accreditation (R2.9m) to be rolled over to FY25/26. Final delivery of equipment (R840k) expected in April 2025.	DEDEAT funded R21.7m (excl. VAT)
<b>Manufacturing Incubator</b>	R 14 000 000	R 14 000 000	R 7 856 078	R 6 143 922	Unit 6 construction has been completed. Contractor close-out report received.	ECDC Funded 100%
<b>Electrical Upgrade Project</b>	R 39 529 055	R -	R -	R -	The tender will be advertised again by end of April 2025 as there were no suitable bidders. The project will be carried over into 2025/26 FY.	DTIC Funded 100%
<b>Wireless Cameras</b>	R 950 000	R 950 000	R -	R 950 000	Project cancelled in FY2024/25.	ELIDZ own revenue funded
<b>ERP Upgrade</b>	R 5 500 000	R 2 000 000	R -	R 2 000 000	Phase 2 to be rolled over to FY2025/26. Support and Maintenance to continue till October 2027.	ELIDZ own revenue funded
<b>Renewals Fund</b>	R 20 600 000	R -	R -	R -		Asset renewal fund approved by DEDEAT
<b>Airconditioning system upgrade</b>	R 13 403 104	R 10 796 877	R 10 664 985	R 131 892	Project completed. Close-out report received.	Part of ELIDZ Renewals Fund
<b>ASIB Remedial Works-Construction</b>	R 5 526 753	R 2 606 227	R 1 646 079	R 960 148	Project in progress. R1.6m spent as at Q4 2024/25.	Part of ELIDZ Renewals Fund
<b>Total: Funded Projects</b>	<b>R 125 508 912</b>	<b>R 53 953 104</b>	<b>R 40 037 143</b>	<b>R 13 915 961</b>		
<b>Solar Rooftop &amp; Battery Storage Facility</b>	R 441 075 250	R -	R -	R -	BFI Funding application submitted in May 2024 not approved. Project will be postponed until funding is secured.	Not yet funded
<b>Total: Non-funded Projects</b>	<b>R 441 075 250</b>		<b>R -</b>	<b>R -</b>		

# 1.4

Project	FY2024/25 Budget	FY2024/25 Revised Budget	Actual FY2024/25 March YTD	Variance	Comments	Funding Status
<b>Approved Budget (excl. Rollover Funds)</b>	<b>R 566 584 162</b>	<b>R 53 953 104</b>	<b>R 40 037 143</b>	<b>R 13 915 961</b>		
<b>Manufacturing Incubator Construction</b>	R 5 436 148	R 5 436 148	R 5 436 148	R -	Units 1-5 construction have reached 100% practical completion.	DTIC Rollover
<b>Data Centre Construction</b>	R 9 091 640	R 9 091 640	R 5 282 856	R 3 808 784	Close out stage in progress. Final consignment and final invoice expected before 31/03.	DEDEAT Rollover
<b>Zone 1D Entrance</b>	R 182 495	R 146 043	R 162 270	-R 16 227	Project completed.	Own-revenue funded rollover
<b>Parameter Fencing</b>	R 696 000	R 696 000	R 696 500	-R 500	Project completed.	Own-revenue funded rollover
<b>Network Upgrade Phase 2</b>	R 342 865	R 333 397	R 333 397	R -	Project completed. Awaiting to sign the project closeout report and receive the final invoice.	Own-revenue funded rollover
<b>Minor Works (Yekani/TI/STP Parking)</b>	R 2 462 073	R 2 459 566	R 2 459 566	R -	78% practical completion. Expected final completion : January 2025	Own-revenue funded rollover
<b>Total: Rollover Projects</b>	<b>R 18 211 221</b>	<b>R 18 162 795</b>	<b>R 14 370 738</b>	<b>R 3 792 057</b>		
<b>Grand Total (incl. rollover funds)</b>	<b>R 584 795 383</b>	<b>R 72 115 899</b>	<b>R 54 407 881</b>	<b>R 17 708 018</b>		

The closing balances of capital projects that were still under implementation as at the end of the 2024/25 financial period have been rolled over to 2025/26.

## 1.4.3. Capacity and Funding Constraints

In the development of the entity's five-year strategic plans for the 2026-2030 term, a risk was identified concerning an inability to resource the company's strategic intents fully since the fiscus is facing significant constraints. Certain high impact projects that the ELIDZ wishes to implement as part of its Vision 2030 strategy execution exhibit particular funding challenges and are further discussed below.

### Solar Rooftop Project

In a drive to improve energy security for SEZ enterprises, the SEZ wishes to invest R500 million into solar panels and battery storage installations. The company is working to resource this by seeking to attract blended funding drawn from both the fiscus and from the private sector.

### Development of the Golf Course into mixed use property

Vision 2030 is also seeking to equip the ELIDZ to step into new business opportunities to grow the company's own revenue generation capacity and so underpin the sustainability of the SEZ. Included in this drive is a desire to more strongly leverage the assets within the SEZ's property portfolio.

The company is seeking R6.4 billion to resource a property development that will see its Zone 1E (former golf course) converted into a mixed-use property development. Phase one is budgeted at R2.2 billion, phase two needs R2.8 billion and the final phase requires R0.98 billion. In view of current state of the fiscus, the ELIDZ is working with stakeholders in a bid to excite commercial interest and unlock private sector funding.

### Funding other non-designated land and properties

The ELIDZ property portfolio consists of some properties that have been formally SEZ-designated along with other nodes that hold

potential for alternative development as non SEZ-designated land stock. The latter properties are currently not eligible to draw funding from the national SEZ Fund. Additional grant funding to fund the maintenance and revamping of these properties is, however, being sought as part of the ELIDZ's capital projects fund-raising programme.

### Factory Flats

A revised mandate and mission adopted for the Vision 2030 strategic term places emphasis on the ELIDZ's role in mobilising its stakeholder community in a campaign to deliver an innovation-oriented industrial support ecosystem in the region where industry can thrive and where the competitiveness of the Eastern Cape can be strengthened.

An important aspect of this mission calls for the ELIDZ to step up its investment into enterprise development initiatives to grow the SMME sector's stature and contribution to the local and regional economy. Towards this end, the SEZ wishes to build factory flats as facilities designed to serve as a launching pad for emerging industrialists. Fund raising for the project has been activated, but to date no funders have been secured. Funders are unlikely to come on board until there are enough letters of intent from prospective occupants of the factory flats.

## 1.4.4 Request for Roll-over of Funds

Several projects that were funded by the province and the dtic continued as projects in progress at the close of the financial year. To finalise these projects, the ELIDZ has applied for a rollover of funds in respect of monies that were committed at year end but not utilised. The table below shows the projects that remained with funds that needed to be rolled over to the 2025/26 period:

Description	Amount
DEDEAT Projects	6,502,143
STP Projects	1,157,956
Dtic Projects	118,981,477
Grand Total	126,641,576

## 1.4.5. Supply Chain Management

As at the close of the 2024/25 financial period, the ELIDZ's supply chain management had awarded 40 contracts to the value of R 238 727 821.

The bulk of these awarded contracts were initiated by the Operations Department. These contracts were awarded in accordance with the entity's 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 the period under review:

BEE Target	SMEs Target	Black Woman Target
90%	30%	12%
Actual Achieved		
<b>134.35%</b>	<b>56.65%</b>	<b>11.09%</b>

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:

Preferential and specific goals shall be as per below may include:

- Historically disadvantaged individuals' companies (51% Black owned)
- Women (51% Black Women Owned) companies
- Persons with 51% disability owned companies
- SMMEs
- Service providers located in Eastern Cape Province
- Youth
- Any other RDP goal or preference points in favor of historically disadvantaged individuals may be added

## 1.4.6. Audit Report Matters

In 2024/25 financial year the ELIDZ received a clean audit opinion from the Auditor General of South Africa. This was the tenth consecutive clean audit for the company and is a clear indication of the maintenance of strong controls and best practice governance principles by the entity.

## 1.4.7. Economic Viability

Operating as a government business enterprise, the ELIDZ continues to prioritise the growth of its revenue from own operations to reduce and eliminate the business's reliance on provincial grant funding

over the longer term. This is, however, influenced by various factors including the zone's ability to attract investors, the availability of funding for the development of investment property facilities and the liquidity of investors establishing on the ELIDZ platform.

Since 2020/21, the ELIDZ has increased its revenue generation capability by 54% and continues to improve the own generated revenue cover of its operational budget. In the 2024/25 period, the company was able to grow its own generated revenue by 5% year-on-year.

Year	2025	2024	2023	% Change (2025 vs 2024)
Rentals	177,480,245	167,136,587	159,066,876	6%
Utilities	173,297,818	166,427,942	140,990,965	4%
<b>Total</b>	<b>350,778,063</b>	<b>333,564,529</b>	<b>300,057,841</b>	<b>5%</b>

## Conclusion

Over the past 10 years the ELIDZ has been successful in attracting an annual average of five new investors onto its platform. This is evidence of the appeal and competitiveness of the company's value proposition and has been achieved despite the growing competition from new SEZ entrants. This performance momentum would not be possible without the enabling of the ELIDZ's stakeholder principals such as the DEDEAT, the dtic and the BCMM who continue to play 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. In return, four new investments were secured, there was a notable increase in the industrial turnover of zone enterprises and there was noteworthy growth in export-oriented production. These are critical outcomes for the SEZ and are fundamental in contributing towards a more competitive and prosperous regional economy.

The ELIDZ remains committed to its mandate of being a catalyst for economic development both within the zone platform and in the wider region. It remains committed to initiatives that will serve to change the lives and futures of the citizens and communities in the SEZ host region and in securing broadened economic participation for all.



**Tembela Zweni**  
CEO: East London IDZ



**This was the tenth consecutive clean audit for the company...**



# 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 AFS audited by the AGSA.

The annual report is complete, accurate and 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, performance information, human resources information and the financial affairs of the public entity for the financial year ended 31 March 2025.

Yours faithfully



.....  
**Tembela Zweni**  
Chief Executive Officer



.....  
**Motse Mfuleni**  
Chairperson of the Board

# STRATEGIC OVERVIEW

## 1.6.1 Vision

The ELIDZ vision, refined at the beginning of 2025 - 2030 contemplates a more expansive and integrative developmental role for the SEZ within its host region. The vision statement is as follows:



## 1.6.2 Mission

ELIDZ's Mission was revised in 2025 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:



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.



## VISION

***A globally recognised hub of innovative industries and technologies that***

- transform the Eastern Cape industrial base and
- drive the sustainable development of enterprises and communities

## MISSION

***To attract and sustain investment activities that grow the region's industrial productivity through:***

- the operation of a world-class investment location and the optimisation of a supportive innovative ecosystem.

## 1.6.3 Corporate Values

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

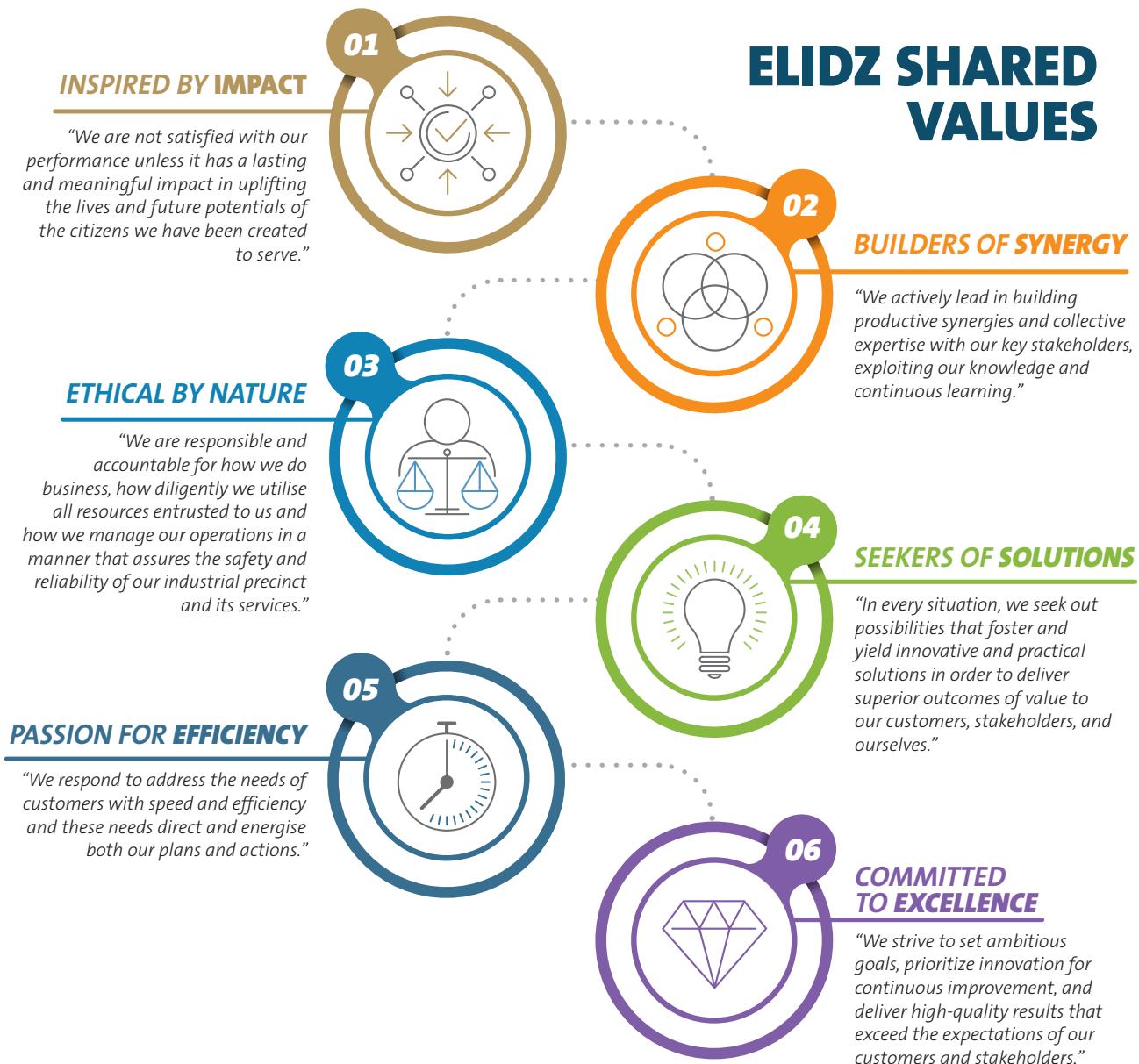
This change has also been done in acknowledgement of internal and external feedback that have emphasised and uplifted certain values that were not directly voiced in the corporate values that were in place for the closing five-year term. These include:

- the entity's orientation and sensitivity to demonstrate a real and meaningful developmental impact; and
- a recognition that accountability and trustworthiness as a public organisation forms an integral part of the culture of the ELIDZ and is prized as a strength of the SEZ project and its project implementation team.

The revised corporate values are shown below and are to be factored into ongoing work to actively strengthen and grow a winning culture within the organisation:

### 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 decisions, prioritise and plan strategies and interact** with each other (and with stakeholder partners).*



# 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 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:



Figure 2- Provincial Development planning alignment



# ORGANISATIONAL STRUCTURE

## CHIEF EXECUTIVE OFFICER

MANAGER: OFFICE OF THE CEO						CHIEF FINANCIAL OFFICER					
OFFICE OF THE CHIEF EXECUTIVE OFFICER						FINANCIAL MANAGEMENT					
Functional Area	EM	MG	SP	AS	T	Functional Area	EM	MG	SP	AS	T
Office of the CEO	1	1	1	1	4	Financial Management	1	-	-	1	3
Company Secretarial Support	-	-	1	-	1	Financial Control & Reporting	-	-	1	2	3
Corporate Strategy and Planning	-	-	1	-	1	Financial Management, Reporting & Administration	-	-	1	2	3
Project Portfolio Management	-	1	-	-	1	Management & Cost Accounting	-	1	1	-	2
Assurance	-	-	1	-	1	Supply Chain Management	-	1	3	-	4
<b>Total Filled Positions</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>8</b>	<b>Total Filled Positions</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>5</b>	<b>15</b>
Performance Monitoring	-	-	1	-	1	Financial Management	-	-	-	1	1
<b>Total Vacant Positions</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>Total Vacant Positions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Total Positions</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>9</b>	<b>Total Positions</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>16</b>
CHIEF OPERATIONS OFFICER						EXECUTIVE MANAGER: CORPORATE AFFAIRS					
OPERATIONS						CORPORATE AFFAIRS					
Functional Area	EM	MG	SP	AS	T	Functional Area	EM	MG	SP	AS	T
Zone Operations	-	-	-	3	3	Corporate Affairs	1	-	-	2	3
Sector Development & Investment Promotion	-	1	3	-	4	Human Capital	-	1	4	-	5
Project Management & Coordination	-	1	3	-	4	Legal Services	-	-	1	-	1
Property Portfolio Management	-	1	-	1	2	Marketing & Corporate Communications	-	-	3	1	4
Maintenance & Facilities Management	-	1	4	1	6	Information Communication & Technology Management	-	1	5	-	6
Investor Support Services Management	-	1	4	1	6	Safety, Health & Environmental Management	-	1	3	1	5
Science & Technology Park	-	1	1	2	4	Records Management	-	1	1	1	3
Laboratory	-	-	8	2	10	<b>Total Filled Positions</b>	<b>1</b>	<b>4</b>	<b>17</b>	<b>5</b>	<b>27</b>
<b>Total Filled Positions</b>	<b>-</b>	<b>6</b>	<b>23</b>	<b>10</b>	<b>39</b>	Legal Services	-	1	-	-	1
Zone Operations	1	-	-	-	1	Marketing & Corporate Communications	-	1	-	-	1
Sector Development & Investment Promotion	-	1	1	-	2	Information Communication & Technology Management	-	-	1	-	1
Maintenance & Facilities Management	-	-	2	-	2	<b>Total Vacant Positions</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>3</b>
<b>Total Vacant Positions</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>5</b>	<b>Total Positions</b>	<b>1</b>	<b>6</b>	<b>17</b>	<b>5</b>	<b>30</b>
<b>Total Positions</b>	<b>1</b>	<b>7</b>	<b>26</b>	<b>10</b>	<b>44</b>						

EM: Executive Manager

MG: Management

SP: Specialist

AS: Admin / Support

T: Total





**PART B:**

# **PERFORMANCE INFORMATION**

# AUDITOR-GENERAL'S REPORT

for the year ended  
31 March 2025

## 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

- I have audited the financial statements of the East London Industrial Development Zone SOC Ltd (ELIDZ) set out on pages xx to xx, which comprise the statement of financial position as at 31 March 2025, 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.
- In my opinion, the financial statements present fairly, in all material respects, the financial position of the ELIDZ as at 31 March 2025 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

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

#### Emphasis of matter

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

#### Debt impairment and bad debts written off

- As disclosed in note 25 to the financial statements, current year contributions to debt impairment and bad debts written off are R11.9 million and R18 million respectively.

#### Irregular expenditure

- As disclosed in note 40 to the financial statements, irregular expenditure of R24.6 million was incurred due to non-compliance with the PFMA, CIDB and Treasury regulations.

#### Responsibilities of the accounting authority for the financial statements

- 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.
- 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

11. My objectives are to obtain reasonable assurance about whether 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.
12. 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 page 26 to 31, forms part of my auditor's report.

### Report on the annual performance report

13. 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.
14. I selected the following material performance indicators related to programme 1 - operations presented in the annual performance report for the year ended 31 March 2025. 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.
  - Number of skills beneficiaries trained
  - Number of new investors attracted
  - Number of new investors operationalised
  - Number of economic enabling construction project implemented
  - Annual percentage increase in constructed tenant facilities (sqms)
  - Number of new technologies localised in targeted industries
  - Number of new innovations commercialised
  - Number of prototypes developed
  - Percentage growth in export-oriented production by SEZ enterprises
  - Percentage growth in industrial turnovers of zone enterprises
  - Number of construction jobs created
  - Number of active manufacturing and services jobs
  - Value of new private sector investment secured
15. 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.
16. 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 is 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.
17. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

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

## Other matter

19. I draw attention to the matters below.

### Achievement of planned targets

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

21. The table that follows provide information on the achievement of planned targets and lists the key 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 38 to 45.

### Programme 1 – Operations

<p><i>Targets achieved: 77,77%</i> <i>Budget spent: 100%</i></p>		
<b>Key indicator not achieved</b>	<b>Planned target</b>	<b>Reported achievement</b>
Number of active manufacturing and services	6 000	5 409
Number of construction jobs created	600	218
Annual percentage increase in constructed tenant facilities	4%	0,80%
Number of new investors operationalised	3	1

### Report on compliance with legislation

22. 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.

23. 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.

24. 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.

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

### Other information in the annual report

26. 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. 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.

27. My opinion on the financial statements and my reports on the audit of the annual performance report and 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.

28. 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.

29. 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**

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

**Other reports**

32. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on financial statements or my findings on the reported performance information or compliance with legislation.
33. An independent investigator (Special Investigating Unit) was investigating allegations of corruption and maladministration at the public entity, covering the period 1 January 2011 to the date of publication of the presidential proclamation. The investigation was initiated following a proclamation signed by the President of the Republic of South Africa during the 2021 financial year. The investigation was still in progress at the date of this auditor's report.

*Auditor-General*

East London  
30 July 2025



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 [consolidated and separate] 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 No. 1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 66(3)(d); 66(5); 67
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); 32.1.1(c); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
Second Amendment to National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Paragraph 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Paragraph 4.1; 4.2, 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

# SITUATIONAL ANALYSIS

## 2.2.1. External Environment Analysis

Key to the role of the ELIDZ is the attraction and retention of investment that will increase and grow the industrial output of the Eastern Cape province and create positive socio-economic benefit for all citizens. There are several external factors that impact on the ELIDZ's ability to achieve this mandate and key to these factors is the state of the global economy especially as it relates to global investment flows. These include trends in the global investment environment; political, economic social, technological legal and environmental factors (PESTLE) and coming closer to home , the status of the South African SEZ programme.

### Investment Trends

The global environment for international investment remains challenging in 2024. Weakening growth prospects, economic fracturing trends, trade and geopolitical tensions, industrial policies and supply chain diversification are causing some multinational enterprises (MNEs) to adopt a cautious approach to overseas expansion.

Global foreign direct investment (FDI) in 2023 decreased marginally, by 2 per cent, to \$1.3 trillion. This headline figure was affected by wild swings in financial flows through a small number of European conduit economies and if these factors were excluded, global FDI flows were more than 10 per cent lower than in 2022. FDI flows to developing countries fell by 7 per cent to \$867 billion, mainly due to an 8 per cent decrease in developing Asia. Flows fell by 3 per cent in Africa and by 1 per cent in Latin America and the Caribbean. The number of international project finance deals fell by a quarter. Greenfield project announcements in developing countries increased by more than 1,000, but these projects were highly concentrated; South-East Asia accounted for almost half, West Asia for a quarter and Africa registered a small increase, while Latin America and the Caribbean attracted fewer projects.

The limited FDI stock and challenging investment climate saw countries employing different investment policies to attract and retain foreign direct investment. While developed countries seem to have employed more restrictive country investment policies to address national security concerns , developing countries have, in the last year observed more favourable investment policies.

Key to these developments were the following:

#### i. A focus on investment facilitation measures and incentives

Investment facilitation measures and incentives remained the primary components of investment attraction initiatives in developed and developing countries. The importance of incentives has increased in the last five years; incentives now equate to a third of investment measures employed by FDI seeking countries. Investment incentive measures encompass tax and financial incentives, including incentives related to special economic zones, infrastructure facilities or visa and work permits (e.g. citizenship-by-investment programmes). Sector specific incentives aimed at promoting investment in the services sector, manufacturing and agriculture value addition and push for renewable energy investment have also been prioritised.

#### ii. FDI entry restrictions

FDI entry restrictions represented most of the measures less favourable to investors over the last decade. These primarily involved:

- the adoption of investment screening mechanisms in developed regions, especially Europe. restrictions on foreign ownership of land and limitations on foreign investment in strategic sectors (e.g. financial services, mining, media or transport).
- removal or reduction of investment incentives

#### iii. Outward foreign domestic investment (OFDI)

OFDI promotion and facilitation policies have been a significant component of economic strategies of developed countries for several decades. At least 31 of them (79 per cent of the total tracked) have adopted initiatives to promote outbound investment. Support for companies that are investing abroad typically serves two main objectives:

- the development and internationalization of domestic businesses, particularly small and medium-sized enterprises (SMEs),
- the promotion of international cooperation and development efforts.

The number of developing countries that have adopted OFDI promotion mechanisms has expanded in line with their expanding role as sources of investment. At least 19 developing countries (14 per cent) have established formal mechanisms to promote OFDI, including 11 countries in Asia, 6 in Africa, and 2 in Latin America and the Caribbean

## 2.2.2. PESTLE Analysis

### POLITICAL FACTORS

The outcome of the recent US elections is proving likely to be a key development over-shadowing the investment outlook and export prospects for the SEZ programme and its implementation projects in the short to medium term. The incoming Trump administration is expected to bring a mix of challenges and opportunities for US-South Africa relations. Overall, however, the sentiment around relations is considered likely to be subdued and cautious in nature, rather than overly cordial.

In navigating these shifts, South Africa may feel it necessary to counter in seeking to be seen to invest in and strengthen its ties within BRICS (Brazil, Russia, India, China, and South Africa) and other international alliances to mitigate any potential negative impacts from shifts in US policy. South Africa's involvement in BRICS could be impacted by the US's stance on the Russia-Ukraine conflict. The Trump administration's approach to Russia has been notably different from the outgoing democratic administration, often seeking a more conciliatory tone.

South Africa's stance on other diplomatic issues such as the Middle East Conflict and South Africa's human rights advocacy regarding the Palestinian issue could further create political tensions. On the home front, Observers initially showed hesitation over domestic politics in the run up to SA's national elections but there have subsequently been some positive hopes over the formation of the Government of National Unity (GNU) despite ongoing stability concerns.

### ECONOMIC CONDITIONS

The African Growth and Opportunity Act (AGOA) has been a cornerstone of US-Africa trade relations, providing duty-free access to the US market for qualifying African countries. However, Trump's previous administration showed scepticism towards multilateral trade frameworks, and this could mean a shift towards more bilateral agreements with possible market sentiment effects. A more aggressive stance towards Russia and China by the current political administration could further complicate South Africa's diplomatic balancing act within BRICS and its ties with other nations.

Protectionist trade policies may affect the country's economic performance – these include Steel and aluminium tariffs imposed by the US, disputes over imports of agricultural products into the country, Intellectual property laws contestation by US and impact of any AGOA changes on the SA auto sector. Quality of Infrastructure: Adequate infrastructure in transportation, energy, and telecommunications is crucial for industrial development and attracting FDI. Despite the acknowledgement of the importance of these levers of development SA has put in a poor showing in respect to assuring energy security, effective municipal services delivery and sound public sector governance. Reduced competitiveness of SA as an investment destination (infrastructure, incentives, cost of doing business, labour regulations).

### SOCIO-CULTURAL FACTORS

Inequality and the push for redistribution (Potential of further wave of social unrest) impact on investor confidence. The availability of skilled labour is another key factor for investors. Addressing skills shortages, particularly in sectors like engineering, IT and R&D, is seen as being critically important and SA is seriously at risk in lagging behind competitor countries in Africa and elsewhere. Stable labour relations and minimizing industrial unrest are likewise perceived as being able to create a more favourable investment climate but SA does not retain a strong or persuasive track record. Poor Service delivery and erosion of state infrastructure and corruption continue to be causes for concern.

### TECHNOLOGICAL FACTORS

Electric Vehicles (EVs): The global shift towards electric vehicles presents both a challenge and an opportunity. South Africa needs to invest in EV technology to remain competitive, but this will require significant capital and expertise, decisive government enablement and support and the cultivation of public-private collaborations. Increase in cyber-security threats including increasing sophistication of attacks on IT security and data. The positive potential of the rise of 'big data', predictive analytics, artificial intelligence as well as intelligent forecasting and reporting tools.

### LEGAL AND REGULATORY FACTORS

- Profit expatriation laws and regimes impact on investment attraction
- Complex new tax rules
- The new Spatial Industrial development Strategy biasness towards the District Development Model (DDM).

### ENVIRONMENTAL FACTORS

- Limitations around the East London port depth
- Increased environmental consciousness in respect of sustainable developments and investments.
- Increasing resource scarcity of water and electricity.

### 2.2.3. Finalisation of national SEZ programme strategy

The South African special economic zones programme's foundational SEZ Policy statement -- issued as far back as 2012 -- envisaged the development and operation of a comprehensive SEZ industrial support programme. This was to operate as a central pillar of a much stronger zones value proposition than had been activated or realised under the former Industrial Development Zones implementation regime.

Zone operating entities have been disappointed that this vision of a complete and robust industrial support system, along with its policy-enabling tools, has not been advanced more vigorously by government. Some comfort is taken, however, in seeing that the Department of Trade, Industry and Competition (the Dtic) is now moving to reviewing the Industrial Development Strategy and it is expected that this will enhance the industrial development tools and capacity of programmes such as

SEZ Operators recognise that the realisation of an optimal ecosystem is a complex undertaking, unavoidably long-term in its very nature and that it pivots upon an extensive set of inter-governmental collaborations and policy and operational alignments that still need to be secured across a vast field of public institutional actors especially with respect to tools such as innovation support and skills development facilitation which are critical enablers for the attraction of innovative and resilient industries.

Government's renewed focus and efforts for the SEZ regime to better co-ordinate and support technology enhancement, industrial research and development, innovation and skills development, among other areas vital to a higher-performing industrial economy. All these pledged interventions hold great significance for the ELIDZ's further growth and extended developmental impact within its region, where its science and technology park has already made initial inroads in the areas of stimulating and supporting technology, innovation and skills development.

ELIDZ appreciates that the national programme is committing to the resolution of gaps and inconsistencies in the SEZ sector legislation. It is also supportive of the delivery of a broader value proposition for SEZs, which includes an industrial ecosystem capability that offers targeted investors higher value-adding facilities and more streamlined services. Much of the impact of this for the coming five-year term will, however, be dependent on:

- how extensively government can promote a compelling SEZ vision and mobilise and secure the necessary collaborations across its three spheres.

- how comprehensive and market-relevant the package of expanded industry support elements is developed to be; and
- how swiftly good intents are brought into reality at SEZ operational site level and begin to produce the desired outcomes of an increased attractiveness of SEZ locations for private sector investment.

### 2.2.4. Chasing Vision 2025 - Finishing Strong

In seeking to grow into a more expansive role, ELIDZ's Vision 2025 sought so 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 sought to arm the business to manage current performance while maximising future opportunities for growth. It further sought 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 was 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.

As the organisation finished its five year strategic term – meaningful strides had been made in realising this three horizon plan.

#### **HORIZON 1:**

The ELIDZ has succeeded in extending and improving the initiatives under horizon 1 and this is evident in the growth in investment, revenue, impact and the zone's footprint. All the services under Horizon 2 have now been mainstreamed as part of the ELIDZ's offering and there has been notable growth in revenue from these services (see KPI performance).

#### **HORIZON 2:**

The ELIDZ has undertaken several sector value chain studies which has led to the identification of innovation opportunities. The manufacturing incubator will be operational by end of 2025 with at least 10 incubates being supported.

#### **HORIZON 3:**

Alternative energy, smart city and mixed development project are currently at different stage of implementation – all three of these initiatives will require the operationalisation of the ELIDZ SPV which will enable fundraising beyond the traditional government funding sources.

	HORIZON 1	HORIZON 2	HORIZON 3
STRATEGIC INTENT	EXTEND AND IMPROVE <i>(fully implemented)</i>	NURTURE AND GROW <i>(fully implemented)</i>	TEST AND EXPLORE <i>(fully implemented)</i>
<b>Characteristic</b>	<ul style="list-style-type: none"> <li>• Property-based offering with provision of serviced tenant facilities for targeted manufacturing, international tradable services and related zone support industries.</li> <li>• Zone Services (existing mandatory)</li> </ul>	<ul style="list-style-type: none"> <li>• Office tenants</li> <li>• STP Water and Food Testing Laboratory</li> <li>• Innovation Support Services (Design Centre, Prototype, Incubation and Skills Development)</li> <li>• ELIDZ Value Added Zone Services</li> <li>• Existing ICT Services</li> </ul>	<ul style="list-style-type: none"> <li>• STP Sector Research Services</li> <li>• ELIDZ Industry Incubator Facility</li> <li>• ICT Data Centre and other 4IR services</li> <li>• Alternative Energy Generation</li> <li>• ELIDZ Smart City (green and smart city)</li> <li>• ELIDZ Mixed Development</li> </ul>
<b>Returns</b>	Will generate results within the first year of the 5 year cycle. Will result in accumulated impact by the end of the 5 year cycle	Could generate substantial returns but still requires considerable investment	Requires some investment from the company, high risk. Potential of failure

# 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 Progress on Vision 2025

Despite the adverse impact of Covid 19 and the downturn in the automotive sector, the ELIDZ has done well in its attraction and operationalisation of strategic investments in the automotive, renewable energy, agro-processing and advance manufacturing sectors. Similarly, the ELIDZ's Science and Technology Park has continued with harnessing and incubating local manufacturers and technology start-up that want to take advantages of new opportunities in the various sector value chains. There has also been mainstreaming of the ELIDZ's skills development initiatives, and this has increased the socio-economic impact of the zone. While there has been notable progress in the creation of jobs in the first four years of the 5 year cycle, this has been affected by the downturn in the auto sector; the delayed funding of critical projects such as the data centre and BPO facility. Having said that the completion of the construction of the ELIDZ Data Centre has already started attracting strategic ICT players into the zone and the completion of the manufacturing incubator will be critical in developing home-grown manufacturers in our strategic sectors. The below performance report is an illustration of the strides that have been made by the ELIDZ to finish this 5 year cycle strong.



# 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.

## Programming

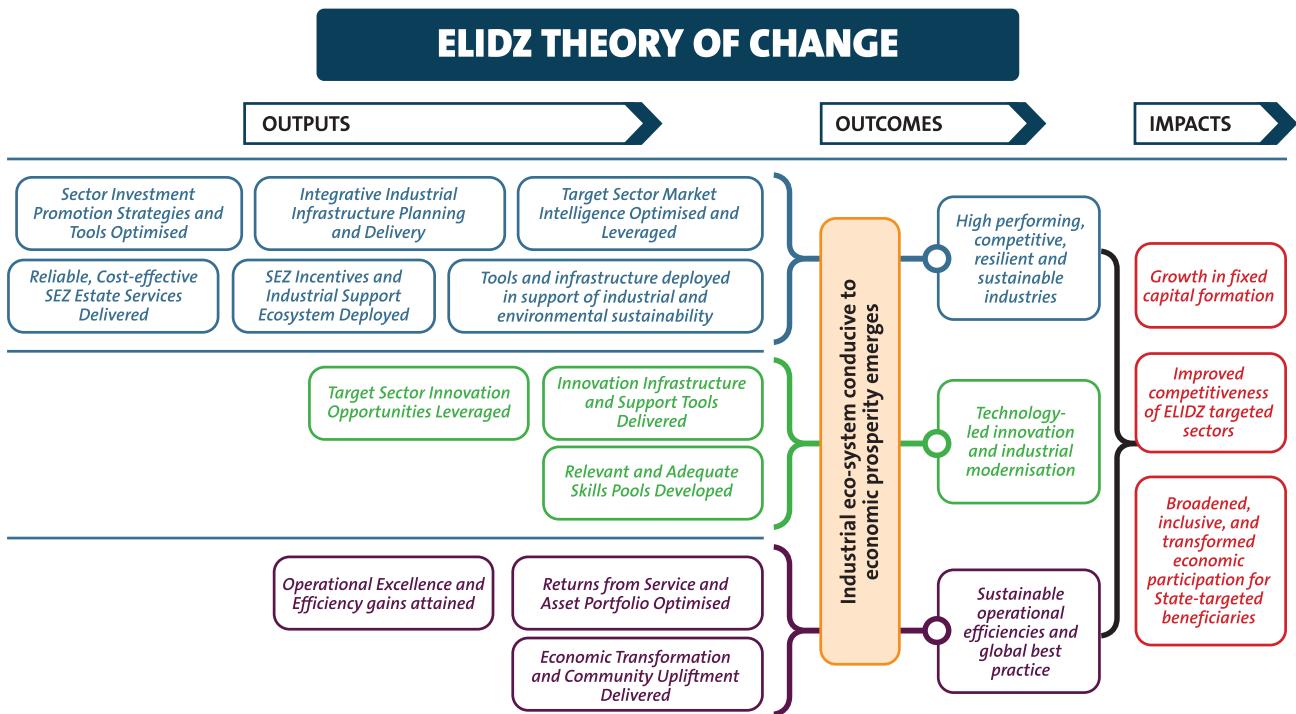
The programming is constituted to respond to the broad purpose and legislative and policy mandating of the SEZ programme and each of the programme areas is underpinned by sub-programme elements as indicated below:

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

PROGRAMME	PROGRAMME OUTPUTS
<b>Programme 2: Institutional Support</b>	<i>Operational Excellence and Efficiency gains attained.</i>
<b>Sub-programmes:</b>	<i>Returns from Services and Asset Portfolio Optimised</i>
	<i>Economic Transformation and Community Upliftment Delivered</i>

## 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.



# PROGRAMME **PERFORMANCE INFORMATION**

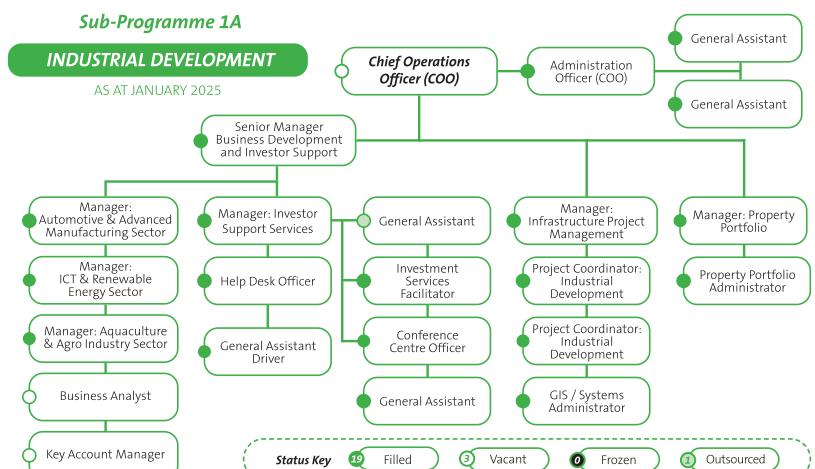
## 2.5.1 Programme 1A: Industrial Development

## *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:

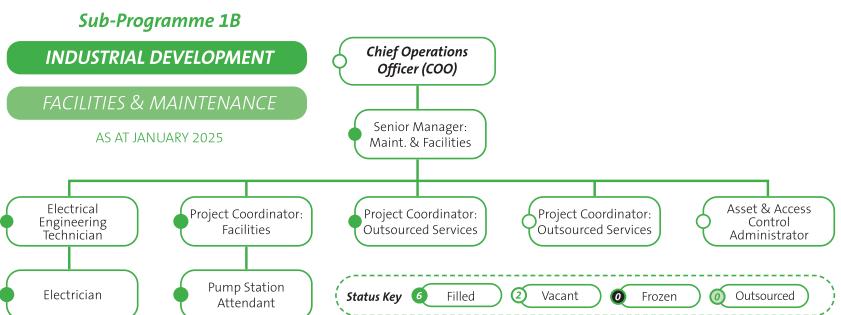


## *Sub-programme 1B: Zone Operations*

### **Programme Purpose:**

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

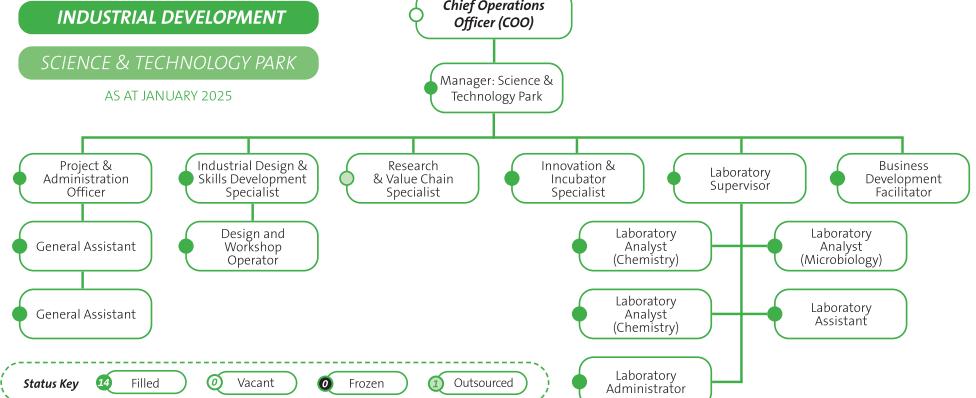
ELIDZ's structure for the Sub-programme 1B: Zone Operations is as follows:



### *Sub-Programme 1B*

## **INDUSTRIAL DEVELOPMENT**

AS AT JANUARY 2025



Programme 1: Operations							
Outcome	Outcome Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Annual Performance 2024/25	Reason for deviations (Refer to note number)
		2021/22	2022/23	2023/24	2024/25	2024/25	2024/25
Outcome 1: High performing, competitive and resilient industries	1.1 Value of new private sector investment secured	R969m	R1.9725b	R579.9m	R500m	R4.5953b	1
	1.2 Number of active manufacturing and services jobs	5 270	5 123	5 205	6 000	5 409	2
	1.3 Number of construction jobs created	2 149	750	632	600	218	3
	1.4 Percentage growth in industrial turnovers of zone enterprises	53.1%	27.5%	21.9%	4%	11.7%	4
	1.5 Percentage growth in export-oriented production by SEZ enterprises	126.9%	20%	26.4%	4%	11.7%	5

**Notes:**

1. The ELIDZ set a target of R500 million and was able to secure investments to the value of R4.5953 billion for the financial year. The investment value is constituted of six investments. These investments show a diverse sector spread over the automotive, advanced manufacturing, energy, agro-processing and ICT sectors. One of the investments, Green Hydrogen South Africa valued at R365 million is in the renewable Energy sector. The second investment signed during the period under review is in the automotive sector and will see the assembly of commercial electric vehicles for the African market through SIGA eMobility. The value of this investment is R4 billion. Zito Holdings will be investing R2.8 million in the energy sector while another investor, Gemilatex will be investing R192 million into the ELIDZ's advanced manufacturing sector. Collondale Cannery will be a new addition into the ELIDZ's agro-processing sector with an investment of R12.8 million while Q-Kon will be investing R22.7 million into a ground gateway facility for the provision of Low Earth Orbit (LEO) satellite services. The higher than anticipated investment value is because of the rapid graduation of SIGA investment through the ELIDZ's investment pipeline during the period under review as it had not been part of the deals that had been forecasted for signing during planning.
2. While the closing employment figures for the previous financial year were 5204 – there were various challenges that occurred during the 2024/25 financial year that impacted on the achievement of the target for this KPI. In the first half of the financial year, the depressed performance of the automotive sector saw the announcement of sensitive process to align Mercedes Benz South Africa's operations and further alter its three-shift model to a two-shift model because of reduced product demand in global markets. This further impacted on the bulk of the ELIDZ's auto sector clientele and resulted in several companies in the zone considering reducing their own shifts and related staff count. By the end of quarter 2, several suppliers in the ELIDZ started their own processes to reduce their staff complement and reduce their operations. This led to a downward spiral of manufacturing and services jobs in the zone. At the end of Q2, the auto sector jobs had reduced by 7% (233 jobs) and by the end of Q3 there was a further reduction of 407 jobs just in the automotive sector. As such a total of 640 jobs were lost during this period. This had a significant impact on the growth of manufacturing and services jobs in the zone and led to an under-performance in this KPI. While the ELIDZ targeted to have 6000 direct manufacturing and services jobs active by the end of the 2024/25 financial year, only 5409 jobs. This was only a growth of 4% compared to prior year.
3. There were two projects that were carried over from the 2023/24 financial year and these were the construction of the manufacturing incubator and the data centre, and these created 218 construction jobs during the period. These jobs were less than the target of 600 for the period under review. The underperformance is related to lower-than anticipated construction activity as the ELIDZ had forecasted than at least 800 additional construction job opportunities could be created during the construction of the BPO facility. Unfortunately, there has been delays in securing funding from DTIC for this construction during the period under review.
4. Industrial turnover of enterprises in the zone increased from R5.4 billion to R6.08 billion year-on-year marking a growth of 11.7%. The over-performance is because of 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 R3.9 billion to R4.44 billion year-on-year. This translates to 11.7% growth compared to the prior year. The over-performance is because of 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 2021/22	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Annual Performance 2024/25	Reason for deviations (Refer to note number)
Outcome 2: Technology-led innovation and industrial modernisation	2.1 Number of prototypes developed	3	2	4	2	4	6
	2.2 Number of new innovations commercialised (intermediate outcome)	n/a	0	3	1	2	7
	2.3 Number of new technologies localised in targeted industries	n/a	0	2	1	2	8

**Notes:**

- For the 2024/25 Financial year, 4 Prototypes have been completed, namely Vision Extra who have created a device and technology that seeks to mitigate customer complaints in the insurance industry through the provision of high-quality video media and access of a mobile application; Technnovation solutions who have designed a mobile app designed to enhance the shopping experience at spaza shops. The application's key features are an expiration date scanner, an originality checker, real-time inventory management, a flag feature and a spaza shop locator; Sivenkosi Luphawu who has created a machine that will reduce the amount of time spent by African women braiding will providing quality braid, and Chayi visionaries who have designed smart suitcase which focuses on improving the security of luggage. The higher than anticipated performance was because of improvements and further refinement of existing work by Chayi Visionaries and Sivenkosi Luphawu.
- 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. Two of these projects have been commercialized, namely Sivenkosi Luphawu who has created a machine that will reduce the amount of time spent by African women braiding will providing quality braids and Technnovation solutions who have designed a mobile app designed to enhance the shopping experience at spaza shops. The application's key features are an expiration date scanner, an originality checker, real-time inventory management, a flag feature and a spaza shop locator.
- In the current financial year, the sectors/industries that have been localised entail SMMEs supported through the prototype development support programme namely Chayi Visionaries and Sivenkosi Luphawu.

Programme 1: Operations							
Outcome	Outcome Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Annual Performance 2024/25	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)	4%	3,37%	1%	4%	0.8%	9
	1.1.2 Number of economic enabling construction projects implemented	0	0	2	1	1	10
Output 1.2: Reliable and cost-effective SEZ Estate Services delivered	1.2.1 Customer Satisfaction Index	83%	77,5%	77.8%	75%	78,7%	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	79%	89%	84%	75%	94%	12

Programme 1: Operations							
Outcome	Outcome Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Annual Performance 2024/25	Reason for deviations (Refer to note number)
<b>Output 1.4:</b> <b>Targeted sector market intelligence optimised and leveraged</b>	1.4.1. Number of new investors operationalised	11	3	0	3	1	14
<b>Output 1.5</b> <b>Tools and infrastructure deployed in support of industrial and environmental sustainability</b>	1.5.1 Percentage achieved against completion of Environmental, Societal and Governance best. practices plan	New KPI	30%	45%	60%	70%	15
<b>Output 1.6.</b> <b>Sector Investment Promotion Strategies and tools optimised.</b>	1.6.1. Number of new investors attracted	6	4	4	5	6	13

**Notes:**

9. The ELIDZ constructed 3767 additional square metres during the 2024/25 period compared to 5142 in the prior year. This was because the only tenant facilities that were under construction in the last year was the manufacturing incubator and the RAM Couriers factory. This was 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 0,8 % growth instead of the 4% that was forecasted.
10. The ELIDZ achieved practical completion of the 6th unit of the manufacturing incubator for the period under review. This takes the performance on this indicator to 1 and as such, the ELIDZ achieved the target.
11. The ELIDZ achieved a customer satisfaction rating of 78,7% against a target of 75% and this is attributable to the implementation of a customer satisfaction response plan following last years' assessment. Exceptional performance was noted relating to the STP, Canteen facility and Clinic services which resulted in performance above target levels.
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 94% against the annual target. The ELIDZ currently has 15 Customs Controlled Area Enterprises that have benefited from the incentive compared to the 16 that qualify. The increase in performance in the current year is due to additional enterprises utilising the CCAE incentive.
13. There were 6 investors signed by the ELIDZ during the 2024/25 financial year. These investments show a diverse sector spread over the automotive, advanced manufacturing, energy, agro-processing and ICT sectors. One of the investments, Green Hydrogen South Africa valued at R365 million is in the renewable Energy sector. The second investment signed during the period under review is in the automotive sector and will see the assembly of commercial electric vehicles for the African market through SIGA eMobility. The value of this investment is R4 billion. Zito Holdings will be investing R2,8 million in the energy sector while another investor, Gemilatex will be investing R192 million into the ELIDZ's advanced manufacturing sector. Collondale Cannery will be a new addition into the ELIDZ's agro-processing sector with an investment of R12,8 million while Q-Kon will be investing R22,7 million into a ground gateway facility for the provision of Low Earth Orbit (LEO) satellite services. The higher than anticipated investment value is because of the rapid graduation of SIGA investment through the ELIDZ's investment pipeline during the period under review as it had not been part of the deals that had been forecasted for signing during planning.
14. There was only 1 investor (RAM Couriers) operationalised during this financial year against a target of 3 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.
15. 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 70% against a target of 60%. Key to the achievements has been the development of baseline assessments for several 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 and further finalised its ESG Strategy.

Programme 1: Operations							
Outcome	Outcome Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Annual Performance 2024/25	Reason for deviations (Refer to note number)
		2021/22	2022/23	2023/24	2024/25	2024/25	2024/25
<b>Output 2.2: Innovation infrastructure and support tools delivered</b>	2.2.1 Number of enterprises in active ELIDZ incubators	0	0	0	5	5	16
	2.2.2 Number of incubators operational	2	2	2	2	3	17
	2.3.1 Number of skills beneficiaries trained	250	112	308	90	348	18

**Notes:**

16. The ELIDZ has completed the construction of its manufacturing incubator, which will see the ELIDZ identify, harness, and commercialize the innovations of young industrialists of our province. The R86 million project was jointly funded by DEDEAT (R32 million), Department of Trade, Industry and Competition (R32 million) and ECDC's Economic Development Fund (R12 million). The shared infrastructure in the incubator, will assist with giving these industrialists the springboard they need to leap into new heights of industrialization. As at the end of the FY the incubator was being operationalised, and 5 entrepreneurs have been given an opportunity to realise their dreams of setting up manufacturing facilities and building their manufacturing capability.
17. There were 3 incubators that were operational at the end of the 2024/25 FY. The CISCO Edge Incubation centre was set up 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. The second incubator is the ELIDZ MANUFACTURING INCUBATOR which is focused on developing the SMME's within the manufacturing industry in alignment with the developmental mandate of the ELIDZ. The nature of support provided to the SMME's would include access to a world class facility within the ELIDZ, shared services, new markets and business development opportunities and an SMME incubation programme within the ELIDZ. The third incubator is the ELIDZ DIGITAL HUB which is set up amongst others as a platform to provide space for innovators to create and co-create new innovations. Further, the Hub consolidates the work done on prototype development, wherein SMMEs are incubated and developed through interventions to commercialise.
18. There were 348 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. ELIDZ was able to train in excess of the target as certain programmes are conducted by in house trainers who had available capacity to conduct additional sessions at no additional cost.

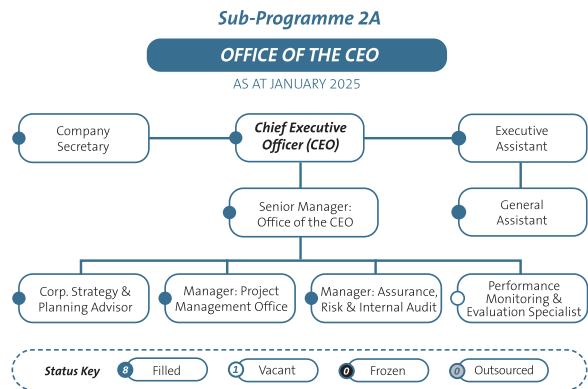


## 2.5.2 Programme 2: Institutional Support

## *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)

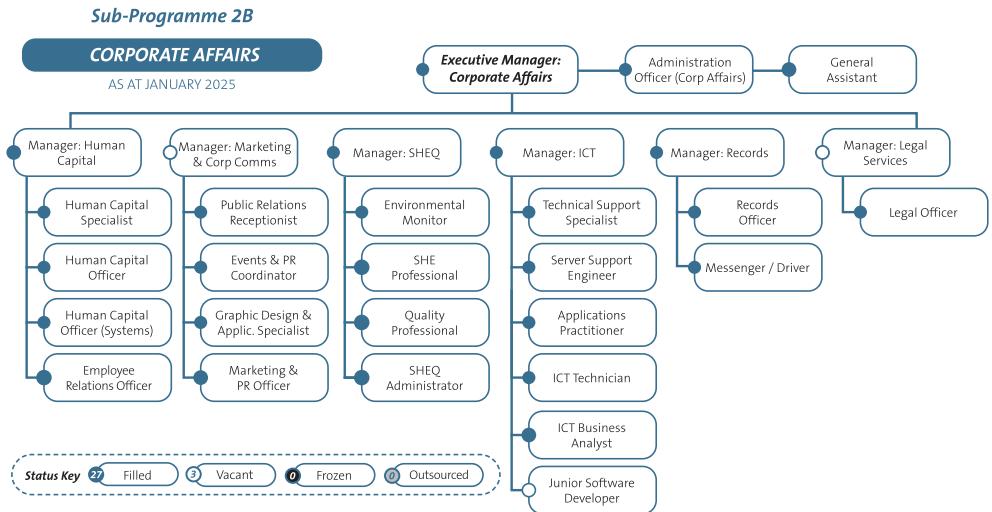


## *Sub-programme 2B: Corporate Affairs*

### 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:

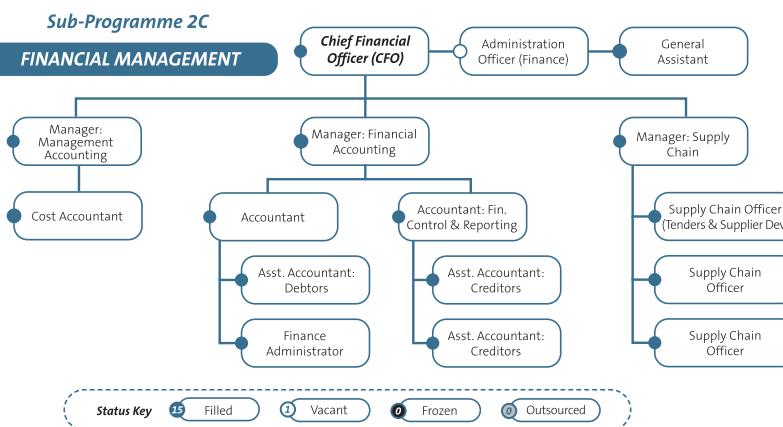


## *Sub-programme 2C: Financial Management*

### 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 2021/22	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Annual Performance 2024/25	Reason for deviations (Refer to note number)
<b>Outcome 3: Sustainable operational efficiencies and global best practice</b>	3.1 Number of SMME development programme beneficiaries upgraded by at least two levels in CIDB grading	0	8	11	5	11	19
	3.2 Best practice systems compliance index	4	3.3	4.1	4	4	20

**Notes:**

19. Whilst the ELIDZ has faced several 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. The interim score is a 4, however this may change after the finalisation of the internal audit reviews and the external audit finalisation.

Programme 2: Institutional Support							
Outcome	Outcome Indicator	Audited Actual Performance 2021/22	Audited Actual Performance 2022/23	Audited Actual Performance 2023/24	Planned Annual Target 2024/25	Actual Annual Performance 2024/25	Reason for deviations (Refer to note number)
<b>Output 3.1: Operational excellence and efficiency gains attained</b>	3.1.1 Annually assessed ELIDZ BBBEE Status	Level 3	Level 3	Level 5	Level 2	Level 3	21
	3.1.2. Number of SMME development beneficiaries active in ELIDZ construction Incubation programme	New KPI	56	56	45	56	22
<b>Output 3.2: Economic transformation and community upliftment delivered</b>	3.2.1 Number of internships offered per annum within ELIDZ	58	55	55	30	44	23
	3.2.2 Number of active bursaries awarded by ELIDZ	11	15	13	8	13	24
	3.2.3 Number of Corporate Social Investment projects administered by ELIDZ	18	17	15	12	20	25
<b>Output 3.3: Returns from services and asset portfolio optimised</b>	3.3.1 Increase in gross income from ELIDZ services received per annum	33%	20.5%	19%	10%	5.5%	26
	3.3.2 Average Vacancy Rate per annum	1%	12,172%	15.82%	7%	6.991%	27

**Notes:**

21. The ELIDZ achieved a Level 3 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 to ensure that this rating is improved in the next financial year.

22. The ELIDZ currently has 56 beneficiaries participating in its construction incubation programme and this is a slight increase in update compared to the prior year. It is also higher than the forecasted performance.

23. The ELIDZ currently has 44 interns active in its internship programme for the period under review and this is higher than the targeted performance.

24. A total of 13 beneficiaries were awarded bursaries during the 2024/25 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 students that are studying towards Maths and Science related qualifications that reside in Ward 46 in BCMM with bursaries.

25. The ELIDZ implemented 20 CSI projects during the 2024/25 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 Children's home and other NPOs that support youth development, education support, sports development and community development.
26. The increase in gross income was 5,5% and this was lower than the targeted performance. The decline in the auto sector market demand impacted on the production levels of ELIDZ customers and this, in turn impacted on the ELIDZ's targeted revenue from services.
27. The ELIDZ's vacancy rate has reduced from 15,82% to 6,99% year-on-year and as such is within the targeted range for the period.

### 2.5.3 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 2025/26 financial year.

#### **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. There are, however, projects in the pipeline that will improve performance in the next financial year. These include the BPO facility and the Daimler Chrysler South Africa facility.

#### **MANUFACTURING AND SERVICES JOBS:**

The under-performance in this KPI is linked to the under-performance of the auto sector investment. The ELIDZ is currently looking at diversification of its investment portfolio and the BPO investment as well as other investments that will be operationalised in the agro-processing and ICT sector will help improve performance in this regard.

#### **CONSTRUCTION JOBS:**

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. There are, however, projects in the pipeline that will improve performance in the next financial year. These include the BPO facility and the Daimler Chrysler South Africa facility.

#### **BBBEE:**

The ELIDZ has developed a BBBEE response plan which it is currently implementing to improve under-performance. This plan has improved the ELIDZ's rating from Level 5 to Level 3 in the current financial year and the ELIDZ is confident that there will be gradual improvement in this initiative over the next period.

#### **INCREASE IN GROSS INCOME FROM SERVICES:**

The ELIDZ is looking at other sources of revenue from the Data Centre and other services and this will help diversify the ELIDZ's income streams and improve performance in this KPI.

#### **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.

# LINKING **PERFORMANCE** **WITH BUDGETS**

## 2.6 Linking Performance with Budgets

### 2.6.1 Expenditure

Programme/ Activity/Objective	2023/2024			2024/2025		
	Budget	Actual	(Over)/Under Expenditure	Budget	Actual	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Programme 1:</b> Operations	278 386	273 193	5 193	298 200	298 972	-772
<b>Programme 2:</b> Institutional Support	169 899	163 014	6 885	164 018	163 346	672
<b>Total</b>	<b>448 285</b>	<b>436 207</b>	<b>12 078</b>	<b>462 219</b>	<b>462 318</b>	<b>-100</b>

### 2.6.2 Revenue

Source of Revenue	2023/2024			2024/2025		
	Estimate	Actual	(Over)/Under Collection	Estimate	Actual	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Rentals	163 293	167 137	3 844	175 342	176 638	1 296
Zone Levies	5 603	5 529	-74	6 354	6 594	240
Utilities Income	171 866	166 428	(5 438)	171 021	173 298	2 277
Other Income	9 321	9 988	667	10 330	10 960	630
STP Revenue	5 979	5 938	-41	7 800	7 981	181
<b>Total</b>	<b>356 062</b>	<b>355 020</b>	<b>(1 042)</b>	<b>370 846</b>	<b>375 471</b>	<b>4 625</b>





**PART C:**

# **CORPORATE GOVERNANCE**

## 3.1

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# 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 Authority and the Board of the ELIDZ are responsible for corporate governance.

## 3.2

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# 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 29 August 2024 for the purposes of presenting its corporate plan and its budget and on 12 November 2024 for the consideration of annual and financial oversight reports.

## 3.3

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# 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.

# 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;
- To be responsible for the governance of risk;
- To be responsible for information technology governance;
- To ensure that the Company complies with applicable laws and considers adherence to non-binding rules, codes and standards;
- To ensure that there is an effective risk-based internal audit;
- To appreciate that stakeholders' perceptions affect the Company's reputation;
- To ensure the integrity of the Company's annual report;
- To report on the effectiveness of the Company's system of internal controls;
- To act in the best interests of the Company;

To appoint the Chief Executive Officer and establish a framework for the delegation of authority. The Board shall ensure that a succession plan is in place for the CEO and other members of executive management.

## 3.4.1 Board Charter

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

The Board charter of the ELIDZ confirms:

- The role and function of the Board
- The appointment and terms of office of Board members
- The process for termination of office of Board members
- The structure and function of Board committees
- The roles and responsibilities of the Chairperson of the Board, the Chief Executive Officer and the Company Secretary

- The process for performance evaluations of the Board and its Directors
- The procedure for meetings of the Board
- The rules regarding remuneration of Directors

The charter furthermore confirms that the Board is responsible for:

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

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



*The Board of Directors is the accounting authority of the ELIDZ and constitutes a fundamental base for the application of corporate governance principles.*



# BOARD OF DIRECTORS

## 3.4.2 Composition of the Board

The Board of the ELIDZ comprised of ten non-executive directors as at 31 March 2025. 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.

On this page:

*FRONT ROW - From left to right:*

Ms N. Mnconywa | Mr N. Penxa | Dr Z. Dweba

*BACK ROW - From left to right:*

Mr B. Mpondo | Mr S. Gqalangile | Ms N. Sonjani | Mr M. Mlotla

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On the opposite page:

*FRONT ROW - From left to right:*

Prof M.W. Makalima | Ms P. Dlamini | Cllr B. Sauli

*BACK ROW - From left to right:*

Mr M. Mfuleni | Mr A. Kanana | Mr T. Zweni | Mr E. Jooste

**PROFESSOR MW MAKALIMA***Chairperson: Board**Chairperson: Governance Committee***Affiliations:** Member of IoDSA**MR A KANANA***Chairperson: Audit Committee***Affiliations:** Member of South African Institute of Chartered Accountants (SAICA), Member of IoDSA**MR E JOOSTE***Chairperson: Finance Committee***Affiliations:** South African Institute of Professional Accountants (SAIPA), Institute of Internal Auditors South Africa (IASA), Member of IoDSA**MS N MNCONYWA***Chairperson: Operations and Risk Committee**Chairperson: Audit Committee**Chairperson: Governance Committee***Affiliations:** Member of South African Institute of Chartered Accountants (SAICA), The Independent Regulatory Board for Auditors (IRBA), Member of IoDSA**MR M MFULENI***Chairperson: Operations and Risk Committee***Affiliations:** Member of IoDSA, Chairman BayTV, President Black Technology Forum (BTF)**MR B. MPONDO***Chairperson: Finance Committee***Affiliations:** Member of IoDSA**CLLR B SAULI***Board Member***Affiliations:** Member of IoDSA**MS N PENXA***Board Member***Affiliations:** Member of the Legal Practice Council, Member of IoDSA**MS P DHLAMINI***Member of the Operations and Risk Committee**Member of Finance Committee***Affiliations:** Member of IoDSA**REV DR Z DWEBA***Member of the Operations and Risk Committee**Member of Finance Committee***Affiliations:** Member of IoDSA**MR T ZWENI***Executive Director: Ex-officio***Affiliations:** Member of IoDSA**MR S GQALANGILE***Member of the Operations and Risk Committee**Member of the Audit Committee***Affiliations:** Member of IoDSA**MS N SONJANI***Member of the Operations and Risk Committee**Member of Finance Committee***Affiliations:** Member of IoDSA**MR M MLOTA***Member of the Operations and Risk Committee**Member of Finance Committee***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
<b>Professor MW Makalima</b>	Chairperson: Board Chairperson: Governance Committee (Served as Chair until: 30/11/2024)	26/01/2016	30/11/2024	76	BA (Hons) (MA)	Academic research, public sector governance, international relations	Independent Non-Executive	5/6	GOVCO 3/4
<b>Mr A Kanana</b>	Chairperson: Audit Committee (Served as Chair until: 30/11/2024)	24/10/2012	30/11/2024	43	BComm (Hons) (CA) SA	Auditing, finance, public sector governance	Independent Non-Executive	5/6	AUDITCO: 6/7 GOVCO: 3/4
<b>Mr E Jooste</b>	Chairperson: Finance Committee (Served as Chair until: 30/11/2024)	01/11/2013	30/11/2024	64	BComm Acc	Finance, public sector governance	Independent Non-Executive	5/6	AUDITCO: 6/7 FINCO: 3/4 GOVCO: 3/4
<b>Ms N Mnconywa</b>	Chairperson: Operations and Risk Committee (Served as Chair until: 30/11/2024)	26/09/2016	N/A	53	BCom (Hons) (MA), CA(SA), Higher Diploma in Education, Post Graduate Certificate in Accounting	Auditing, finance, public sector governance	Independent Non-Executive	6/7	ORCO: 3/4 FINCO: 4/4 GOVCO: 4/4 AUDITCO: 1/7
	Chairperson: Audit Committee (Served as Chair from: 01/12/2024)								
	Chairperson: Governance Committee (Served as Chair from: 01/12/2024)								
<b>Mr M Mfuleni</b>	Chairperson: Operations and Risk Committee (Served as Chair from: 01/12/2024)	31/10/2018	N/A	54	Diploma (Theology), Certificate Investment Management (UCT), Certificate Artificial Intelligence (London School of Economics and Political Science (LSE).)	Information & Communications Technology (ICT) Governance, Private Markets Investments and Development Finance.	Independent Non-Executive	6/6	AUDITCO: 6/7 ORCO: 2/4 GOVCO: 1/4
<b>Mr B Mpondo</b>	Chairperson: Finance Committee (Served as Chair from: 01/12/2024)	31/10/2018	N/A	50	BSc (Hons) Town and Regional Planning	Town planning, transportation & Infrastructure planning, public sector governance	Independent Non-Executive	6/6	ORCO: 3/4 FINCO: 4/4 GOVCO: 1/4
<b>Cllr B Sauli</b>	Member of the Finance Committee	01/08/2023	N/A	44	Higher certificate in public administration	Community development, municipal sector governance	Non-Executive	6/6	FINCO: 4/4 ORCO: 1/4
<b>Mr S Gqalangile</b>	Member of the Operations and Risk Committee Member of the Audit Committee	01/08/2023	N/A	48	BA (Hons) MA	Environmental management, public sector governance	Non-Executive	5/6	ORCO: 3/4 AUDITCO: 1/7

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
<b>Ms N Penxa</b>	Board member	19/05/2025	N/A	45	LLB, Admitted Attorney, Notary Public, Conveyancer	Legal, corporate governance	Independent Non-executive		
<b>Ms N Sonjani</b>	Board member	19/05/2025	N/A	59	B Comm (Acc) CA (SA)	Auditing, finance, public sector governance	Independent Non-executive		
<b>Ms P Dhlamini</b>	Board member	12/05/2025	N/A	48	Diploma (Marketing), Bachelor of Philosophy (Hons) Marketing Management	Marketing, corporate relationship management, public sector governance	Independent Non-executive		
<b>Rev Dr Z Dweba</b>	Board member	12/05/2025	N/A	68	B Admin (Hons), MA, DTh, D Admin, PhD	Strategic leadership, human resources, labour relations, performance management	Independent Non-executive		
<b>Mr M Mlota</b>	Board member	19/05/2025	N/A	57	BComm (Commercial Law & Economics)	Automotives sector, policy development, strategy, public sector governance	Non-executive		

### 3.4.3 Changes in the Board Composition in 2024/25 FY

Professor MW Makalima, Mr E Jooste and Mr A Kanana were retired as Board members on 30 November 2024.

- 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 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.

#### Governance Committee (GOVCO)

This committee consists of three 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;

#### 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 three 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.

### Finance Committee (FINCO)

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

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

### 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
<b>Governance Committee</b>	4	3	Ms N Mnconywa (Chair) Mr B Mpondo Mr M Mfuleni  <i>Retirements:</i> Professor MW Makalima Mr E Jooste Mr A Kanana
<b>Audit Committee</b>	7	3	Ms N Mnconywa (Chair) Mr M Mfuleni Mr S Gqalangile  <i>Retirements:</i> Mr A Kanana Mr E Jooste
<b>Finance Committee</b>	4	3	Mr B Mpondo (Chair) Cllr B Sauli Ms N Mnconywa  <i>Retirements:</i> Mr E Jooste
<b>Operations and Risk Committee</b>	4	4	Mr M Mfuleni (Chair) Mr B Mpondo Cllr B Sauli 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 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
- Deputy-Chairperson of the Board – R11 000 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, R2 233.50 per hour for the Deputy-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, R655.50 per hour for the Deputy-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, R266 for the Deputy-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.
- 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.

2024 / 25

Name	Remuneration	Other allowance	Other re-imbursements	Total
<b>MW Makalima</b>	202 797	2 552	-	<b>205 349</b>
<b>EV Jooste</b>	182 496	3 407	-	<b>185 903</b>
<b>A Kanana</b>	178 682	8 515	-	<b>187 197</b>
<b>M Mfuleni (Chairperson)</b>	149 351	12 707	-	<b>162 058</b>
<b>N Mnconywa</b>	349 277	3 564	-	<b>352 841</b>
<b>B Sauli</b>	119 848	4 231	-	<b>124 079</b>
<b>B Mpondو</b>	164 422	12 771	-	<b>177 193</b>
<b>Total Board Fees</b>	1 346 873	47 747	-	<b>1 394 620</b>
<b>Mr S Gqalangile</b>	-	-	-	-
<b>Total Board Fees</b>	<b>1 346 873</b>	<b>47 747</b>	-	<b>1 394 620</b>



# RISK MANAGEMENT

ELIDZ has had an approved risk management policy and strategy in place for the duration of the 2024/25 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:

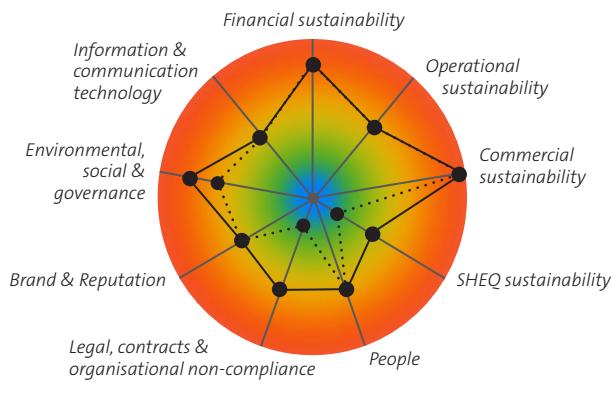
- Business units having the primary responsibilities to manage risks and implement action plans
- Risk Management Unit in the Office of the CEO is the second line with responsibility being independent monitoring of the management of risks and controls
- Internal Audit provides assurance and assessment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



Q1 Risk Profile ..... Risk tolerance ----- Q4 Risk Profile —

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 (increase) /reduction in residual risk	% implementation of action plans	Key risk drivers
Financial sustainability	0%	90%	Economic climate - balancing developmental mandate with financial sustainability
Operational sustainability	0%	60%	Loadshedding and climate change leading to severe weather events
Commercial sustainability	0%	85%	Economic climate – impact on investment attraction and existing tenants' going concern
SHEQ sustainability	(8%)	50%	Lower risk item – managed risk
People	0%	91%	Employee wellness and increasing cost of living – managing employee expectations
Legal, contractual and non-compliance	(12%)	70%	Irregular expenditure due to procurement non-compliance
Brand and reputation	0%	95%	Lower risk item – managed risk
Environmental, social and governance	5%	85%	Economic climate – managing stakeholder expectations
Information and communication technology	0%	78%	Lower risk item – managed risk

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 2025/26 due to changes in the local Automotive sector.

# 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	Date Appointed as Board member	Date Retired from committee	Number of meetings attended
<b>Ms N Mnconywa (Chairperson)</b>	BComm (Hons)(MA) (CA) SA	External	26/09/2016	n/a	1/7
<b>Mr M Mfuleni (Member)</b>	Diploma (Theology)	External	31/10/2018	n/a	6/7
<b>Mr S Gqalangile</b>	BA (Hons)(MA)	External	01/08/2023	n/a	1/7
<b>Mr A Kanana</b>	BComm (Hons) (CA) SA	External	24/10/2012	30/11/2024	6/7
<b>Mr E Jooste</b>	BComm Acc	External	01/11/2013	30/11/2024	6/7

The Audit Committee reports that it has adopted an appropriate formal term 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.

# 3.6

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## 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;
- Compliance review;
- SCM review;
- Going concern review;
- Asset management;
- 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.

## Evaluation of Financial Statements

The Audit Committee has evaluated and discussed the AFS of the ELIDZ for the year ended 31 March 2025 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 20 August 2025, 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.

## 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:



**Ms N Mnconywa**  
Chairperson: Audit & Risk Committee

## 3.7

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# 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 2024/25 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

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# 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: Risk, Assurance and Internal Control, Manager: Human Capital Management and Manager: Supply Chain Management. Controls are then implemented as and when needed.

## 3.9

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# 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 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 to 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 and ISO 45001 augments its efforts to manage its stakeholders, as well as efforts for attraction and retention of foreign direct investment. It is best described as an accolade worthy of a national front running world class organisation that aspires to sustainable industrial development.

## 3.11

# COMPANY **SECRETARY**

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

  
\_\_\_\_\_  
Jo-Anne Palmer  
Company Secretary

# ELIDZ SOCIAL AND ETHICAL **RESPONSIBILITY**

The ELIDZ 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.

## 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 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 the 24/25 financial year.

## 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.

## Committee Roles and Responsibility

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

**REPORTS** *- To the board and the shareholders of the company on the organisation's progress and developments with regards to social and economic development, good corporate citizenship; the environment, health and public safety, consumer relationships and labour and employment.*

**OVERSEES** *- The organisation's governance of ethics in a manner that supports the establishment of an ethical culture.*

**ASSISTS** *- The board in assessing aspects of governance applicable to the committee's function and terms of reference*

## Social and Ethics Priority Areas and Progress for 2024/25

### *Business Ethics and Transparency*

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 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, reward 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 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.

### *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:

**EMPLOYEE VALUE PROPOSITION**

**At the East London IDZ we offer our employees:**

- A **thriving, dynamic and safe work environment** where exposure to **new industries and trends** is prioritised and **employee well being is never compromised**;
- **Growth** through **market leading learning and continuous development** opportunities and **market leading rewards**;
- Meaningful **engagement, exposure and access** to all levels of the organisation through a **compact and efficient organisational structure** that is anchored on **values-based leadership**;
- **Opportunities** to deliver outcomes that **positively impacts the society in which we operate** through investment, job and opportunity creation.

**COMPENSATION**

**BENEFITS**

**CAREER**

**WORK ENVIRONMENT**

**CULTURE**

**IMPACT**

Moreover, during the period, the ELIDZ continue to develop and review various policies to ensure that there was a clear direction set by the board on how various issues would be approached and addressed in the workplace.

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 9.90% against a target of 15% owing to the growth of the organisation's organogram from 90 to 101 people with effect from 01 April 2022. The staff turnover rate for the same period was sitting at 5.62% against a target of 10% owing to resignations in the organisation.

ELIDZ is currently in year 3 of its five 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 2024/25 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 2024. During 2024/25, a total number of Eighty-Nine (89) 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 94,68%.

It is envisaged that all employees are to be trained in line with their personal development plans, hence a 100% participation rate is desired, however, due to operational requirements this is not always possible.

The total training expenditure as at end Quarter 4, inclusive of training and development interventions, bursaries, and internship programme, amounts to R 5 288 546 which is 4,7% of the annual cost of employment. The targeted organisational training expenditure percentage for the 2024/25 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. Just in the ICT sector the ELIDZ has utilised a multi-stakeholder programme to train youth trained on various programmes. Through this programme three hackathons were conducted, and 12 companies emanated from the programme and have been incubated and mentored in ELIDZ STP. 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 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, 348 beneficiaries were trained.

The ELIDZ also has a construction incubator which is currently incubating 56 construction companies from the Eastern. For the period under review, a total of eleven contractors had been upgraded at least by 2 grades while an additional eight contractors achieved 1 upgrade 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. The Manufacturing incubator is now been fully operational.

### *Community Development and Corporate Social Investment*

Key to the ELIDZ's Sustainable Development Agenda is the prioritization of Community Development Programmes that

prioritize education support, enterprise development, sports development, and skills advancement. The ELIDZ's focus, 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 20 Corporate Social Investment initiatives in surrounding communities. These initiatives included the sponsorship and development of sport and sporting equipment 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 undergraduate studies in local institutions of higher learning.

### *Environmental Impact Management*

The ELIDZ prioritises minimising the impact of its operations and those of its attracted industries on the environment. Additionally, the ELIDZ encourages its employees and its customers to implement best practices when it comes to the protection of people, the environment and natural resources that surround it. To this end the ELIDZ will for the 2024/25 financial year maintained the following standards:

- 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, 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.

### 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 ELIDZ has operated as a socially responsible corporate citizen demonstrating an ongoing commitment to sustainable development.

### Key Areas of Focus for Next Year

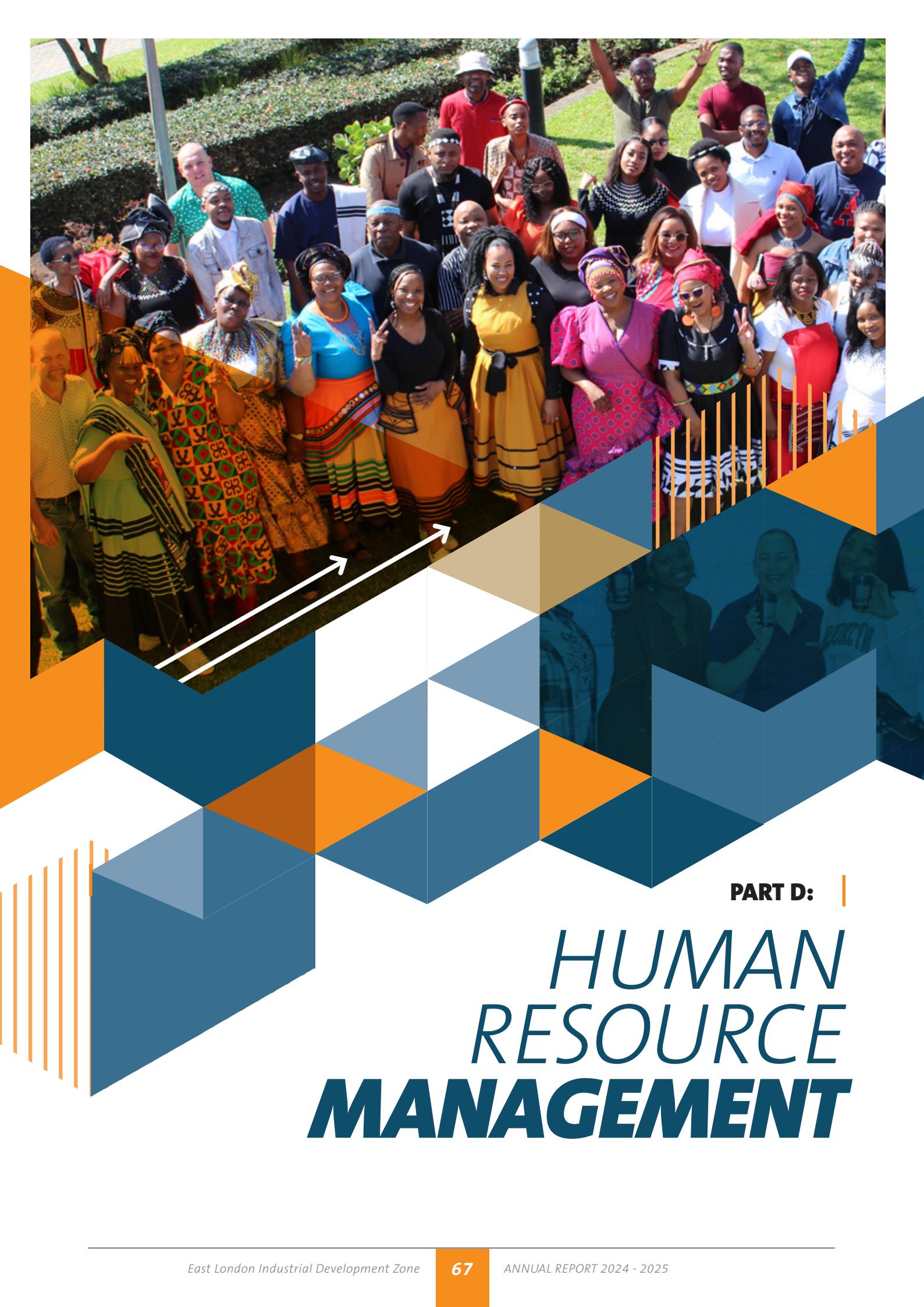
Environmental, Social and Governance (ESG) reporting has become a growing phenomenon globally. ESG reporting is aimed at addressing social and environmental problems while also achieving a sustainable society. The environmental aspect of ESG focuses on a company's efforts to address various environmental 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 organization prioritizes 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 organization 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 organization 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 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 2024/25 prioritize ESG Investment and reporting and the need to establish robust data collection, analysis and reporting mechanisms to effectively track and measure ESG performance.

# 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?	Yes	<p>ELIDZ complies with Section 2(1)(d) of the Act, specifically refers to the Preferential Procurement Policy Framework Act (PPPFA), and it outlines the criteria for awarding contracts based on preferential procurement policies. It details how organs of state must determine their preferential procurement policy and how specific goals, such as those related to historically disadvantaged individuals, should be incorporated.</p> <p>ELIDZ has currently a Level 3 BBBEE status</p>
Developing and implementing a preferential procurement policy?	Yes	<p>The ELIDZ has incorporate Specific goals as contemplated in section 2(1)(d) of the Act in its 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 . This includes contracting with persons, or categories of persons, historically disadvantaged by unfair discrimination on the basis of race, gender and disability including the implementation of programmes of the Reconstruction and Development Programme as published in Government Gazette No. 16085 dated 23 November 1994.</p> <p>The ELIDZ commits itself to implement this policy in a manner that will:</p> <ul style="list-style-type: none"> <li>• Promote and empower small and emerging enterprises;</li> <li>• Support local business enterprises; and</li> <li>• Empower those persons disadvantaged by unfair discrimination.</li> </ul>
Determining qualification criteria for the sale of state-owned enterprises?	Yes	ELIDZ complies with the Preferential Procurement Regulations 2022 that allows for the 80/20 and 90/10 preference point system to be applied in reverse for tenders to generate income or to dispose of or to lease assets
Developing criteria for entering into partnerships with the private sector?	Yes	ELIDZ has an Exception to tender policy where the process for Public – Private procurement find expression in.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	Yes	ELIDZ has developed an SMME Policy that address the transformation, development and empowerment in line with the BBBEE Act.



**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**
- **RWARD 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: 2024/25				
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	20 407 179	18%	8	2 550 897
Corporate Affairs	33 454 386	30%	27	1 239 051
Finance	20 311 266	18%	15	1 354 084
Operations	37 421 149	34%	39	959 517
<b>TOTAL</b>	<b>111 593 980</b>	<b>100%</b>	<b>89</b>	<b>1 253 865</b>

## 4.2.2 Personnel cost by salary band

EXPENDITURE: Personnel Costs By Salary Bands: 2024/25				
Programme / activity / objective	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average Personnel cost per employee
Senior management	13 899 179	12%	3	4 633 060
Professionally qualified and experienced specialists and mid-management	45 347 405	41%	22	2 061 246
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	42 889 621	38%	48	893 534
Semi-skilled and discretionary decision making	5 456 675	5%	8	682 084
Unskilled and defined decision making	4 001 100	4%	8	500 138
<b>TOTAL</b>	<b>111 593 980</b>	<b>100%</b>	<b>89</b>	<b>1 253 865</b>

## Notes:

The ELIDZ does not pay a homeowner's allowance

R 33 844.23 in overtime was paid during the Financial Year ended 31 March 2025

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

Program / activity / objective	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Senior management	2 544 241	10 752 990	24%
Professionally qualified and experienced specialists and mid-management	5 684 564	39 243 029	14%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	4 949 973	37 882 927	13%
Semi-skilled and discretionary decision making	426 861	3 126 723	14%
Unskilled and defined decision making	226 233	1 817 118	12%
<b>TOTAL</b>	<b>13 831 872</b>	<b>92 822 787</b>	<b>15%</b>

## 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
Senior management	13 899 179	300 000	2%	3	100 000
Professionally qualified and experienced specialists and mid-management	45 347 405	250 000	1%	24	10 417
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	42 889 621	850 500	2%	45	18 900
Semi-skilled and discretionary decision making	5 456 675	255 000	5%	9	28 333
Unskilled and defined decision making	4 001 100	290 000	7%	8	36 250
<b>TOTAL</b>	<b>111 593 980</b>	<b>1 945 500</b>	<b>1,7%</b>	<b>89</b>	<b>193 900</b>
Internship Programme	-	3 343 046	3%	52	64 289
<b>GRAND TOTAL</b>	<b>111 593 980</b>	<b>5 288 546</b>	<b>4,7%</b>	<b>141</b>	<b>258 189</b>

## 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	2024/25 No. of Employees	2024/25 Approved Posts	2024/25 Vacancies (Budgeted)	% of Vacancies
Office of the CEO	9	10	9	10	8	9	8	9	8	9	1	0,99%
Corporate Affairs	26	26	24	26	25	30	28	30	27	30	3	2,97%
Finance	14	15	15	15	15	16	16	16	15	16	1	0,99%
Operations	35	39	35	39	36	46	36	46	39	46	5	4,95%
<b>TOTAL</b>	<b>84</b>	<b>90</b>	<b>83</b>	<b>90</b>	<b>84</b>	<b>101</b>	<b>88</b>	<b>101</b>	<b>89</b>	<b>101</b>	<b>10</b>	<b>9,90%</b>

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	2024/25 No. of Employees	2024/25 Approved Posts	2024/25 Vacancies (Budgeted)	% of Vacancies
Senior management	3	3	3	3	3	3	3	3	3	4	1	0,99%
Professionally qualified and experienced specialists and mid-management	25	24	23	24	22	24	22	24	22	25	3	2,97%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	34	39	33	39	41	55	46	55	48	53	5	4,95%
Semi-skilled and discretionary decision making	13	15	15	15	9	9	8	9	8	9	1	0,99%
Unskilled and defined decision making	8	8	8	8	8	9	8	9	8	8	-	0,00%
Outsourced Positions	0	0	0	0	0	0	0	0	0	2	0	0,00%
<b>TOTAL</b>	<b>84</b>	<b>90</b>	<b>83</b>	<b>90</b>	<b>84</b>	<b>101</b>	<b>88</b>	<b>101</b>	<b>89</b>	<b>101</b>	<b>10</b>	<b>9,90%</b>

#### 4.2.6 Employment changes

EMPLOYMENT CHANGES: ANNUAL TURNOVER RATES BY SALARY BAND & CRITICAL OCCUPATION FOR THE PERIOD 01 APRIL 2024 TO 31 MARCH 2025				
SALARY BAND	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Senior management	3	-	-	3
Professionally qualified and experienced specialists and mid-management	22	2	2	22
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	45	5	2	48
Semi-skilled and discretionary decision making	8	1	1	8
Unskilled and defined decision making	8	-	-	8
<b>TOTAL</b>	<b>86</b>	<b>8</b>	<b>5</b>	<b>89</b>

#### 4.2.7 Reasons for staff leaving

EMPLOYMENT CHANGES: REASONS WHY STAFF ARE LEAVING		
REASON	Number	% of total no. of staff leaving
Death	-	-
Resignation	5	5.62%
Dismissal	-	-
Retirement	-	-
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
<b>Total</b>	<b>5</b>	<b>5.62%</b>
<b>Total number of employees who left as a % of the total employment</b>	<b>5</b>	<b>5.62%</b>

#### 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														
OCCUPATIONAL BANDS	AFRICAN	COLOURED	INDIAN	WHITE	Sub Total	AFRICAN	COLOURED	INDIAN	WHITE	Sub Total	Grand Total			
	MALE					FEMALE								
	2	-	-	-		1	-	-	-					
Senior management	2	-	-	-	2	1	-	-	-	1	3			
Professionally qualified and experienced specialists and mid-management	6	1	2	3	12	8	-	-	2	10	22			
Skilled technical & academically qualified workers, junior management, supervisors, foremen & superintendents	18	1	-	3	22	23	3	-	-	26	48			
Semi-skilled and discretionary decision making	2	-	-	-	2	6	0	-	-	6	8			
Unskilled and defined decision making	-	-	-	-	0	8	-	-	-	8	8			
<b>Total</b>	<b>28</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>38</b>	<b>46</b>	<b>3</b>	<b>0</b>	<b>2</b>	<b>51</b>	<b>89</b>			

## 4.2.10 Foreign workers

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





**PART E:** |

# **PFMA COMPLIANCE REPORT**

## Irregular Expenditure

Description	2024/25	2023/24
	R'000	R'000
Opening balance	-	-
Add: Irregular expenditure confirmed	24 665 630	-
<b>Closing balance</b>	<b>24 665 630</b>	-

ELIDZ incurred irregular expenditure totalling to R24 665 630 due to non-compliance with the PFMA, CIDB and Treasury Regulations.

## Reconciling notes

Description	2024/25	2023/24
	R'000	R'000
Irregular expenditure that relates to 2023/24 and identified in 2024/25	11 092 426	-
Irregular expenditure for the current year	13 573 204	-
<b>Total</b>	<b>24 665 630</b>	-

Disciplinary proceedings against employees who were responsible for irregular expenditure being incurred are currently underway.



**PART F:**

# ANNUAL FINANCIAL **STATEMENTS**

# GENERAL INFORMATION

<b>Country of incorporation and domicile</b>	Republic of South Africa
<b>Nature of business and principal activities</b>	The development and management of the Special Economic Zone (SEZ) in East London.
<b>Directors</b>	M Mfuleni (Chairperson) T Zweni (Ex-officio) N Mnconywa B Sauli B Mpondو AS Gqalangile N Penxa N Sonjani M Mlota Z Dweba P Dhlamini
<b>Registered office</b>	Acacia House Palm Square Bonza Bay Road 5201
<b>Business address</b>	Lower Chester Road Sunnyridge East London 5201
<b>Postal address</b>	P. O Box 5458 Greenfields East London 5208
<b>Bankers</b>	Standard Bank of South Africa
<b>Auditors</b>	Auditor-General of South Africa
<b>Secretary</b>	Ms. Jo-Anne Palmer
<b>Preparer</b>	The financial statements were internally compiled under the supervision of. Gift Matengambiri CA (SA) Chief Financial Officer
<b>Specific governing legislation</b>	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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# 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 year to 31 March 2026 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 from page 76, which have been prepared on the going concern basis, were approved by the board on 31 May 2025 and were signed on its behalf by:



T Zweni (Ex-officio  
Chief Executive Officer)



M Mfuleni (Chairperson)  
Chairperson of the Board of Directors

# BOARD OF DIRECTORS' **REPORT**

The board of directors submit their report for the year ended 31 March 2025.

## 1. Going concern

The total assets of the entity exceed its total liabilities by R2 790 048 314 (2024: R2 797 648 026). The entity has realised a loss of R7 599 712 in the current financial period and had a profit of R162 598 747 in the previous financial period.

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.

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 regulations are not yet implemented.

The zone gets 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

Mr M Mfuleni was appointed as the chairperson of the ELIDZ board of directors effective from the 27th of May 2025. Further, five new board members were appointed during May 2025, refer to the list of board of directors for the new members and their dates of appointment.

## 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.

BOARD OF DIRECTORS' **REPORT** - CONTINUED

## 6. Board Of Directors

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

Directors	Nationality	Changes
MW Makalima	South African	Retired, 30 November 2024
EV Jooste	South African	Retired, 30 November 2024
A Kanana	South African	Retired, 30 November 2024
M Mfuleni (Chairperson)	South African	Appointed, 27 May 2025
T Zweni (Ex-officio)	South African	Appointed, 01 July 2024
N Mnconywa	South African	
B Sauli	South African	
B Mpondo	South African	
NC Kongwa	South African	Resigned, 22 May 2024
AS Gqalangile	South African	
N Penxa	South African	Appointed, 19 May 2025
N Sonjani	South African	Appointed, 19 May 2025
M Mlota	South African	Appointed, 19 May 2025
Z Dweba	South African	Appointed, 12 May 2025
P Dhlamini	South African	Appointed, 12 May 2025

## 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.



T Zweni (Ex-officio)  
Chief Executive Officer



M Mfuleni (Chairperson)  
Chairperson of the Board of Directors

# COMPANY SECRETARY'S **CERTIFICATION**

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

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



\_\_\_\_\_  
Ms. Jo-Anne Palmer  
Company Secretary

# STATEMENT OF **FINANCIAL POSITION**

AS AT 31 MARCH 2025

Figures in Rand	Note(s)	2025	Restated 2024
<b>Assets</b>			
<b>Current Assets</b>			
Other financial assets	3	893 366	3 471 909
Cash and cash equivalents	4	153 587 617	183 918 232
Receivables from exchange transactions	5	113 614 912	114 172 624
VAT receivable	6	2 447 984	2 420 374
Prepayments and deposits	7	16 979 487	7 902 003
Current tax receivable	30	-	1 625 280
		<b>287 523 366</b>	<b>313 510 422</b>
<b>Non-Current Assets</b>			
Investment property	8	2 120 874 500	2 113 119 162
Property, plant and equipment	9	548 611 820	537 201 512
Intangible assets	10	13 465 209	14 643 824
Other financial assets	3	2 324 948	2 534 839
		<b>2 685 276 477</b>	<b>2 667 499 337</b>
<b>Total Assets</b>		<b>2 972 799 843</b>	<b>2 981 009 759</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current tax payable	30	524 686	-
Payables from exchange transactions	11	42 001 957	31 187 939
Payables from non-exchange transactions	12	2 520 224	15 576 012
Unspent conditional grants and receipts	13	126 641 576	121 666 456
Provisions	14	11 063 086	14 931 326
		<b>182 751 529</b>	<b>183 361 733</b>
<b>Total Liabilities</b>		<b>182 751 529</b>	<b>183 361 733</b>
<b>Net Assets</b>			
Share capital / contributed capital	15	1 000	1 000
Accumulated surplus		2 790 047 314	2 797 647 026
<b>Total Net Assets</b>		<b>2 790 048 314</b>	<b>2 797 648 026</b>

# STATEMENT OF **FINANCIAL PERFORMANCE**

Figures in Rand	Note(s)	2025	Restated 2024
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Rendering of services	16	198 277 774	187 883 300
Rental of facilities and equipment	17	175 617 569	173 860 011
Sundry income	18	555 389	505 164
Interest received	19	4 034 422	6 775 048
Fair value adjustments		-	57 577 138
<b>Total revenue from exchange transactions</b>		<b>378 485 154</b>	<b>426 600 661</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	20	126 806 333	194 910 545
<b>Total revenue</b>		<b>505 291 487</b>	<b>621 511 206</b>
<b>Expenditure</b>			
Employee related costs	21	(116 883 893)	(113 956 254)
Depreciation and amortisation	22	(29 182 520)	(27 339 293)
Lease rentals on operating lease	23	(770 240)	(738 442)
Finance income/ (costs)	24	410 574	(664 224)
Debt impairment and bad debts written off	25	(26 688 023)	(24 838 785)
Fair value adjustments	26	(12 628 873)	-
Loss on non-current assets disposal		(2 790 241)	(842 962)
General expenses	27	(324 088 027)	(288 392 566)
<b>Total expenditure</b>		<b>(512 621 243)</b>	<b>(456 772 526)</b>
<b>(Deficit) surplus before taxation</b>		<b>(7 329 756)</b>	<b>164 738 680</b>
Taxation	30	269 956	2 139 933
<b>(Deficit) surplus for the year</b>		<b>(7 599 712)</b>	<b>162 598 747</b>

# STATEMENT OF **CHANGES IN NET ASSETS**

Figures in Rand	Share capital/ contributed capital	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported	1 000	2 639 132 120	2 639 132 120
Adjustments			
Prior year adjustments 37	-	(4 083 841)	(4 083 841)
<b>Restated balance at 01 April 2023</b>	<b>1 000</b>	<b>2 635 048 279</b>	<b>2 635 049 279</b>
Changes in net assets			
Surplus for the period	-	162 598 747	162 598 747
Total changes	-	162 598 747	162 598 747
<b>Restated balance at 01 April 2024</b>	<b>1 000</b>	<b>2 797 647 026</b>	<b>2 797 648 026</b>
Changes in net assets			
Surplus for the period	-	(7 599 712)	(7 599 712)
Total changes	-	(7 599 712)	(7 599 712)
<b>Balance at 31 March 2025</b>	<b>1 000</b>	<b>2 790 047 314</b>	<b>2 790 048 314</b>
Note(s)		15	

# CASH FLOW STATEMENT

Figures in Rand	Note(s)	2025	2024
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		352 035 490	321 380 319
Grants		119 607 540	184 028 074
Taxation		2 407 935	-
Interest income		3 523 788	6 217 180
		<b>477 574 753</b>	<b>511 625 573</b>
<b>Payments</b>			
Employee costs		(120 557 260)	(113 638 099)
Suppliers		(325 822 213)	(269 485 268)
Income tax paid		(527 923)	(3 514 061)
		<b>(446 907 396)</b>	<b>(386 637 428)</b>
<b>Net cash flows from operating activities</b>	<b>29</b>	<b>30 667 357</b>	<b>124 988 145</b>
<b>Cash flows from investing activities</b>			
Completion of property, plant and equipment	9	(39 075 753)	(55 204 883)
Proceeds from sale of property, plant and equipment	9	3 843	32 057
Construction of investment property	8	(21 926 062)	(57 807 252)
Purchase/Completion of other intangible assets	10	-	(11 305 583)
<b>Net cash flows from investing activities</b>		<b>(60 997 972)</b>	<b>(124 285 661)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(30 330 615)</b>	<b>702 484</b>
Cash and cash equivalents at the beginning of the year		183 918 232	183 215 748
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>153 587 617</b>	<b>183 918 232</b>

# 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
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rendering of services	214 223 629	(18 718 620)	<b>195 505 009</b>	198 277 774	<b>2 772 765</b>	42
Rental of facilities and equipment	168 597 933	6 743 918	<b>175 341 851</b>	177 480 245	<b>2 138 394</b>	42
Roll over surplus	5 500 000	-	<b>5 500 000</b>	5 500 000	-	
<b>Total revenue from exchange transactions</b>	<b>388 321 562</b>	<b>(11 974 702)</b>	<b>376 346 860</b>	<b>381 258 019</b>	<b>4 911 159</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	87 611 304	(1 739 130)	<b>85 872 174</b>	85 872 174	-	42
<b>Total revenue</b>	<b>475 932 866</b>	<b>(13 713 832)</b>	<b>462 219 034</b>	<b>467 130 193</b>	<b>4 911 159</b>	
<b>Expenditure</b>						
Employee related costs	(116 024 786)	4 313 612	<b>(111 711 174)</b>	(116 883 893)	<b>(5 172 719)</b>	42
Lease rentals on operating lease	-	-	-	(770 240)	<b>(770 240)</b>	42
General Expenses	(359 908 080)	9 400 220	<b>(350 507 860)</b>	(324 088 027)	<b>26 419 833</b>	42
<b>Total expenditure</b>	<b>(475 932 866)</b>	<b>13 713 832</b>	<b>(462 219 034)</b>	<b>(441 742 160)</b>	<b>20 476 874</b>	
<b>Surplus before taxation</b>						
Taxation	-	-	-	25 388 033	<b>25 388 033</b>	
	-	-	-	269 956	<b>269 956</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>				<b>25 118 077</b>	<b>25 118 077</b>	

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
<b>Reconciliation</b>						
<b>BASIS DIFFERENCE</b>						
Government grants and subsidies				40 934 159		
Operating lease smoothing - loss				(1 862 676)		
Interest received				4 034 422		
Debt impairment and bad debts written off				(26 688 023)		
Depreciation and Amortisation				(29 182 520)		
Finance Costs				410 574		
Other Income				555 389		
Roll over surplus				(5 500 000)		
<b>Investing activities</b>						
Loss on disposal of assets				(2 790 241)		
Fair value adjustment				(12 628 873)		
<b>Actual Amount in the Statement of Financial Performance</b>						
				<b>(7 599 712)</b>		

# SIGNIFICANT 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 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

### 1.2 Going concern assumption

These annual 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.

### 1.3 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts presented in the annual 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 annual 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 provincial entity makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables is calculated on an individual basis, based on 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 1.16 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.

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

## 1.4 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.

## 1.5 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, its 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 and buildings	Straight line	10 to 55 years
Plant and machinery	Straight line	5 to 25 years
Furniture and fixtures	Straight line	20 to 25 years
Motor vehicles	Straight line	7 years
Office equipment	Straight line	5 to 20 years
IT equipment	Straight line	3 to 15 years
Laboratory and other property, plant and equipment	Straight line	5 to 15 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

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

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).

## 1.6 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	12 years
Designs	Straight line	10 years
Computer software	Straight line	3 - 12 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.

## 1.7 Financial instruments

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

The entity calculates the original effective interest rate based on estimated future cash flows at initial recognition of a financial asset or financial liability.

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.

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

**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
Deposits	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 transactions	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 proceedings	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.

## 1.8 Prepayments and deposits

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.

Deposits are payments that the entity has made at the reporting date for economic benefits to be received in future period. Deposits are made in accordance with contracts between the entity and third parties. The entity recognises an asset when it is probable that the deposit will be paid back to the entity and the completion of the project

The entity measures prepayments and deposits 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 or refund, it shall reduce the carrying amount of prepayments/deposit made by the fair value of those goods or services received/refund. Any related asset or expense will be recognised in accordance with the applicable GRAP standard.

## 1.9 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.

## 1.10 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.

## 1.11 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. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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.

## 1.12 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.

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

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

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 another 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.

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

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.

**1.13 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:

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

- 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. 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 another 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

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

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.

## 1.14 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.

## 1.15 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.

## 1.16 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.

## 1.17 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

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

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.

## 1.18 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.

### 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).

## 1.19 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.

## 1.20 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.

## 1.21 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.

**ACCOUNTING POLICIES:** 1.15 *Commitments (continued)*

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 error are disclosed in the notes to the annual financial statements where applicable.

## 1.23 Irregular expenditure

Irregular expenditure is recognised when there has been a transgression of any of the following:

- (a) Public Finance Management Act (PFMA);
- (b) Treasury Regulations;
- (c) National Treasury Instructions issued in terms of section 76 of the PFMA;
- (d) Provincial Treasury Instructions issued in terms of section 18(2)(a) of the PFMA;

- (e) Internal policies of a department, constitutional institution or public entity, as approved by the accounting officer or accounting authority, whichever applicable; or
- (f) Any applicable legislation.

Irregular expenditure is incurred when the resulting transaction is recognized in the financial records of the entity in accordance with the irregular Expenditure Framework

## 1.24 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.

## 1.25 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 2024/04/01 to 2025/03/31.

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 annual 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 annual 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.'

## 1.26 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 annual financial statements.

## 1.27 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

2025

2024

## 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 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	01 April 2099	Impact is currently being assessed
iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Impact is currently being assessed
GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed

## 3. Other financial assets

### At amortised cost

Other financial assets	3 218 314	6 006 748
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### Non-current assets

At amortised cost	2 324 948	2 534 839
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### Current assets

At amortised cost	893 366	3 471 909
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### Financial assets at amortised cost

#### Time value of money effect

Relating to the current asset portion of the asset	59 194	154 118
Relating to the non current assets portion of the asset	439 915	755 564
	<b>499 109</b>	<b>909 682</b>

### Reconciliation of net carrying amount other financial asset

	2025	2024
Current other financial asset	952 560	6 511 638
Time value for money relating to the current portion	(59 194)	(154 118)
Impairment	-	(2 885 612)
Non current other financial asset	2 764 863	3 733 786
Time value for money relating to the non current portion	(439 915)	(755 564)
Impairment	-	(443 382)
	<b>3 218 314</b>	<b>6 006 748</b>

NOTES TO THE **FINANCIAL STATEMENTS**: 3. *Other financial assets - (continued)*

Figures in Rand	2025	2024
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**Financial assets at amortised cost**

The other financial assets is debt restructuring done to tenants that are in financial distress. At the beginning of the financial period there were three tenants with debt restructuring. One is still in compliance with the terms of the debt restructuring and the other two defaulted during the financial period and are no longer under restructuring. The arrangements were part of the business rescue programs performed by the company in accordance with its debtors' policy.

As of 31 March 2025, other financial assets were measured at an amortised cost of R 3 218 314 (2024: R6 006 748)

The ageing of these loans is as follows.

0 to 12 months	893 366	3 471 909
Over 12 months	2 324 948	2 534 839

**4. Cash and cash equivalents**

Cash and cash equivalents consist of:

Cash on hand	3 554	3 257
Bank balances	13 658 403	13 468 007
Short-term deposits	139 925 660	170 446 968
	<b>153 587 617</b>	<b>183 918 232</b>

Cash and cash equivalents held by the entity that are ringfenced for capital projects.	126 641 576	121 666 455
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Refer to note 13

Cash and cash equivalents are held at amortised cost. During the period the short term deposits earned approximately 6.95% in interest.

The total amount of undrawn facilities available for future operating activities and commitments	30 000	30 000
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**5. Receivables from exchange transactions**

Trade debtors	78 814 071	67 540 988
Impairment allowance	(58 512 997)	(46 556 622)
Operating lease receivables	85 752 802	87 615 478
Sundry receivables	4 317 157	1 883 738
Related party receivables	3 243 879	3 689 042
	<b>113 614 912</b>	<b>114 172 624</b>

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

Operating lease receivables	85 752 802	87 615 478
<b>Financial asset receivables included in receivables from exchange transactions above</b>	<b>27 862 110</b>	<b>26 557 146</b>
<b>Total receivables from exchange transactions</b>	<b>113 614 912</b>	<b>114 172 624</b>

NOTES TO THE **FINANCIAL STATEMENTS**: 5. *Receivables from exchange transactions - (continued)*

Figures in Rand	2025	2024
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**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 R24 356 083 (2024: R17 856 519) in the current year.

**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.

**Trade and other receivables past due but not impaired**

As at 31 March 2025, receivables with a net carrying amount of R10 305 466 (2024: R7 576 649) were past due but not impaired. The debtors are sitting on 30 days, they are not experiencing any known difficulties that may threaten their ability to fulfil their account obligations and their payment trends reflect an ability to settle account obligations. No collateral held for these debtors.

1 month past due	10 305 466	7 576 649
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**Trade and other receivables impaired**

As of 31 March 2025, trade and other receivables of R71 317 895 (2024: R53 764 755) were impaired and provided for.

The amount of the provision was R58 512 997 as of 31 March 2025 (2024: R46 556 622).

2 to 6 months	39 691 508	16 310 737
Over 6 months	31 626 387	37 454 018

**Reconciliation of provision for impairment of trade and other receivables**

Opening balance	(46 556 622)	(25 046 831)
Provision for impairment	(11 956 375)	(21 509 791)
	<b>(58 512 997)</b>	<b>(46 556 622)</b>

**6. VAT receivable**

VAT Control	2 447 984	2 420 374
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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 South African Revenue Service 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 South African Revenue Service, 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.

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	2025	2024
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## 7. Prepayments and deposits

Reconciliation of closing balance	2025	2024
Opening balance	7 902 003	6 263 268
Expenditure incurred and prepayments released	(7 902 003)	(6 263 268)
Prepayment recognised during the year	12 979 487	7 902 003
Deposits	4 000 000	-
	<b>16 979 487</b>	<b>7 902 003</b>

The deposit is for an electrical upgrade project. If the work is done and there are no damages, the organisation will get its funds back.

## 8. Investment property

	2025		2024	
	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	2 120 874 500	2 120 874 500	2 113 119 162	2 113 119 162

### Reconciliation of investment property - 2025

	Opening balance	Additions	Fair value adjustments	Total
Investment property	2 113 119 162	20 384 211	(12 628 873)	2 120 874 500

### Reconciliation of investment property - 2024 Restated

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	2 009 551 230	58 558 794	(12 568 000)	57 577 138	2 113 119 162

### 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
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Construction costs paid in cash for investment property amounted to R21 926 062 (2024:R57 807 252). In the prior years the organisation retrofitted one of its investment properties for use as a data centre, which will be used for storage services and rack hosting.

### 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 valuations is 31 March 2025. 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.

NOTES TO THE **FINANCIAL STATEMENTS**: 8. *Investment property - (continued)*

Figures in Rand	2025	2024
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**The methods used by the entity to revalue the investment property are;**

- (a) The income approach - provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.
- (b) The comparable sales or market approach - also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value.
- (c) The depreciated cost method - entails the calculation of the replacement cost of all improvements on the subject property.

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/m<sup>2</sup>

Operating cost (OPC): 32%

Escalation on OPC: 6%

Capitalisation rate: 9,5%-11,5%

Vacancy: 6%-10%

**For Industrial properties**

Market Rentals: R20-R55/m<sup>2</sup>

Operating cost (OPC): 10%-26.8%

Capitalisation rate: 8,25%-14,25%

Vacancy: 2%-5%

**For Hardstands**

Rentals : R8-R30/m<sup>2</sup>

**For land and farms**

The market related rates are used based on the latest sales

**Amounts recognised in surplus (2025: surplus)**

Rental revenue from Investment property	172 816 126	171 098 923
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**From Investment property that generated rental revenue**

Direct operating expenses (excluding repairs and maintenance)	(34 107 353)	(31 265 838)
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**From Investment property that did not generate rental revenue**

Direct operating expenses (excluding repairs and maintenance)	(3 291 410)	(3 060 383)
Repairs and maintenance	-	(1 615 373)
	<b>(3 291 410)</b>	<b>(4 675 756)</b>

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	2025	2024
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**9. Property, plant and equipment**

	2025		2024			
	Cost / Valuation	Accumulated depreciation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation & accumulated impairment	Carrying value
Land	3 821 361	-	3 821 361	3 821 361	-	3 821 361
Infrastructure including buildings	865 329 878	(368 225 616)	497 104 262	837 482 491	(348 270 089)	489 212 402
Plant and machinery	63 967 455	(31 553 600)	32 413 855	64 012 533	(28 792 585)	35 219 948
Furniture and fixtures	5 294 945	(3 607 571)	1 687 374	4 616 442	(3 520 331)	1 096 111
Motor vehicles	3 334 067	(1 307 316)	2 026 751	3 334 067	(929 822)	2 404 245
Office equipment	506 769	(356 577)	150 192	525 959	(364 472)	161 487
IT equipment	27 607 094	(18 883 142)	8 723 952	20 908 459	(16 654 189)	4 254 270
Laboratory and other property, plant and equipment	4 344 090	(1 660 017)	2 684 073	2 461 003	(1 429 315)	1 031 688
<b>Total</b>	<b>974 205 659</b>	<b>(425 593 839)</b>	<b>548 611 820</b>	<b>937 162 315</b>	<b>(399 960 803)</b>	<b>537 201 512</b>

**Reconciliation of property, plant and equipment - 2025**

	Opening balance	Additions	Disposals	Depreciation	Total
Land	3 821 361	-	-	-	3 821 361
Infrastructure including buildings	489 212 403	32 529 420	(2 757 269)	(21 880 293)	497 104 261
Plant and machinery	35 219 948	-	-	(2 806 093)	32 413 855
Furniture and fixtures	1 096 111	739 833	(8 750)	(139 820)	1 687 374
Motor vehicles	2 404 245	-	-	(377 494)	2 026 751
Office equipment	161 487	15 800	(4 367)	(22 728)	150 192
IT equipment	4 254 270	7 073 178	(56 720)	(2 546 776)	8 723 952
Laboratory and other property, plant and equipment	1 031 688	1 883 087	-	(230 702)	2 684 073
	<b>537 201 513</b>	<b>42 241 318</b>	<b>(2 827 106)</b>	<b>(28 003 906)</b>	<b>548 611 819</b>

**Reconciliation of property, plant and equipment - 2024 Restated**

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Total
Land	3 821 361	-	-	-	-	3 821 361
Infrastructure including buildings	444 559 244	52 643 496	(989)	12 568 000	(20 557 348)	489 212 403
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
<b>Total</b>	<b>496 061 531</b>	<b>55 204 884</b>	<b>(875 019)</b>	<b>12 568 000</b>	<b>(25 757 883)</b>	<b>537 201 513</b>

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

Figures in Rand	2025	2024
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**Pledged as security**

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

**Change in estimate**

During the period, the useful life and residual values of property, plant and equipment were assessed. The results of the work performed are disclosed in note 36

**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	46 271 039	90 374 906
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**Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected**

Actom-Contract Z6/TRF/03/11-Transformers	25 494 175	25 494 175
The Project is linked to the settlement of an investor in Berlin that 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.	-	-
	<b>25 494 175</b>	<b>25 494 175</b>

**Carrying value of property, plant and equipment where construction or development has been halted either during the current period or previous reporting period(s)**

Wind farm	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.		
	<b>479 200</b>	<b>479 200</b>

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 and this recoverable amount is still assessed as reasonable.

The recoverable amount for the transformers is more than the carrying amount, therefore the assets are not impaired and its carrying amount remains the same.

**Reconciliation of Work-in-Progress 2025**

	Included within Infrastructure	Total
Opening balance	86 291 089	86 291 089
Additions/capital expenditure	32 377 567	32 377 567
Transferred to completed items	(72 397 617)	(72 397 617)
	<b>46 271 039</b>	<b>46 271 039</b>

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

Figures in Rand	2025	2024
Reconciliation of Work-in-Progress 2024	Included within Infrastructure	Total
Opening balance	46 307 441	46 307 441
Additions/capital expenditure	52 643 497	52 643 497
Other transfers: Data centre	(4 083 841)	(4 083 841)
Transferred to completed items	(8 576 008)	(8 576 008)
	<b>86 291 089</b>	<b>86 291 089</b>

**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	(55 125 732)	(45 576 586)
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**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 and purchases of property plant and equipment**

The entity disposed off items of property plant and equipment with a carrying value of R2 827 106 (2024: R875 019). A loss on disposal of R 2 790 242 (2024:R842 962) was realised.

Proceeds from sale of property plant and equipment amounted to R3 843 (2024:R32 057).

Total purchases/completion of property plant and equipment amounted to R39 075 753 (2024:R55 204 883).

## 10. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value
Trademarks	30 000	(28 683)	1 317	30 000	(28 378)	1 622
Designs	4 083 841	(4 083 841)	-	4 083 841	(4 083 841)	-
Computer software	26 911 070	(13 447 178)	13 463 892	26 911 070	(12 268 868)	14 642 202
<b>Total</b>	<b>31 024 911</b>	<b>(17 559 702)</b>	<b>13 465 209</b>	<b>31 024 911</b>	<b>(16 381 087)</b>	<b>14 643 824</b>

**Reconciliation of intangible assets - 2025**

	Opening balance	Amortisation	Total
Trademarks	1 622	(305)	1 317
Computer software	14 642 202	(1 178 310)	13 463 892
	<b>14 643 824</b>	<b>(1 178 615)</b>	<b>13 465 209</b>

NOTES TO THE **FINANCIAL STATEMENTS**: *10. Intangible assets - (continued)*

Figures in Rand	2025	2024
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**Reconciliation of intangible assets - 2024 Restated**

	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
	<b>4 919 649</b>	<b>11 305 585</b>	<b>(1 581 410)</b>	<b>14 643 824</b>

**Pledged as security**

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

**Intangible assets in the process of being constructed or developed**

**Cumulative expenditure recognised in the carrying value of Intangible assets**

Computer software	11 305 585	11 305 585
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**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 encumbered or pledged as a security.

The total purchases/completion of other intangible assets amounted to Rnil (2024:R11 305 585).

## 11. Payables from exchange transactions

Trade payables	24 650 412	18 374 464
Other payables*	4 557 265	1 418 465
Accrued leave pay	5 441 469	4 782 911
Deposits received	7 352 811	6 612 099
	<b>42 001 957</b>	<b>31 187 939</b>

\*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	2 520 224	15 576 012
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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 43 under accounting by principals and agents.

NOTES TO THE FINANCIAL STATEMENTS: 12. Payables from non-exchange transactions - (continued)

Figures in Rand	2025	2024
<b>Reconciliation of closing balance</b>		
Opening balance	15 576 012	1 771 856
Transfers received	-	15 652 173
Expenditure incurred	(14 154 041)	(1 936 839)
Interest income	1 098 253	280 055
Funds surrendered	-	(191 233)
	<b>2 520 224</b>	<b>15 576 012</b>

## 13. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

**Unspent conditional grants and receipts**

Unspent grant DTIC & DEDEAT	126 641 576	121 666 456
<b>Movement during the year</b>		
Balance at the beginning of the year	121 666 456	132 548 927
Grant received during the year	21 739 130	83 326 262
Interest received during the year	11 101 575	10 323 551
Conditions met during the year	(27 865 585)	(104 532 284)
	<b>126 641 576</b>	<b>121 666 456</b>

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 - 2025**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Legal proceedings	296 877	-	(178 038)	-	118 839
Retentions	802 523	1 606 020	(964 296)	-	1 444 247
Performance bonus provision	13 831 926	9 500 000	(13 831 873)	(53)	9 500 000
	<b>14 931 326</b>	<b>11 106 020</b>	<b>(14 974 207)</b>	<b>(53)</b>	<b>11 063 086</b>

**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
	<b>15 446 560</b>	<b>14 634 840</b>	<b>(14 254 006)</b>	<b>(896 068)</b>	<b>14 931 326</b>

NOTES TO THE FINANCIAL STATEMENTS: 14. *Provisions - (continued)*

Figures in Rand	2025	2024
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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 2025. 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.

The time value of money of provisions is considered immaterial.

## 15. Share capital

### Authorised

1000 000 Ordinary shares of R0,01 each	10 000	10 000
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### Reconciliation of number of shares issued:

Reported as at 31 March 2025	100 000	100 000
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### Issued

100 000 Ordinary shares at R0,01 each	1 000	1 000
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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	161 772 026	156 284 084
Conference hire Income	2 626 842	2 578 076
Analytic Lab Income	7 981 723	5 938 074
Telephone and Internet services Income	7 777 573	7 409 864
Estate Service Income	6 593 818	5 529 344
Water Income	6 939 386	5 756 311
Sewerage Income	4 586 406	4 387 547
	<b>198 277 774</b>	<b>187 883 300</b>

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

NOTES TO THE **FINANCIAL STATEMENTS**:

Figures in Rand	2025	2024
<b>17. Rental of facilities and equipment</b>		
<b>Premises</b>		
Premises and Equipment	177 480 245	167 136 587
Rental Smoothing	(1 862 676)	6 723 424
	<b>175 617 569</b>	<b>173 860 011</b>

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

**18. Sundry income**

Sundry Income	555 389	505 164
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Sundry income is income that is received not in the ordinary course of business of the ELIDZ.

**19. Interest received**

<b>Interest revenue</b>		
Bank	3 523 788	6 217 180
Interest charged on receivables from exchange transactions	510 634	557 868
	<b>4 034 422</b>	<b>6 775 048</b>

**20. Government grants & subsidies**

<b>Operating grants</b>		
Government grant DEDEAT	85 872 174	90 378 261
<b>Capital grants</b>		
Government grant DEDEAT	27 641 933	76 869 107
Government grant DTIC	223 653	27 663 177
Government grant ECDC	13 068 573	-
	<b>40 934 159</b>	<b>104 532 284</b>
	<b>126 806 333</b>	<b>194 910 545</b>

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

Conditional grants released	40 934 159	104 532 284
Unconditional grants released	85 872 174	90 378 261
	<b>126 806 333</b>	<b>194 910 545</b>

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

NOTES TO THE **FINANCIAL STATEMENTS**:

Figures in Rand	2025	2024
<b>21. Employee related costs</b>		
Basic	90 139 148	84 247 683
Bonus	9 499 946	13 305 527
UIF	656 941	584 805
SDL	1 087 070	1 023 695
Leave pay accrual	2 112 764	1 308 802
Internships	3 017 944	3 768 015
Other short term costs	230 000	110 000
Defined contribution plans	10 140 080	9 607 727
	<b>116 883 893</b>	<b>113 956 254</b>

**22. Depreciation and amortisation**

Property, plant and equipment	28 003 906	25 757 883
Intangible assets	1 178 614	1 581 410
	<b>29 182 520</b>	<b>27 339 293</b>

**23. Lease rentals on operating lease**

Equipment		
Contractual amounts	770 240	738 442

**24. Finance costs**

GRAP 104- Impact of time value of money	(410 574)	664 224
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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**

(Reversal)/Contributions to debt impairment provision- Other financial assets	(3 328 994)	3 328 994
Contributions to debt impairment provision- Receivables from exchange transactions	11 956 375	21 509 791
Bad debts written off	18 060 642	-
	<b>26 688 023</b>	<b>24 838 785</b>

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.

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	2025	2024
Investment property (Fair value model)	(12 628 873)	57 577 138

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

**27. General expenses**

Advertising	992 598	740 730
External auditor fees	2 108 587	1 931 454
Bank charges	19 061	153 641
Cleaning services	1 810 537	1 463 223
Consumable expenses	1 130 488	199 658
Consulting and professional fees	6 341 239	7 047 251
Cost of sales lab and conf	6 851 222	6 291 159
Corporate social investment	1 351 635	1 416 651
Entertainment	342 430	324 836
Insurance	5 293 530	10 532 124
Canteen expenses	927 810	819 000
Internet and telephone services	897 891	1 418 190
Motor vehicle expenses	224 698	161 269
Recruitment expense	604 399	866 828
Postage and courier	126 424	54 441
Printing and stationery	39 964	189 332
Promotions	2 310 211	1 881 815
Repairs and maintenance	55 125 732	47 191 960
Security cost	12 904 341	12 174 898
Software expenses	8 166 850	10 226 060
Staff welfare	437 260	362 161
Subscriptions and membership fees	645 273	533 430
Telephone and cellphone	1 502 283	1 353 342
Training	2 654 525	2 315 657
Travel	1 906 565	769 690
Rates and taxes	34 107 353	31 265 838
Electricity	129 158 536	112 023 687
Water	9 078 164	3 301 238
Sewerage expense	3 514 665	3 152 552
Project expenses operational unit	25 661 450	20 481 211
Board fees	1 394 620	1 639 769
SHEQ services	6 052 282	5 475 126
Internal auditors	405 404	634 345
	<b>324 088 027</b>	<b>288 392 566</b>

NOTES TO THE **FINANCIAL STATEMENTS**:

Figures in Rand	2025	2024
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**28. Auditors' remuneration**

External audit fees	2 108 587	1 931 454
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**29. Cash generated from operations**

Surplus/(Deficit)	(7 599 712)	162 598 747
<b>Adjustments for:</b>		
Depreciation and amortisation	29 182 520	27 339 293
Loss on sale of non current asset	2 790 241	842 962
Finance income/(costs)	(410 574)	-
Fair value adjustments	12 628 873	(57 577 138)
Debt impairment	26 688 023	-
Movements in provisions	(4 652 884)	(515 234)
Movement in tax receivable and payable	2 149 966	(1 374 128)
<b>Changes in working capital:</b>		
Decrease/(Increase) in Receivables from exchange transactions	(29 426 268)	(11 879 361)
(Increase) in Prepayments	(9 077 481)	(1 638 735)
Decrease/(Increase) in Other financial assets	6 528 031	(3 404 212)
Increase in Payables from exchange transactions	9 974 902	8 977 932
Increase in VAT asset	(27 610)	(1 303 666)
(Decrease) /Increase in Payables from non-exchange transactions	(13 055 790)	13 804 156
(Decrease)/Increase in Unspent conditional grants and receipts	4 975 120	(10 882 471)
	<b>30 667 357</b>	<b>124 988 145</b>

**30. Taxation**

**Major components of the tax expense**

**Current**

(Deficit)/Profit before tax	(7 329 756)	164 738 680
Permanent differences	(15 306 715)	(79 087 341)
Temporary differences	27 635 653	(46 022 959)
Utilised tax assessed loss	(3 999 346)	(31 702 704)
	<b>999 836</b>	<b>7 925 676</b>

**Assessed loss**

Opening assessed loss	(41 300 425)	(73 003 129)
Assessed loss utilised	3 999 346	31 702 704
	<b>(37 301 079)</b>	<b>(41 300 425)</b>

NOTES TO THE FINANCIAL STATEMENTS: 30. *Taxation - (continued)*

Figures in Rand	2025	2024
<b>Reconciliation of the tax expense</b>		
<b>Reconciliation of the income tax expenses</b>		
Applicable tax rate	27	27
<b>Permanent differences</b>		
Expenses not deductible for tax purposes	(321)	15
Grant income not taxable	467	(32)
Depreciation	(94)	4
Interest income	2	-
<b>Temporary differences</b>		
Investment property fair value	(47)	(10)
Bad debt written-off	(67)	-
Loss on disposal of assets	(10)	-
Unutilised loss for the year	15	(5)
Operating lease smoothing	(7)	(1)
Reversal impairment of other financial assets	12	-
Provision for doubtful debts	2	3
Provision for performance bonus	16	-
Provision for leave pay	(2)	-
Other	3	(2)
Taxable income for the year	4	1
- %		- %

A taxation expense of R269 956 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 R37 301 079 (2024:R41 300 425). Deferred tax was assessed and the resultant deferred tax asset could not be recognized for all deductible temporary differences and the tax loss 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	2025	2024
Opening Balance	(1 625 280)	(251 152)
Tax refund	2 407 935	-
Provisional tax payment	(527 923)	(3 514 061)
Current tax expense	269 956	2 139 933
	<b>524 688</b>	<b>(1 625 280)</b>

NOTES TO THE **FINANCIAL STATEMENTS**:

Figures in Rand	2025	2024
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### 31. Financial instruments disclosure

#### Categories of financial instruments

**2025**

	At amortised cost	Total
<b>Financial assets</b>		
Other financial assets	3 218 314	3 218 314
Receivables from exchange transactions	27 862 110	27 862 110
Cash and cash equivalents	153 587 617	153 587 617
Deposits	4 000 000	4 000 000
	<b>188 668 041</b>	<b>188 668 041</b>

#### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	36 560 488	36 560 488
Payables from non-exchange transactions	2 520 224	2 520 224
Provisions- Retentions	1 444 247	1 444 247
Unspent conditional grants	126 641 576	126 641 576
Provision-Legal proceedings	118 839	118 839
	<b>167 285 374</b>	<b>167 285 374</b>

**2024-Restated**

#### Financial assets

	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	186 918 232	186 918 232
	<b>219 482 126</b>	<b>219 482 126</b>

#### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	26 405 027	26 405 027
Payables from non-exchange transactions	15 576 012	15 576 012
Provisions- Retentions	802 523	802 523
Unspent conditional grants	121 666 456	121 666 456
Provision-Legal proceedings	296 877	296 877
	<b>164 746 895</b>	<b>164 746 895</b>

NOTES TO THE FINANCIAL STATEMENTS: 31. Financial instruments disclosure - (continued)

Figures in Rand	2025	2024	
<b>Financial instruments in Statement of financial performance</b>			
<b>2025</b>			
	<b>At fair value</b>	<b>At amortised cost</b>	<b>Total</b>
Interest income (calculated using effective interest method) for financial instruments at amortised cost	3 523 788	510 634	4 034 422
Debt impairment and bad debt written off	-	(26 688 023)	(26 688 023)
	<b>3 523 788</b>	<b>(26 177 389)</b>	<b>(22 653 601)</b>
<b>2024</b>			
	<b>At fair value</b>	<b>At amortised cost</b>	<b>Total</b>
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)
	<b>6 217 180</b>	<b>(24 280 917)</b>	<b>(18 063 737)</b>

## 32. Commitments

### Authorised capital expenditure

#### Already contracted for and budgeted for

• Property, plant and equipment	7 487 610	36 982 454
• Investment property	-	11 083 546
• Intangible assets	4 599 451	4 599 451
	<b>12 087 061</b>	<b>52 665 451</b>

#### Total capital commitments

Already contracted for and provided for	12 087 061	52 665 451
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#### Total commitments

Authorised capital expenditure	12 087 061	52 665 451
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The committed expenditure relates to intangible assets 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	1 109 693	615 369
- in second to fifth year inclusive	2 053 621	-
	<b>3 163 314</b>	<b>615 369</b>

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.

NOTES TO THE **FINANCIAL STATEMENTS**: 32. *Commitments - (continued)*

Figures in Rand	2025	2024
<b>Operating leases - as lessor (income)</b>		
<b>Minimum lease payments due</b>		
- within one year	152 008 989	160 199 022
- in second to fifth year inclusive	409 973 738	511 003 898
- later than five years	40 493 105	36 514 911
	<b>602 475 832</b>	<b>707 717 831</b>

**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**

- ELIDZ is a defendant in a case involving a former employee who is alleging 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. The timing of the payment is uncertain to the entity at this point.
- 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 and a time uncertain to the entity at this point.

## 34. Related parties

**Relationships**

Shareholder with controlling interest	Department of Economic Development Environmental Affairs and Tourism (DEDEAT)
Shareholder with significant influence (minority shareholding)	Buffalo City Metropolitan Municipality (BCMM)
Other related parties with significant influence	Department of Trade, 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	T. Zweni G. Matengambiri N. Makhoba L. Macingwane (Interim COO-Q1) A. Ramncwana (Interim COO-Q2 and Q3) R. De Beer (Interim COO-Q4)

NOTES TO THE FINANCIAL STATEMENTS: 34. Related Parties - (continued)

Figures in Rand	2025	2024
Non-executive directors	M.W. Makalima A. Kanana B. Mpondoh 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, one of them resigned in the previous financial period and has not been replaced.

**Related party balances**

**Buffalo City Metropolitan Municipality**

Payables from exchange transactions	16 875 185	-
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**Buffalo City Metropolitan Municipality**

Receivables (Prepayment)	-	7 902 005
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**Related party transactions**

**Buffalo City Metropolitan Municipality**

Expenditure (Rate and taxes)	34 107 353	31 265 837
Expenditure (Electricity)	129 158 536	112 023 686
Expenditure (Water)	9 078 164	3 301 238

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.

**Electricity** - ELIDZ obtain its electricity at Eskom rate plus 2.5% wheeling charge.

**35. Directors and Executive managements' remuneration**

**Executive**

**2025**

	Basic salary	Allowances	Employer contributions to funds	Performance bonus	Total
S Kondlo (Ex officio)	-	-	-	792 349	792 349
T Zweni	2 773 320	1 455 461	550 005	587 590	5 366 376
G Matengambiri	1 957 070	1 027 086	398 037	571 140	3 953 333
N Makhoba	1 957 086	1 027 086	398 037	593 162	3 975 371
A Ramncwana (Acting COO Q2,Q3)	1 615 711	1 023 792	304 387	431 802	3 375 692
L Macingwane (Acting COO Q1)	1 060 624	651 200	236 398	297 520	2 245 742
R. De Beer (Acting COO Q4)	1 015 408	614 736	227 345	-	1 857 489
	<b>10 379 219</b>	<b>5 799 361</b>	<b>2 114 209</b>	<b>3 273 563</b>	<b>21 566 352</b>

NOTES TO THE **FINANCIAL STATEMENTS**: 35. *Directors & Executive managements' remuneration - (continued)*

Figures in Rand	2025	2024			
<b>2024</b>					
	<b>Basic salary</b>	<b>Allowances</b>	<b>Employer contributions to funds</b>	<b>Performance bonus</b>	<b>Total</b>
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
	<b>8 536 436</b>	<b>4 481 197</b>	<b>1 714 671</b>	<b>2 398 748</b>	<b>17 131 052</b>

In the current financial period (2025), the former CEO of the ELIDZ, Mr S Kondlo, was paid a bonus amount that was due to him and was withheld to complete the required performance assessments.

**Non-executive**

**2025**

	<b>Directors' fees</b>	<b>Allowances</b>	<b>Total</b>
MW Makalima	202 797	2 552	205 349
EV Jooste	182 496	3 407	185 903
A Kanana	178 682	8 515	187 197
M Mfuleni (Chairperson)	149 351	12 707	162 058
N Mnconywa	349 277	3 564	352 841
B Sauli	119 848	4 231	124 079
B Mpando	164 422	12 771	177 193
	<b>1 346 873</b>	<b>47 747</b>	<b>1 394 620</b>

**2024**

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

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	2025	2024
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## 36. Change in estimate

### Property, plant and equipment

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

1. Furniture and fixtures from 20 years to 25 years, the effect of this revision has decreased the depreciation for the current year by R2 673,07 and increased future depreciations by the same amount.
2. Infrastructure including buildings items with useful lives between 10 years to 50 years have been revised to between 15 years to 55 years, the effect of this revision has decreased the depreciation for the current year by R397 482,61 and increased future depreciations by the same amount.
3. IT equipment items with useful lives between 03 years to 10 years revised have been revised to between 06 years to 15 years, the effect of this revision has decreased the depreciation for the current year by R593 175,76 and increased future depreciations by the same amount.
4. Office equipment items with useful lives between 05 years to 15 years have been revised to between 10 years to 20 years, the effect of this revision has decreased the depreciation for the current year by R18 231,29 and increased future depreciations by the same amount.
5. Lab and other PPE items with useful lives between 05 years to 10 years have been revised to between 10 years to 15 years, the effect of this revision has decreased the depreciation for the current year by R4 022,06 and increased future depreciations by the same amount.
6. Intangible assets items with useful lives between 03 years to 7 years have been revised to between 8 years to 12 years, the effect of this revision has decreased the amortisation for the current year by R577 295,34 and increased future depreciations by the same amount.

## 37. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

During the previous financial periods, the ELIDZ paid for designs for a data centre building that the entity was to develop. However, due to unforeseen circumstances the property could not be built. The entity ended up scaling down the project and retrofitting a building they had already built, the data centre, which meant that the designs already paid for could not be used. The cost of the designs was incorrectly capitalised to the cost of the new data centre and the amount of expenditure relating to the designs was kept as expenditure under the new data centre project under commitments. Further, the designs were incorrectly recognised as property, plant and equipment instead of intangible assets. In the previous financial periods, the asset should have been impaired as there is no active market for it and at this reporting date there is no use for the designs. The prior period error will be adjusted retrospectively.

The expenditure under commitments will be adjusted to correct the error.

An error was made in the calculation of the fair value adjustment in the prior year. This error resulted in the understatement of the fair value adjustment and the investment property figure. The comparative figures in the segment reporting note and tax receivable note are also affected by the restatement.

The organisation has restated the opening balance for irregular expenditure. This was due to irregular expenditure that was identified in the current year that relates to the prior years.

Cash and cash equivalents were previously incorrectly classified as being held at Fair value instead of amortised cost. This error has been corrected in the current financial period.

### Statement of financial position

	Note	As previously reported	Correction of error	Restated
<b>2023</b>				
Property, plant and equipment	9	448 643 085	(4 083 841)	444 559 244
Intangible assets: Designs	10	-	4 083 841	4 083 841
Accumulated impairment: Designs	10	-	(4 083 841)	(4 083 841)
		<b>448 643 085</b>	<b>(4 083 841)</b>	<b>444 559 244</b>

NOTES TO THE **FINANCIAL STATEMENTS**: 37. *Prior -year adjustments - (continued)*

Figures in Rand	2025		2024	
	Note	As previously reported	Correction of error	Restated
<b>2024</b>				
Investment property	8	2 107 252 362	5 866 800	2 113 119 162

**Statement of financial performance**

2024	Note	2025		2024			
		As previously reported	Correction of error	Restated	As previously reported	Correction of error	Restated
<b>2024</b>							
Fair value adjustment	26	51 710 338	5 866 800	57 577 138			

## 38. 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 Operations and risk 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 Operations and risk committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Operations and risk 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 2025 is as follows:

NOTES TO THE FINANCIAL STATEMENTS: 38. Risk Management - (continued)

Figures in Rand	2025	2024
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**2025 Liquidity gap analysis**

	On demand and less than one month	1 to 12 months	More than 12 months	Total
<b>Assets</b>				
Other financial assets	-	893 366	2 324 948	3 218 314
Receivables from exchange transactions	27 862 110	-	-	27 862 110
Deposits	-	-	4 000 000	4 000 000
Cash and cash equivalents	153 587 617	-	-	153 587 617
<b>Subtotal</b>	<b>181 449 727</b>	<b>893 366</b>	<b>6 324 948</b>	<b>188 668 041</b>
<b>Liabilities</b>				
Payables from exchange transactions	(34 649 146)	-	(7 352 811)	(42 001 957)
Payables from non-exchange transactions	(2 520 224)	-	-	(2 520 224)
Provisions - retentions	(1 444 247)	-	-	(1 444 247)
Unspent Conditional Grant	-	(126 641 576)	-	(126 641 576)
Provision - Legal Proceedings	(118 839)	-	-	(118 839)
	<b>142 717 271</b>	<b>(125 748 210)</b>	<b>(1 027 863)</b>	<b>15 941 198</b>

**2024 liquidity gap analysis**

	On demand and less than one month	1 to 12 months	More than 12 months	Total
<b>Assets</b>				
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
<b>Subtotal</b>	<b>210 475 378</b>	<b>3 471 909</b>	<b>2 534 839</b>	<b>216 482 126</b>
<b>Liabilities</b>				
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)
	<b>169 224 127</b>	<b>(118 194 547)</b>	<b>(4 077 260)</b>	<b>46 952 320</b>

**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.

NOTES TO THE **FINANCIAL STATEMENTS**: 38. *Risk Management - (continued)*

Figures in Rand	2025	2024
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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 2025 the entity holds deposits from tenants amounting to R7 352 811 (2024: R6 612 099) as security for tenants' lease obligations.

The amounts below are before impairment.

Financial assets exposed to credit risk at year end were as follows:

<b>The entity's exposure to credit risk by class of financial asset is as follows:</b>	2025	2024
Receivables from exchange transactions	86 375 108	73 113 767
Cash and cash equivalent	153 587 817	183 918 232
Other financial asset	3 717 423	9 335 734

**Analysis by credit quality of financial assets is as follows: Neither past due nor impaired**

Cash and cash equivalents	153 587 617	183 918 232
Receivables from exchange transactions	4 751 749	11 772 363
Other financial assets	3 717 423	5 640 882
	<b>162 056 789</b>	<b>201 331 477</b>

**Past due and not impaired**

Receivables from exchange transactions	10 305 466	7 576 649
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**Impaired financial asset**

Receivables from exchange transactions	71 317 894	53 764 756
Other financial asset	-	3 694 852
	<b>71 317 894</b>	<b>57 459 608</b>

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 interestbearing 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.

NOTES TO THE **FINANCIAL STATEMENTS**: 38. *Risk Management - (continued)*

Figures in Rand	2025	2024
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**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.

	2025	2024
Cash and cash equivalents	153 587 617	183 918 232
1% thereof	1 535 876	1 839 182

**39. Unauthorised, Irregular and Fruitless and Wasteful Expenditure**

Irregular expenditure	24 665 630	11 092 246
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**\*Refer to reconciling notes in the annual report**

**40. Irregular expenditure**

Opening balance as previously reported	11 092 426	-
Correction of prior period error	-	11 092 426
<b>Opening balance</b>	<b>11 092 426</b>	<b>11 092 426</b>
Add: Irregular Expenditure - current	13 573 204	-
<b>Closing balance</b>	<b>24 665 630</b>	<b>11 092 426</b>

ELIDZ incurred irregular expenditure totaling to R24 665 630 due to non-compliance with the PFMA, CIDB and Treasury Regulation. The irregular expenditure disclosed for the prior year was identified in the current year.

**41. 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 into 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.

NOTES TO THE **FINANCIAL STATEMENTS**: 41. *Segment information - (continued)*

Figures in Rand	2025	2024
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**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 telephone 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 services and innovation

**Segment surplus or deficit, assets and liabilities**

31 March 2025	Information communication and technology	Operations (SEZ)	Science and Technology Park	Total
<b>Revenue</b>				
Revenue from non-exchange transactions	7 439 226	47 453 472	4 150 170	59 042 868
Revenue from exchange transactions	7 777 573	358 136 047	7 981 723	373 895 343
<b>Total segment revenue</b>	<b>15 216 799</b>	<b>405 589 519</b>	<b>12 131 893</b>	<b>432 938 211</b>

**Expenditure**

Employee related costs	(7 742 792)	(16 373 252)	(11 245 201)	(35 361 245)
General expenses	(32 441 201)	(237 530 939)	(14 232 119)	(284 204 259)
<b>Total segment expenditure</b>	<b>(40 183 993)</b>	<b>(253 904 191)</b>	<b>(25 477 320)</b>	<b>(319 565 504)</b>
<b>Total segmental surplus/(deficit)</b>				<b>113 372 708</b>

**Reconciliation**

Non-segment revenue from non-exchange transactions	67 763 464
Non-segment revenue from exchange transactions	4 589 811
Non-segment expenses	(193 055 739)
<b>Entity's surplus (deficit) before tax for the period</b>	<b>(7 329 756)</b>

NOTES TO THE **FINANCIAL STATEMENTS**: 41. *Segment information - (continued)*

31 March 2024	Figures in Rand			2025	2024
	Information communication and technology	Operations (SEZ)	Science and Technology Park	Total	
<b>Revenue</b>					
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	
<b>Total segment revenue</b>	<b>16 565 286</b>	<b>396 069 519</b>	<b>9 370 446</b>	<b>422 005 251</b>	
<b>Expenditure</b>					
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)	
<b>Total segment expenditure</b>	<b>(46 699 300)</b>	<b>(228 056 225)</b>	<b>(21 850 825)</b>	<b>(296 606 350)</b>	
<b>Total segmental surplus/(deficit)</b>				<b>125 398 901</b>	
<b>Reconciliation</b>					
Non-segment revenue from non-exchange transactions				134 648 605	
Non-segment revenue from exchange transactions				64 857 350	
Non-segment expenses				(160 166 176)	
<b>Entity's surplus (deficit) before tax for the period</b>				<b>164 738 680</b>	

**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.

NOTES TO THE **FINANCIAL STATEMENTS**:

Figures in Rand	2025	2024
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## 42. 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 higher revenue than expected in January 2025 for a tenant who required additional space

The favourable variance of 1% for revenue from rendering of services is as a result of mainly higher electricity & water consumption in quarter 4.

The unfavourable variance of 5% for employee costs is as a result of, in the management accounts, internships and leave pay that are budgeted and accounted for under goods & services. These items are accounted for under cost of employment in the financial statements. The variance excluding these items is less than 1%.

The unfavourable variance of 4% on budgeted expenditure is mainly due to, in the management accounts, small capital expenditure is budgeted and accounted for under the operating expenditure budget. The fixed assets are then capitalised in line with financial accounting standards. The variance excluding these items is less than 1%. The 100% variance for lease expense is due to the fact that the line item is budgeted for under general expenses

## 43. 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 at close out stage.

The entity entered into an arrangement with the Department of Labour for a skills development initiative .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 13.

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 note13. 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.

NOTES TO THE **FINANCIAL STATEMENTS**:

Figures in Rand	2025	2024
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#### **44. 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 2024 were utilised in this process.

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

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

#### **45. Load shedding Impact**

The zone faces load shedding from stage 5 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 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 on fossil energy and improve production in the zone.

#### **46. 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 have 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 a 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 investigation was concluded and there was no fraudulent activity found but instances of irregular expenditure were noted by the investigator.

# INTERNATIONAL FOOTPRINT AND *CUSTOMERS IN THE ZONE*

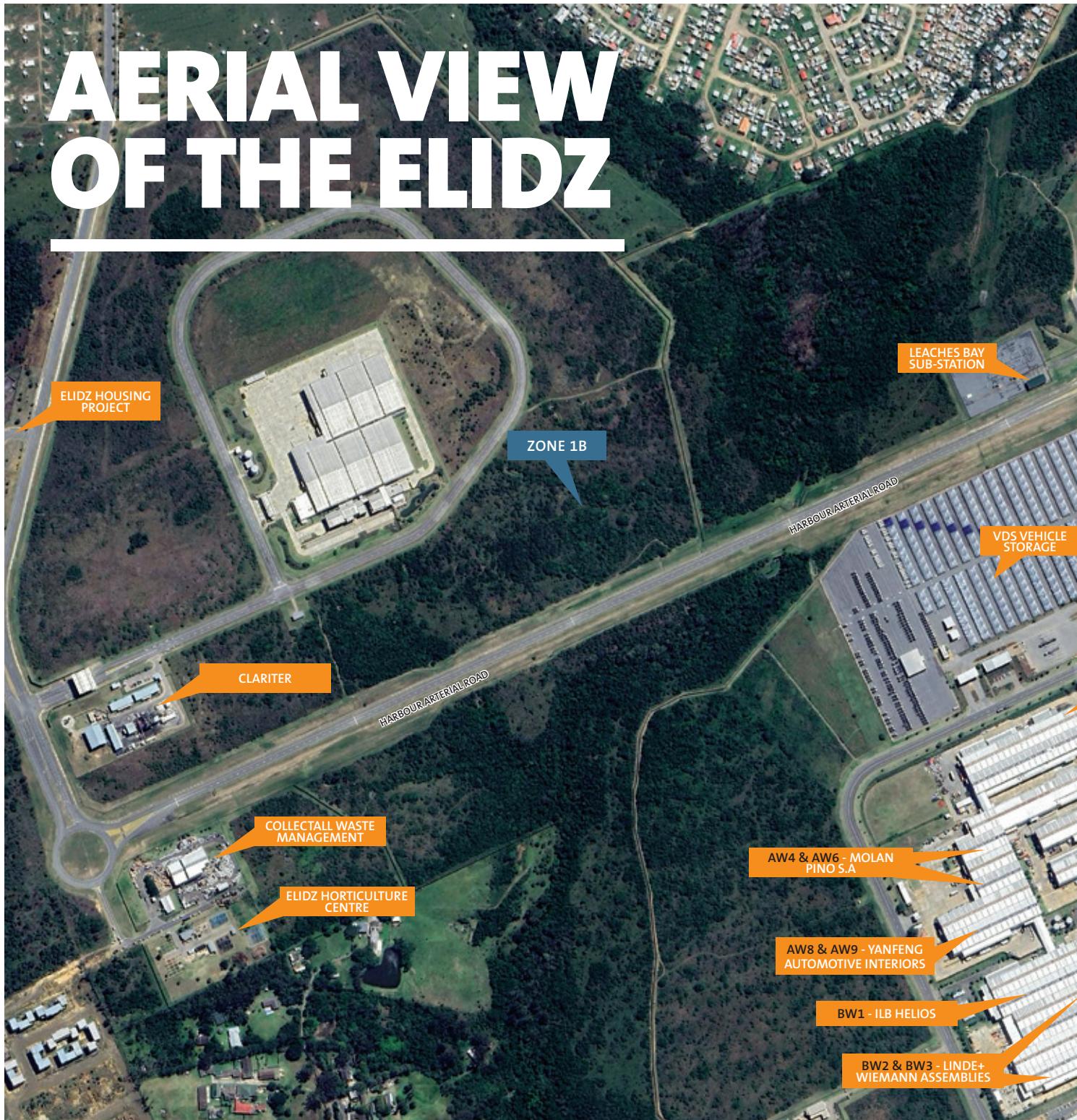




voestalpine  
ONE STEP AHEAD.



# AERIAL VIEW OF THE ELIDZ







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