An engineered efficient, globally competitive industrial complex

EAST LONDON INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT

2020-2021

east london idz
business streamlined

ENGINEERED
EFFICIENCY

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

The ELIDZ's Vision 2025 is underpinned by the organisation's desire to attract and retain high performing, competitive and resilient industries in the zone. It is underpinned by the organisation's ambition to advance a technology-led innovation and industrial modernisation to improve the competitiveness of the region and its industries.

APPROVAL OF ANNUAL REPORT 2020 / 2021

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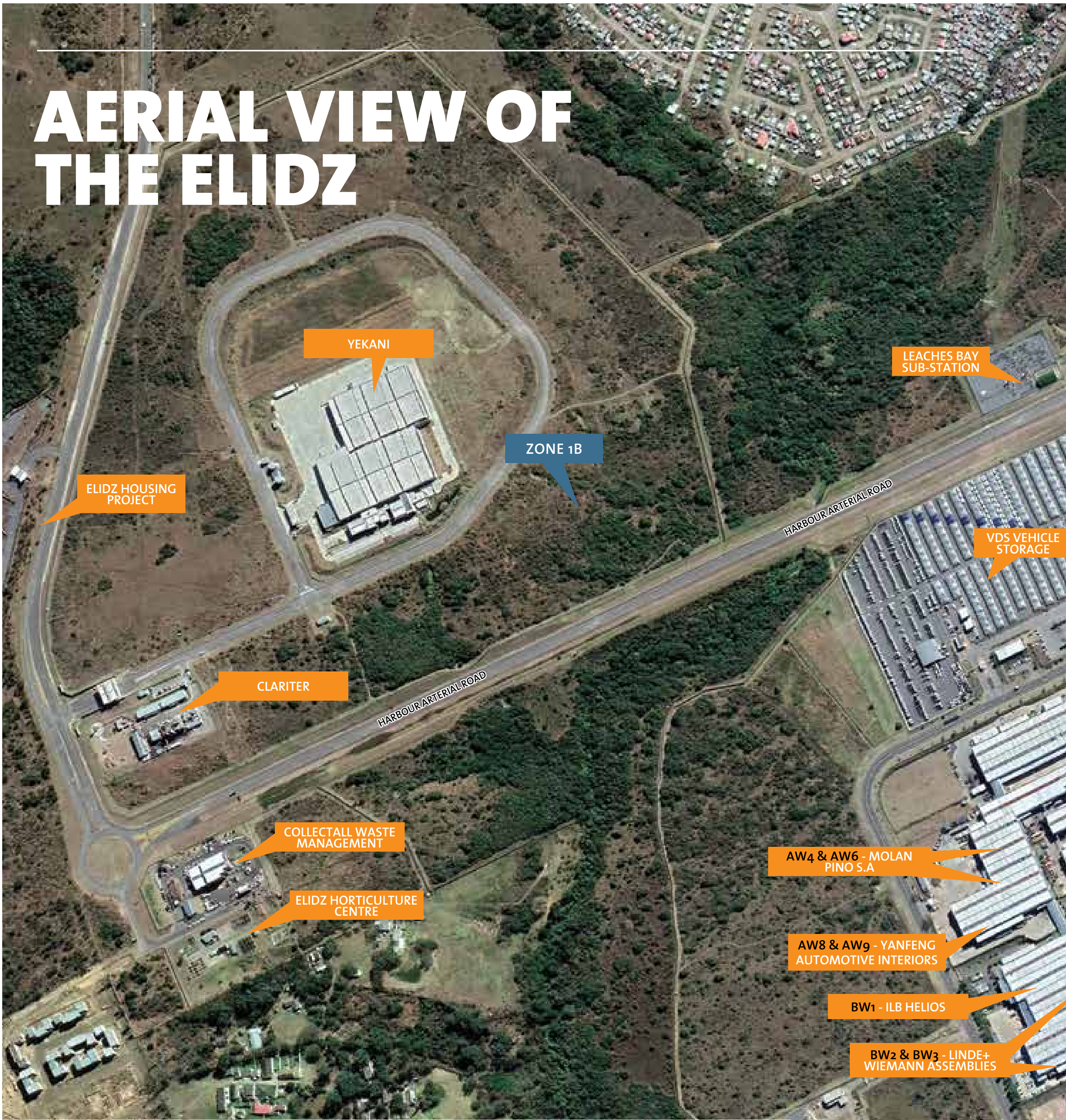



ZONE 1E
ELIDZ HEAD OFFICE
CHESTER ROAD
ELIDZ STP
ZONE 1C
HARBOUR ARTERIAL ROAD
ELIDZ MAIN GATES & ADMIN BUILDINGS
MEEK MINES
ELIDZ INVESTMENT CENTRE / TRANSPORTATION BUILDING
BOYSEN
MAINTENANCE STORE
voestalpine
IKHALA ROAD NORTH
FROTEK
MSC STORAGE
IKHALA ROAD EAST
RG BROSE
D-FENCE
AUTOMOULD
IKHALA ROAD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

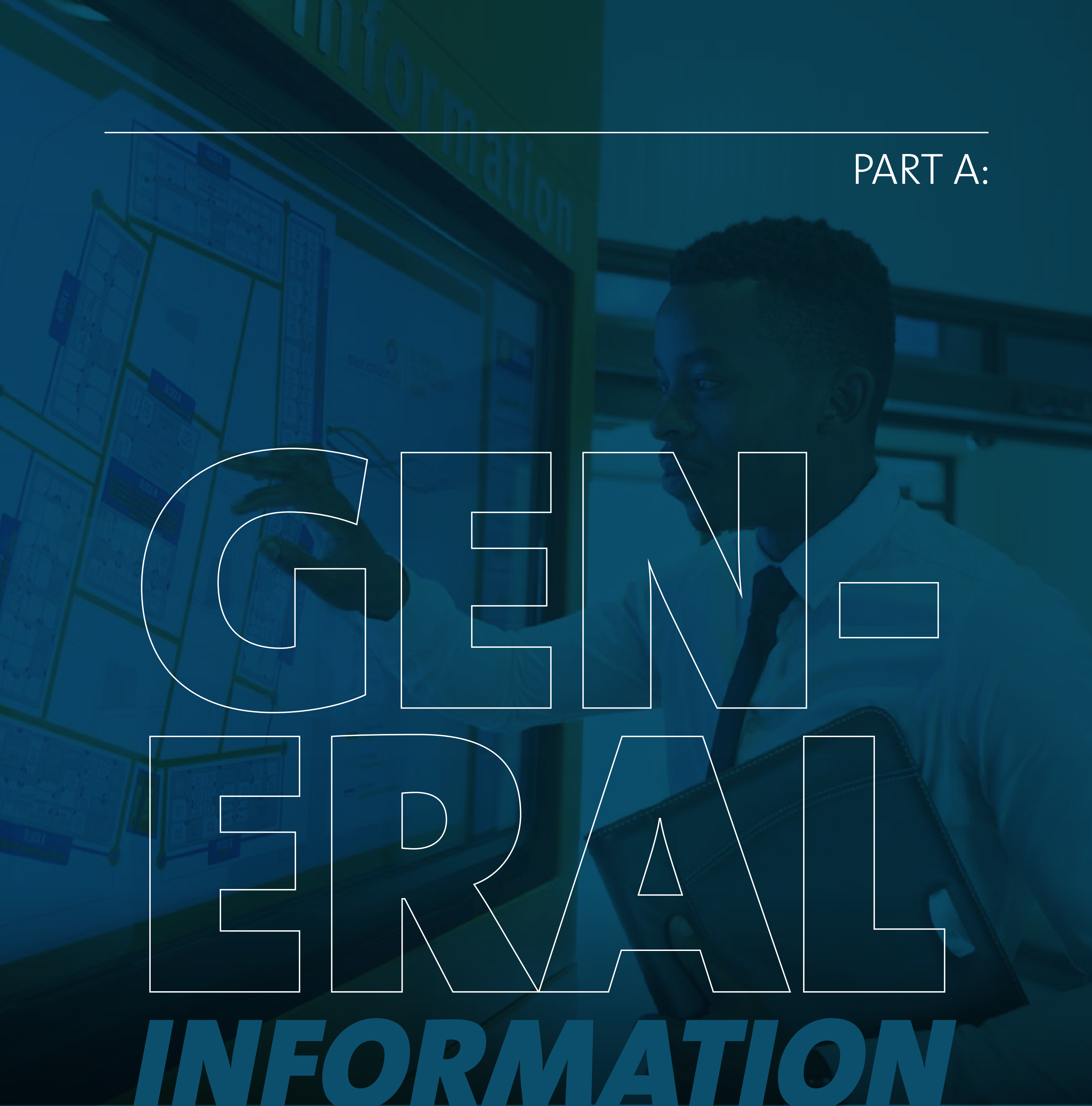
INTERNATIONAL FOOTPRINT & CUSTOMERS

FELTEX AUTOMOTIVE TRIM
Fehrer AUTOMOTIVE
caravelle AUTOMOTIVE CARPETS
FOXTEC-IKHWEZI
Yanfeng Global Automotive Interiors
AURIA
LINDE+WIEMANN
TI Automotive Fuel Systems SA
POLYTEC GROUP
SUNDALE

Mercedes-Benz The best or nothing.
Valeo
Wheel Assemblers
ZF
voestalpine ONE STEP AHEAD.
IAC International Automotive Components
TI Automotive
FELTEX
clariter
msc

BOR AUTOMOTIVE SYSTEMS (PTY) LTD
BOYSEN INNOVATIONEN ABGASTECHNOLOGIE
AUTOMOULD
RG brose
AIH ECONOGISTICS
Wallenius Wilhelmsen Solutions
Metalsa Quality as a way of life
TEM Tooling
KINGFISH ENTERPRISES

FRÖTEK Kunststofftechnik GmbH
molan pino
DSV
RSC
MILLTRANS
ONELOGIX VDS
BIGFOOT EXPRESS FREIGHT
EEK



PART A:

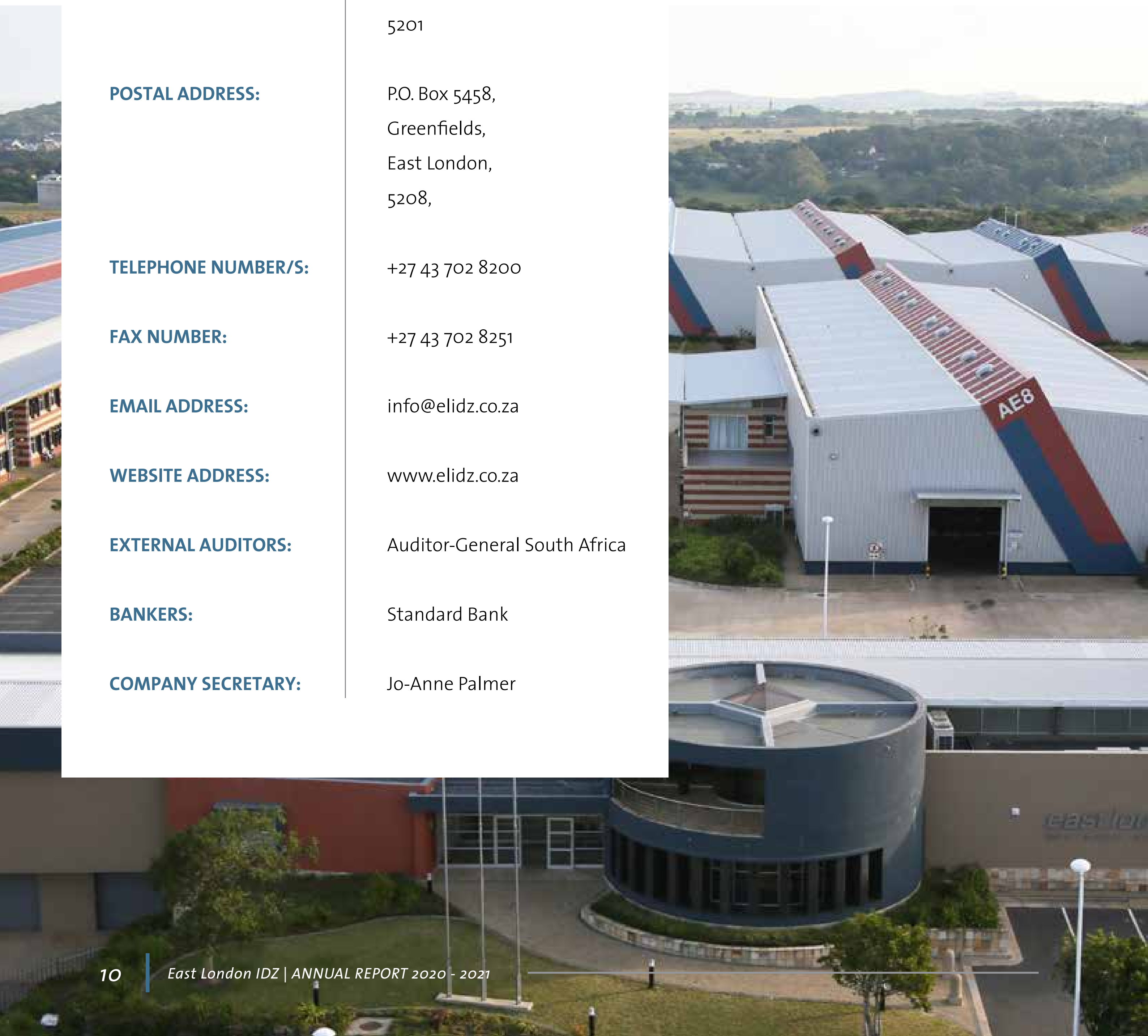
GEN-ERAL INFORMATION

... a salute must go to the members of the ELIDZ's construction and services teams that kept industrial development activity and operations running throughout this period, while maintaining compliance to the imposed regulatory constraints.

1.1

ELIDZ GENERAL INFORMATION

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



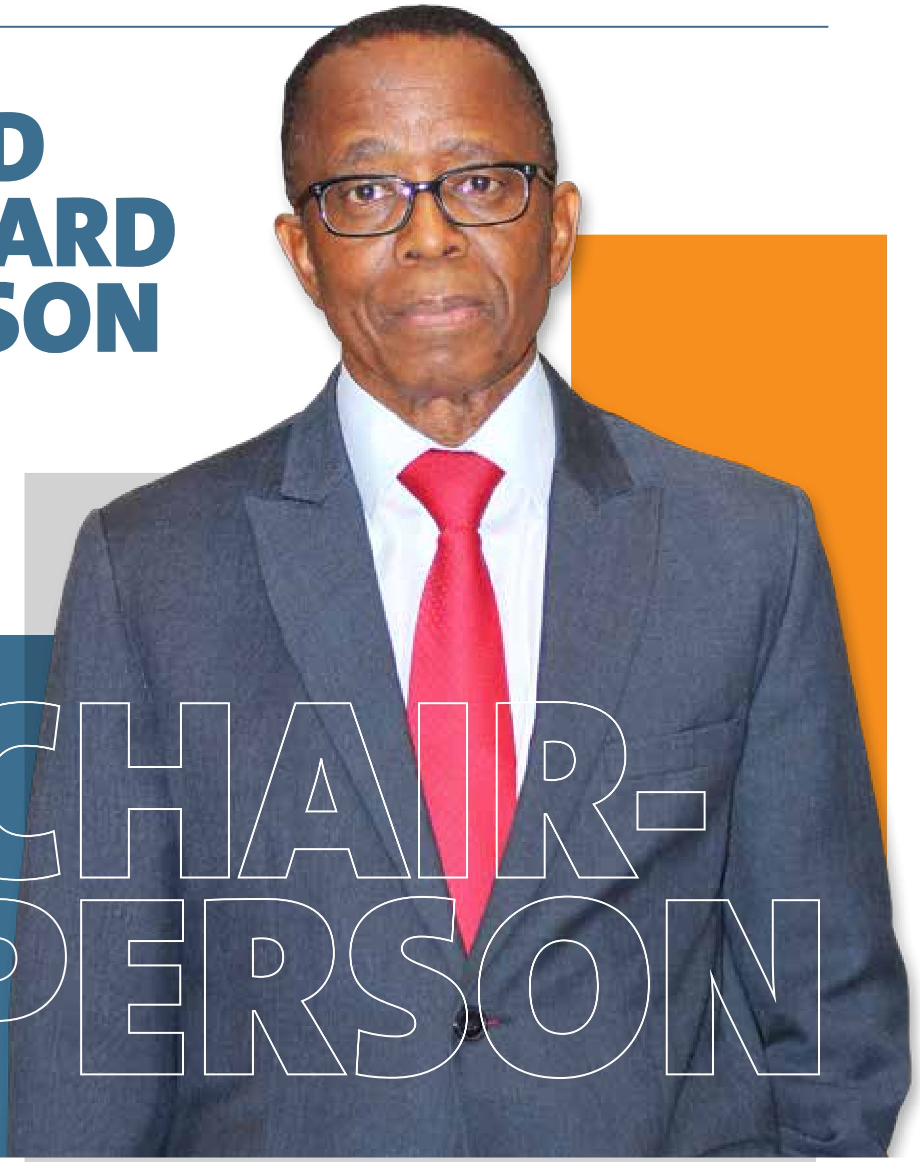
1.2

LIST OF ABBREVIATIONS/ ACRONYMS

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

1.3

FOREWORD BY THE BOARD CHAIRPERSON



> *The East London IDZ SOC Limited (ELIDZ) hereby submits its Annual Report for the financial period 2020/21 – a year that presented significant and far-reaching challenges, both for the entity and for the broader economy.*

Professor M.W. Makalima | ELIDZ Board Chairperson

The issue and then subsequent adjustment of forecasts and estimations of how long (and how severe) the coronavirus pandemic would affect the South African and, by extension, the Eastern Cape economic landscape, became factors of business that the entity had, per force, to contend with; applying its best insights and judgements.

The timing of the advent of the virus was also quite worrisome for the ELIDZ, given that the organisation had already committed to a refreshed strategic vision for the five-year term of government that is now under way. This vision is characterised by an intentional stretching of the ELIDZ's performance aspirations, coupled with a resolve to deepen the entity's institutional impact as a socio-economic catalyst of government.

Furthermore this vision foregrounds the enhancement of strategic management efforts targeting the mainstreaming of activities supportive of higher levels of industrial innovation. It also targets an acceleration in the development and mastery of information and communication and other technologies as the basis of interventions by the ELIDZ's Science and Technology Park (STP) for improving the competitiveness of targeted industry sectors.

As the year began to unfold, there was cause for concern and misgiving regarding whether the ELIDZ had perhaps set itself a job that would prove to be somewhat beyond its capacity. These reservations pointed towards the possibility of the year might terminate with some degree of performance regression.

The hesitation in respect of how performance might be dented arose because of the uniquely complex operational environment presented by the implementation of the SEZ dispensation – even in a non-pandemic setting.

The ELIDZ is conscious that its efforts to catalyse and deliver a supportive ecosystem for local industry rest on the shoulders of several role-players. And, how the pandemic might disrupt the entity's investor community as well as the support programming of its institutional partners in all three spheres of government remained difficult to anticipate and would only become better understood with the passage of time.

The unsettling circumstances outlined above notwithstanding; it is especially gratifying to report that the ELIDZ has emerged from a challenging year with some remarkable results achieved against its' targets.

> *"The annual value of new private fixed investments attracted was higher than anticipated, at R986 million. This sets the stage for the reproduction of economic multiplier opportunities and benefits for the metro and its citizens, well into the future and will be a critical contributor to the province's economic recovery efforts."*

Comparatively, it is also particularly pleasing to note that in a year that spawned cash flow and other operational challenges for many businesses, three (3) existing investors on the ELIDZ platform who expanded their operations due to a significant growth in market demand. The growth in reported export-oriented production in the zone and a similar upward trajectory in the reported turnover of zone enterprises were a further positive surprise as the zone closed this difficult year.

In addition to the positive performance-against-targets numeric information that is set out more fully elsewhere in this report, there has been the all-important reinforcement of our confidence. Confidence born of the realisation that the entity has the ability to navigate hitherto unknown adversities with resilience. This experience, in and of itself, brings with it a strengthening of our general outlook and courage to press on towards the achievement of the organization's ambitious five-year strategic agenda.

This report would be amiss if the positives it narrates above were presented as though these were entirely 'own achievements'. They were definitely not. It is acknowledged with much appreciation the fortitude shown by the industries operating from its platform and so mitigated these pandemic conditions. Likewise, we salute the members of the ELIDZ's construction and services teams that kept industrial development activity and operations running throughout this period, while maintaining compliance to the COVID-19 related regulatory constraints.

It is acknowledged that no organisation remained unscathed by the extraordinary conditions of 2020/21. By and large, industries operating from the SEZ acted swiftly and responsibly to adapt to the 'new normal' -- and so mitigated the debilitating social and economic effects of the pandemic. This also assisted to limit instances of investor business failure and liquidations to an absolute minimum, although some did occur and negatively impacted employment in the SEZ.

Regrettably, the reported data in relation to job creation and retention exposes one area where we wish we could have performed better. However, even in this context, the ELIDZ can report that some investors are moving to increase their committed investment and will in due course be expanding their operational footprint in the zone.

This creates sufficient confidence that it is only a matter of time before the ELIDZ will achieve performance recovery in employment figures (as well as in other deliverables where progress may have fallen below the level that the entity might have hoped for, while the COVID-19 restrictions remained in effect).

1.3 FOREWORD BY THE BOARD CHAIRPERSON

Looking back on the year, the SEZ and its host region are greatly indebted to the continuing support of the national SEZ Programme and its many contributing partners and agencies; collaborating across municipal, provincial and national government terrains.

The ELIDZ's operations are sustained and enhanced thanks to the engagement and support of its mother department, the provincial Department of Economic Development (DEDEAT), and its close working relations with the Buffalo City Metropolitan Municipality (BCMM). Industrial activity and development in the region is continuing to benefit from the sound relations that the SEZ has forged with -- and between -- local industries, notably in the automotive sector. Local OEM Mercedes Benz of South Africa continues to anchor and stimulate significant and much valued inward fixed investments by its auto component suppliers.

The ELIDZ boasts positive achievements as reflected in this annual report. However, it would be remiss of the ELIDZ failed to signal that the virus remains an issue of serious concern for industry and that the SEZ undoubtedly faces more challenging situations over the remainder of the current strategic term.

There is continuing uncertainty regarding the performance of the global economy and the future patterns of post-pandemic value chains recovery and foreign direct investment (FDI) flows. Closer to home, the ELIDZ is also mindful of the cyclic nature of automotive sector investment for East London given the city's association with MBSA as an economic anchor.

While these factors continue to cause uncertainty in the achievement of the entity's long-term aspirations, they can also be viewed in a positive light to the extent that they drive us to explore other potentially strong sectors of opportunity resulting in the diversification of the economic base of the province. To this end, the ELIDZ has prioritised the exploration of the potential that has been foreseen within the ICT sector and other emerging sectors.

The ELIDZ strategic plan for the 5-year cycle places emphasis on raising the level of its resolve to remain implementation oriented. For the purpose of optimising industrial activity, economic growth and development for the Eastern Cape, the board and management seek to strengthen key enabling stakeholder engagements, develop closer working relationships and establish collaborations within the community of SEZ partnering institutions, in the interest of enhancing the delivery of shared outcomes.

Professor MW Makalima
Board Chairperson
Accounting Authority

Looking back on the year, the SEZ and its host region are greatly indebted to the continuing support of the national SEZ Programme and its many contributing partners and agencies; collaborating across municipal, provincial and national government terrains.

1.4

CHIEF EXECUTIVE OFFICER'S OVERVIEW

> *"The 2020/21 financial year marked the beginning of a new 5-year cycle for the ELIDZ. As part of the ELIDZ's ambitious plans for this financial year, the organisation had forecasted that it would improve its capability to deliver on its core mandate of attracting and retaining strategic investments into the region."*

Simphiwe Kondlo | ELIDZ Chief Executive Officer

Improved research and market intelligence capabilities, mainstreaming innovation and new sector innovation were identified as critical game changers that would assist the organisation in attaining its courageous but much needed Vision 2025. The ELIDZ's Vision 2025 is underpinned by the organisation's desire to attract and retain high performing, competitive and resilient industries in the zone. It is underpinned by the organisation's ambition to advance a technology-led innovation and industrial modernisation to improve the competitiveness of the region and its industries. Vision 2025 is also driven by the organisation's desire to implement sustainable operational efficiencies and global best practice.

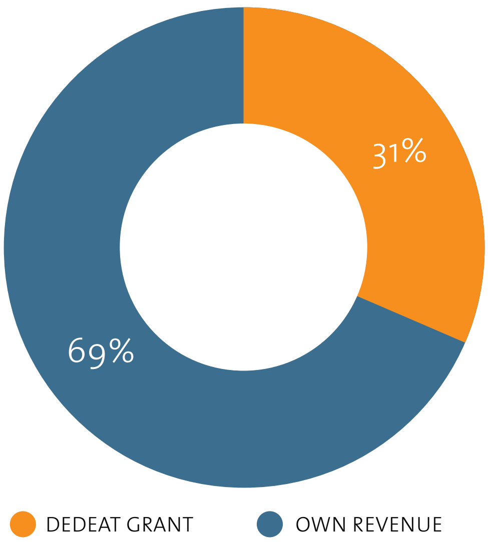
Key to the organisation's ability to deliver on this vision is its capability solicit the required funding to support the zone's operations as well as its capital expenditure strategy which was developed to support its investment promotion strategy. Similarly, the success of the organisation's strategy is also dependent on the organisation's ability to grow its revenue from its operations in order to support the growing operational requirements of the zone. This report, therefore, will outline the extent to which the ELIDZ was able to enable the funding of its strategy for the 2020/21 financial year. It will highlight how the organisation resourced both its operating and capital budgets for the financial year and further articulate key expenditure trends for the period under review. The report will also unpack the ELIDZ's revenue generation efforts and the returns that these efforts yielded for the period under review.

FINANCIAL REVIEW OF THE ENTITY

The ELIDZ's budget for the period 2020/21 was R322,26 million. The bulk of this amount (61%) was allocated to the ELIDZ's core operations which included the maintenance of the organisation's facilities, the management of the ELIDZ's property portfolio and the operations of the organisation's Science and Technology Park. The remaining 39% was allocated to the organisation's institutional support and administration programmes. The ELIDZ budget was funded from two main sources, namely the DEDEAT grant as well as income generated from the ELIDZ's own operations. Income from ELIDZ operations include lease income, income from utility services as well as income from other services such as ICT, the STP Laboratory as well as the Canteen and Conferencing Centre. One of the key factors that affected the ELIDZ's budget in the period under review as the COVID 19 induced lockdown which led to the reduction of activity by a majority of the enterprises in the zone during Level 4 and Level 5.

The reduced activity impacted on the cash flows for some of the zone enterprises and the ELIDZ, as a response to these challenges, had to implement rental abatements for some of the affected zone enterprises and this reduced the forecasted rental income, particularly in Quarter 1 of the Financial Year. Secondly, the limited operating activity reduced the demand and consumption of the zone services and this had crippling effect on the zone's projected revenue from services. As a response to these challenges, the ELIDZ revised its budget mid-year and reduced its budget from R322,26 million to R306, 3 million to accommodate the reduction in projected own revenue. This was funded through the grant income of R96,1 million from DEDEAT, R203 million from own generated revenue and R7,4 million savings from prior year.

ELIDZ 2020/21 BUDGET



EXPENDITURE AND INCOME TRENDS

As at the end of the Financial Year the ELIDZ had spent 92% of its budget and this resulted in a positive variance of 8%. Key contributors to the under expenditure included savings in cost of employment as well as lower than anticipated expenditure on utility services as a result of the reduced demand.

At the beginning of the financial year, ELIDZ opened with capital funding of R519, 2 million. A bulk of this was for projects which had been approved by the DTI SEZ fund in the prior year and were already under implementation. A bulk of these projects were implemented and finalised during the financial year. Additional funding was received for three new projects namely, Yangfeng Expansion, Sundale Expansion, Draeger, Automould and Bushveld. These projects were still under implementation at the end of the 2020/21 financial year. The closing balance for capital projects was R263,2 million at the end of the reporting period. As at the end of the financial year, the ELIDZ had also received an amount of R63 million from the Provincial Stimulus Fund to fund Phase 2 of the ELIDZ's planned Data Centre.

With respect to revenue, the ELIDZ had targeted to generate revenue of R203 million from its operations. As at the end of the reporting period, the ELIDZ had generated R207,8 million from its operations resulting in a positive variance of 2%. The positive variance was mainly due to some building that were completed and rented out earlier than was anticipated during hard lockdown.

CAPACITY AND FUNDING CONSTRAINTS

With the development of its new 5-year strategy, one of the ELIDZ's risks is the inability to resource its strategy both in terms of funding and in terms of human capital. In response to this risk, the ELIDZ undertook an organisational review and redesign initiative to ensure that the organisation is well resourced. The new organogram saw the augmentation of the ELIDZ's capacity with respect to its mandate around the Science and Technology Park as well as the strengthening of it Business Development activities in response to growing opportunities around ICT Services. The ELIDZ will continue striking a careful balance between the implementation of this organogram as well as the optimisation of its existing human capital resources.

On the funding front, the ELIDZ strategy assumes that the ELIDZ will mainstream its developmental agenda relating to the Science and Technology Park in response to the need for industrial modernisation and supporting industries to improve capability and skills to respond to the digitisation and technological advancement of economic activities. This output, however, is only possible with the availability of funding support for both the infrastructure and services related to it.

The ELIDZ is grateful for the continued support by provincial government who allocated R10 million to the work being done at the STP during 2020/21 and the ELIDZ is hopeful that the impact of that initiative will act as further motivation for provincial government to improving the resourcing of the industrialisation and innovation agenda of the province. Similarly, the ELIDZ has packaged a manufacturing incubator project in partnership with the Automotive Industry Development Centre (AIDC). The project has received excellent support from auto players such as MBSA and will see the development of 2nd and 3rd tier suppliers in the sector. While DTI has approved 50% of the funding to construct the incubator, the ELIDZ continues to seek the remaining funding and it is hoped that provincial government will assist in making this dream a reality in 2021/22.

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

REQUEST FOR ROLL-OVER OF FUNDS

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

Description	Amount
Dti funded Projects	357 363 141
Dedeat funded Projects	56 445 649
Own generated funded Projects	6 584 485
Grant Total	**420 393 275**

SUPPLY CHAIN MANAGEMENT

As at the end the of financial year 2020/2021, ELIDZ awarded forty-five (45) contracts to the value of R358 767 276,52. Bulk of the contracts awarded were initiated by the Operations Department. These contracts were awarded in accordance with ELIDZ SCM policy and applicable National Treasury regulations. There were no unsolicited bids awarded for the period under review. As part of its procurement policies and to ensure that it extends its developmental impact, the ELIDZ promotes the awarding of contracts to BBBEE enterprises. In line with these aspirations , the ELIDZ set and achieved the following BBBEE performance targets for period under review

BEE Target	SMEs Target	Black Woman Target
90%	30%	12%
Actual Achieved		
124.53%	**32.97%**	**16.68%**

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

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

The ELIDZ has made meaningful strides with respect to the above, the sub-contractable construction work subcontracted to designated groups for all tenders above R30 million was 61% at the end of 2020/21. Additionally the ELIDZ had awarded 89% of the total contracts awarded to local companies (Eastern Cape).

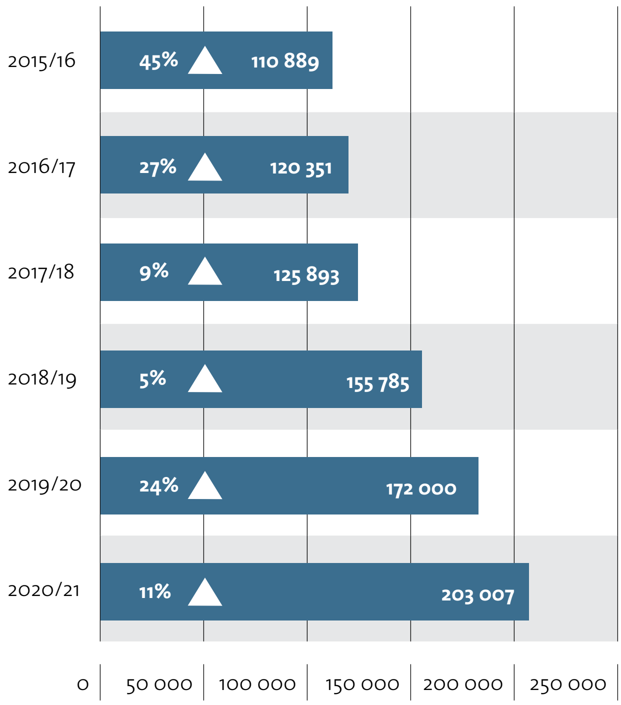
While the above are noted as progressive, it must be noted that there are significant developments that may limit similar performance by the ELIDZ in the future. The ELIDZ has been advised by Treasury that some of the measures implemented to empower historically disadvantaged SMMEs were unconstitutional and ELIDZ is expected to amend its policies and eliminate these targeted procurement interventions. The 30% sub-contracting for all contracts above R30 million has also been recently declared unconstitutional by the Supreme Court

AUDIT REPORT MATTERS

In 2019/20 financial year the ELIDZ received a clean audit opinion from the Auditor General of South Africa. This was the fifth consecutive audit for the organisation and a clear indication of strong controls and best practice governance by the entity. There were, however, concerns expressed relating to the preparation of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. There also weaknesses identified in the implementation of controls over daily and monthly processing and reconciling of transactions. The ELIDZ developed and implemented action plans to improve these weaknesses and these have been prioritised by both the ELIDZ management, the audit committee and the internal audit function of the organisation.

ECONOMIC VIABILITY

The ELIDZ continues to prioritise the growth of its revenue from its operations in order to reduce and eliminate reliance on provincial grant funding over the years. This is however influenced by a number of factors including the zone's ability to attract investors, the liquidity of investors on the ELIDZ platform and the availability of funding for the development of investment property in the zone. Since 2015/16 the ELIDZ has increased its revenue generation capability by 83% and continues to improve the own generated revenue cover of its operational budget as indicated above. Just in the last year, the ELIDZ was able to grow its own generated revenue by 11% year-on-year.



CONCLUSION

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

....

Simphiwe Kondlo
ELIDZ Chief Executive Officer

"The ELIDZ is grateful for the continued support by provincial government who allocated R10 million to the work being done at the STP during 2020/21 and the ELIDZ is hopeful that the impact of that initiative will act as further motivation for provincial government to improving the resourcing of the industrialisation and innovation agenda of the province."

1.5

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

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

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

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

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

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

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

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

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

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

Yours faithfully

Simphiwe Kondlo
Chief Executive Officer

Professor M.W. Makalima
Chairperson of the Board

1.6

STRATEGIC OVERVIEW

1.6.1 Vision

Further refinement of the Vision of the East London IDZ was undertaken in gearing up for the new planning term. This was done to ensure ELIDZ's institutional relevance to the industrial development needs that had been expressed by the SEZ's principals and stakeholders in 2018/19, both at the local level and nationally.

Refinement of the vision for the term 2021-2025 contemplates a more expansive and integrative developmental role for the SEZ within its host region, and resulted in the adoption of the following revised statement:

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

1.6.2 Mission

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

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

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

The Mission now reads as follows:

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

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

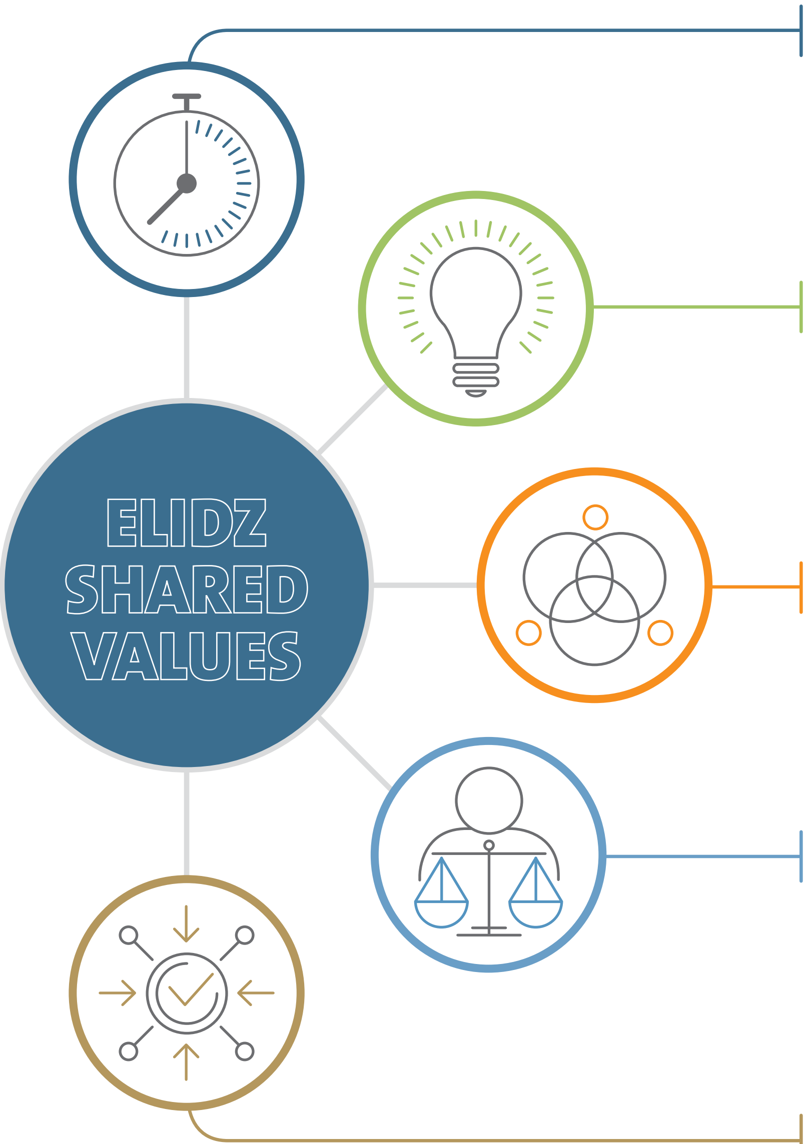
1.6.3 Corporate Values

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

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

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

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



PASSIONATE FOR ***EFFICIENCY***

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

SEEKERS OF ***SOLUTIONS***

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

BUILDERS OF ***SYNERGY***

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

ETHICAL BY NATURE

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

INSPIRED BY ***IMPACT***

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

1.7

LEGISLATIVE AND OTHER MANDATES

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

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

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

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

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

REGIONAL CONTEXT

- take advantage of existing industrial and technological capacity, **promoting integration** with local industry and increasing value-added production;
- create decent work and other **economic and social benefits** in the region in which it is located, including the **broadening of economic participation** by promoting small, micro and medium enterprises and co-operatives, and **promoting skills and technology transfer**;
- promote **regional development**;
- enable the **beneficiation** of mineral and natural resources;
- generate **new and innovative economic activities**.

SITE/ ZONE DEFINED

- facilitate the **creation of an industrial complex**, having **strategic national economic advantage** for targeted investments and industries in the manufacturing sector and internationally tradable services;
- provide **the location** for the establishment of **targeted investments**;
- attract **foreign and domestic direct investment**;
- **develop infrastructure** required to support the development of targeted industrial activities.

PURPOSES OF SEZs: SEZ Act Chapter 2, Section 4

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

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

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

1.8

ORGANISATIONAL STRUCTURE

CHIEF EXECUTIVE OFFICER

MANAGER: OFFICE OF THE CEO

OFFICE OF THE CHIEF EXECUTIVE OFFICER

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

CHIEF FINANCIAL OFFICER

FINANCIAL MANAGEMENT

Functional Area	EM	MG	SP	AS	T
Financial Management	1	-	-	1	**2**
Financial Control & Reporting	-	-	1	2	**3**
Financial Management, Reporting & Administration	-	1	1	2	**4**
Management & Cost Accounting	-	1	-	-	**1**
Supply Chain Management	-	1	3	-	**4**
Total Filled Positions	1	3	5	5	**14**
Financial Management	-	-	-	1	1
Total Vacant Positions	-	-	-	1	-
Total Positions	**1**	**3**	**5**	**6**	**15**

CHIEF OPERATING OFICER

OPERATIONS

Functional Area	EM	MG	SP	AS	T
Zone Operations	1	-	-	3	**4**
Sector Development & Investment Promotion	-	3	1	-	**4**
Project Management & Coordination	-	1	3	-	**4**
Property Portfolio Management	-	1	-	1	**2**
Maintenance & Facilities Management	-	1	3	1	**5**
Investor Support Services Management	-	1	3	2	**6**
Science & Technology Park	-	1	1	3	**5**
Laboratory	-	-	3	2	**5**
Total Filled Positions	1	8	14	12	**35**
Laboratory	-	1	1	-	**2**
Maintenance & Facilities Management	-	-	1	1	**2**
Total Vacant Positions	-	1	2	1	**2**
Total Positions	**1**	**9**	**16**	**13**	**39**

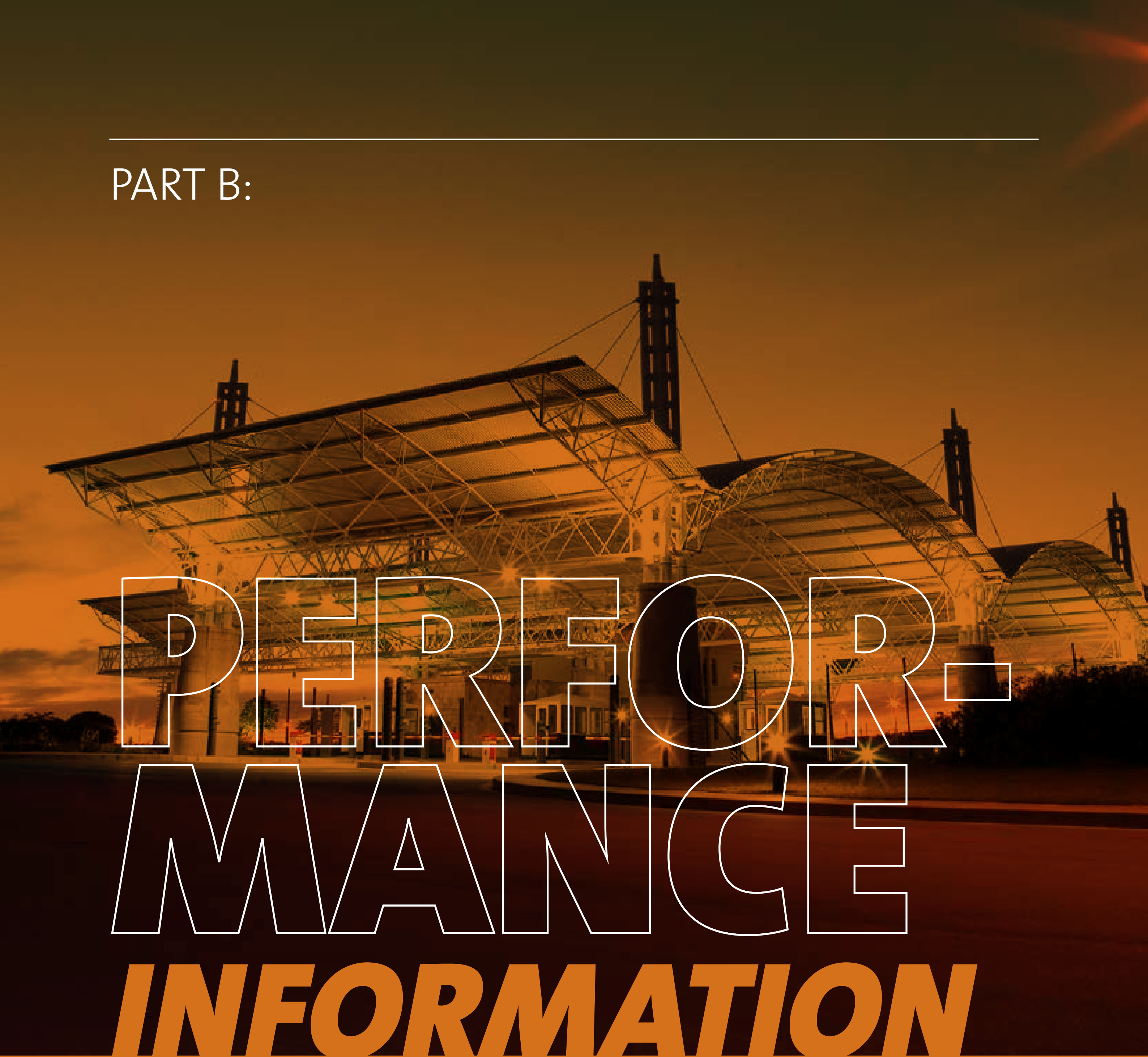
EXECUTIVE MANAGER: CORPORATE AFFAIRS

CORPORATE AFFAIRS

Functional Area	EM	MG	SP	AS	T
Corporate Affairs	1	-	-	2	**3**
Human Capital & Legal Services	-	1	3	-	**4**
Corporate Communications	-	1	3	1	**5**
Information Communication & Technology Management	-	1	4	-	**5**
Safety, Health & Environmental Management	-	1	3	-	**4**
Records Management	-	1	1	1	**3**
Total Filled Positions	1	5	14	4	**24**
Human Capital & Legal Services	-	-	1	-	**1**
Safety, Health & Environmental Management	-	-	-	1	**1**
Total Vacant Positions	-	-	1	1	**2**
Total Positions	**1**	**5**	**15**	**5**	**26**

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

PART B:



PERFORMANCE INFORMATION

"The ELIDZ is grateful to the continued support by provincial government who allocated R10 million to the work being done at the STP during 2020/21 and the ELIDZ is hopeful that the impact of that initiative will act as further motivation for provincial government to improving the resourcing of the industrialisation and innovation agenda of the province."

2.1

AUDITOR-GENERAL'S REPORT

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the East London Industrial Development Zone SOC Ltd set out on pages 74 to 125, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the East London Industrial Development Zone SOC Ltd as at 31 March 2021, 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 of South Africa 1 of 1999 (PFMA) and the Companies Act of South Africa 71 of 2008.

Basis for opinion

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

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

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

Emphasis of matter

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

Material impairments – trade debtors

7. As disclosed in note 4 to the financial statements, material losses of R56 million were incurred as a result of the provision for impairment of irrecoverable trade and other receivables.

Material impairments – other financial assets

8. As disclosed in note 3 to the financial statements, material losses of R25,5 million were incurred as a result of a provision for impairment of irrecoverable debtors.

Fair Value Adjustments

9. As disclosed in note 24 to the financial statements, fair value adjustment of R456 million was incurred as a result of the decline in the value of the investment properties.

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

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

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

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 1: operations	38 – 41

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

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

Report on the audit of compliance with legislation

Introduction and scope

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

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

Other information

21. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008 (Companies Act). The other information does not include the financial statements, the auditor's report and those selected programme presented in the annual performance report that have been specifically reported in this auditor's report.

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

23. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Internal control deficiencies

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

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

Other reports

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

28. In the current year, 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. These proceedings were in progress at the date of this auditor's report.

Auditor - General

East London
30 July 2021

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

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

Financial statements

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

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

2.2

SITUATIONAL ANALYSIS

2.2.1 Service delivery environment

2.2.1.1 Industrial Development Challenges Compounded by Coronavirus

Planning cycles typically present public sector developmental entities (like the East London Industrial Development Zone) with planning challenges that are routinely found to be both many and diverse. However, little prepared the ELIDZ for the complexities and enormously difficult task of drawing up its Corporate Plan for the MTEF cycle 2021/22-2023/24.

Globally, business and industry have reeled under the shock of the Covid-19 pandemic and its far-reaching social and economic aftermath effects. Overnight, the world into which the ELIDZ is delivering its special economic zone (SEZ) project changed in the most profound manner, leaving countries, markets, and societies worldwide plunged into volatile circumstances marked by the deepest levels of turbulence and uncertainty.

The uncertainty of what course the pandemic will follow, what damage it's successive waves and virus variants might ultimately wreak on trade and industry and what prospects there may be for steps toward an economic recovery all remain as largely troublesome and unanswered questions (with many possible outcome scenarios).

It is with this as a backdrop that the ELIDZ has had to apply itself to its environmental scanning and planning analysis. These enquiries have sought to make the best sense of the SEZ's operating environment, based on such information, data and projections as may be available.

2.2.1.2 Disrupted Global Trade

As a business strongly focused on export manufacturing, the SEZ was immediately impacted by the pandemic's disruptive effects on international trade and the logistics flow of supply chain inputs and outputs. More fundamentally, these disruptions not only disordered global trade on a transactional level, but also precipitated mind shifts that may well rewrite the outcomes that the SEZ programme and its projects are able to produce well into the future.

International industrialists scrambled to find workable alternative supply chain solutions with a clear shift towards sourcing from locations closer to their home base (and less reliant on complex logistic capabilities). This effectively reverses the long-running trend towards globalisation and has been accompanied also by heightened protectionism of industries and domestic markets by major economic role players, such as the United States.

Observers have cautioned that this may not be a short-term mitigative tactic but could see industrial sectors changing their long-term operational and investment behaviours, acting deliberately to consolidate and contract their geographic footprint to avoid future damaging effects of Covid-19 type incidents.

This could spell trouble for developing economy countries such as South Africa and for the SEZ programme's drive to woo foreign direct investment. In turn, this could also undermine developmental aspirations targeting the transfer of foreign competitive technologies, strategic skills acquisition and access of international markets and entry into global industry networks.

Massive contraction in FDI financial flows have followed. According to the United Nations Conference on Trade and Development (UNCTAD), as reported in the media, FDI collapsed in 2020 globally, decreasing by 42% to an estimated 859 billion US dollars, compared with about 1.5 trillion US Dollars in 2019. Countries will be rather looking inwardly and will mostly appeal to companies in their jurisdiction to focus on boosting their local economies. This is casting a bleak shadow over some of the development and expansion plans the ELIDZ had for targeted industrial sectors already active in global markets (and for others still wishing to break into such markets as part of their sector development and growth). This is further exacerbated by a rise in protectionism in many countries, which makes it difficult for local companies to compete globally.

On a more positive note, however, the African Continental Free Trade Agreement shows promise and potential to attract investors that are more market seeking and efficiency seeking investors once the incentives a fully sensationalized and there are some certainty around them. The ELIDZ will have to Leverage opportunities presented by African Free Trade Agreement.

2.2.1.3 A challenging operating environment

On the home front, the SEZ has seen new market entrants such as the Tshwane Automotive SEZ which will introduce new alternatives for investors in the automotive sector. The proposed Export Processing Zone for the Nelson Mandela Bay Metro could also impact on the ELIDZ due to its proximity to the two ports in Port Elizabeth. Similarly, other SEZs in South Africa are exploring and piloting presence in the ICT Service Offering and Digital Economy. This provides a threat to the ELIDZ's strategic intent of pinning its growth strategy on the opportunity offered by this sector especially since some of these SEZs are located in provinces with stronger economic muscle that the Eastern Cape province and could, despite the ELIDZ's first mover advantage, overtake the ELIDZ's efforts. These new market entrants require extreme agility not only from the ELIDZ, but from various stakeholders which are meant to enable the ELIDZ vision through the provision of infrastructure and other funding and intellectual support required to give life to Vision 2025.

The Covid 19 induced economic challenges have also led to new customer requirements and demands which have and continue to impact on the ELIDZ's business model. Customers now demand more flexibility when it comes to contracting with the ELIDZ on both rentals, levies and services especially now with the disruptions caused global value changes. Those customers that still have the financial muscle to invest and expand also want quick turn around on facilities and to ever the changing business environment and simply can't wait 18 months for a building. The ELIDZ will have to strongly lobby with its funders to build speculatively in order to be more responsive. Various changes in the regulatory environment also require strong lobbying from the ELIDZ as these could impact on the competitiveness of the ELIDZ offering. Key to these are the following:

The 2019 Draft Taxation Laws Amendment Bill (Draft TLAB) and the 2019 Draft Tax Administration Laws Amendment Bill (Draft TALAB): These will see wholesome changes to the SEZ incentive regime which could discourage Prospective Investors to locate in an SEZ or increase Fix Investment if the enterprise is already located in an SEZ. It impacts negatively on investor sentiment towards ELIDZ.

Reviewing of the SEZ anti-profit shifting and anti-avoidance measures: These proposed measures in the regulation wholly disqualifies a qualifying company from claiming any of the SEZ income tax benefits (i.e. tax rate of 15% and the accelerated building allowance or 10% of the cost to the qualifying company) if more than 20% of its deductible expenditure incurred or more than 20% of its income arises from transactions with connected persons. It impacts negatively on investor sentiment towards ELIDZ Setting of Sunset Clauses of Sections 12R and 12S (2026 and 2028 respectively) prematurely, as the investors are yet to benefit from these incentives. Introduction of such sunset clauses may create uncertainty on the part of investors. For S12R. S12S was intended to leverage private investors to the Zones to partner with SEZs in building top structures. However, in terms of the Income Tax Act, only investors can benefit and not the 3rd party developers. Investors would have lost 2 years of the 10-year benefit due to the approximate 2 year allocated to the actual construction of the facility and setting up time before commissioning which effectively gives investors an 8-year tax incentive and not the full intended 10 years. The effective date for the commencement of the incentive would be when the SEZ board approves the investor. It impacts negatively on investor sentiment towards ELIDZ.

2.2.1.4 *SEZ Programming: Stronger Enablement and Support Required*

The programming foundation for implementation of economic zones projects was broadened with the promulgation of the Special Economic Zones (SEZ) Act in 2014 and the subsequent commencement of the SEZ Act and the issuing of its enabling Regulations some two years later in February 2016. The SEZ Act 16 of 2014 was introduced to augment the SEZ regulatory framework and to eliminate some of the challenges relating to the old IDZ programme. This framework was supported by a number of regulations and policies that would act as a guiding framework to give impetus to the SEZ value proposition.

It is, however, concerning that 6 years after the introduction of this new framework, a number of the enablers and roles articulated in this framework have not yet been implemented. There has also been notable delays in the operationalisation and implementation of the supporting tools that were meant to make the SEZ programme more efficient and more attractive to investors. Six years down the line, these delays are negatively affecting the reputation of not only the South African SEZ programme but individual SEZs such as the ELIDZ and the Coega SEZ. Planning for the new SEZ operating environment is serving to train a critical spotlight on how effective the SEZ programme is proving to be in realising the national programme's mandate and its principal short-, medium- and longer-term goals.

Secondly, the uncertain and adverse global conditions are intensifying the level of critical assessment over whether the SEZ programme has assembled the capability and means to assure the delivery of the holistically conducive environment for investment and growth that the national SEZ Policy Statement of 2012 envisaged and described.

That policy asserted that government's agenda for the attainment of industry development, transformation and economic growth rested upon SEZs being armed with what it termed to be government's provision of a comprehensive industry support system. This was to operate as a central pillar of a much stronger zones value proposition than had been pursued or realised under the former Industrial Development Zones (IDZ) regime.

Taking its reference from international zones' precedents, the policy called for inter-government collaborations to be activated by appropriate government departments and agencies to address the creation of the planned, multi-faceted industrial support programme. The latter, notes the policy, should extend to enable all inputs that are identified as needed to ensure successful industrialisation in South Africa.

Areas that government structures in its three spheres needed to address jointly (and in their individual strategic and operational planning) included interventions supportive of:

- Development of human capital
- Enhancement of logistics infrastructure and services
- Support of new technology development and technology transfers
- Research and development enablement and support
- Business incubation programming
- Small and medium enterprises development and support.

All of these areas connect strongly with already articulated government development planning prepared in all its spheres.

In activating its drafting of a national strategy for the SEZ sector, the Department of Trade and Industry has begun to express and formalise the planning intents for the desired industrial support ecosystem.

Similarly, such an ecosystem resonates with various Provincial Medium-Term Strategic Framework priorities and outcomes and the broad thrust of provincial development planning. Specifically, the provincial agenda is explicit in its pursuit of functional, efficient and integrated government and transformed and innovative service delivery as vital deliverables at both the municipal and provincial service delivery levels.

The attainment of such outcomes underpins the realisation and functioning of the industrial support system that SEZs so desperately need. In government's collective provision of support services that are more effective and efficient, such ecosystem will go a long way towards counteracting the many and various adverse situational factors and variables that currently render investment attraction and industrial development a most difficult task.

A key aspect that a formalised government-wide ecosystem delivery project will need to grapple with is that of using the collaborative intervention to infuse flexibility and adaptability into the SEZ enabling instruments administered across the public sector.

Currently, SEZ operators are routinely frustrated in being unable to respond adequately in meeting specific investor or other customer needs. This frequently arises due to limitations and prescriptions that have been applied to SEZ policy enabling instruments, such as incentive schemes and funding programmes.

Conceptually, SEZ programming should, by default, offer formalised mechanisms and protocols (agreed to by all affected public sector policymakers and institutional role-players) by which rules and regulatory constraints may be set aside or otherwise adapted expeditiously.

Such a capability lies at the heart of the internationally recognised practice of deploying SEZ platforms as controlled areas for policy experimentation and innovation – a capability yet to be enabled or tested within the SA zones programme.

2.2.1.5 *ELIDZ Vision 2025: Alive and Well?*

At various moments in the course of the planning deliberations, internally and with customers and other key stakeholders, ELIDZ's management were even driven to mull over some deep-seated anxieties. A critical question that emerged was whether attainment of the overall five-year ELIDZ Vision 2025 strategic agenda of the company remained a realistic goal. Or, had the world so changed that there would be a need to revisit and radically reshape the ELIDZ's five-year Strategic Plan.

Amidst voices from the marketplace that have been despairing coupled with others equally hopeful of a near-term bounce back in the global arena, ELIDZ concluded that it would be premature to resign itself to a defeatist mindset by discarding the agenda embodied in the Vision 2025 strategy. A decision was taken to retain the Strategic Plan unchanged, since it had been carefully crafted to pursue outputs and outcomes that remain pertinent and highly desirable for both the entity and its stakeholders.

Given the pervasive uncertainties, however, ELIDZ will be monitoring closely how well its execution of the strategy fares over the coming 12-24 months. This acknowledges that while its game-plan remains unaltered, ELIDZ's business progress will almost certainly be affected by the repercussions of operating in a global economy that is expected to continue reporting deep economic contractions and business failures for the foreseeable future.

While the ELIDZ remains committed to what was already a most stretching programme within its Vision 2025 strategy (with its ambitious outputs, outcomes and impacts), the business is steeling itself to deal with performance results that are likely to be hard-won, generally below expectation and, in many instances, unpredictable -- particularly over the first half of the five-year strategic term.

2.2.1.6 *Strategy Execution Re-gearing to a New Normal*

Detailed analyses of strengths and weaknesses faced by the ELIDZ's targeted industrial sectors (and other lines of SEZ business) have been developed by management. These have re-tested planning assumptions and the basis of the setting of the Corporate Plan's annual performance targets for both its intended direct business results and the project's social and economic outcomes and impacts.

Notable in the planning changes that have emerged as the ELIDZ finalised its plan for submission to its provincial executive authority are the following:

- Expectations concerning the quantum and rates of foreign direct investment (FDI) flows into South Africa and to East London are having to be reconsidered on a continuous basis and downgraded in response to market signals
- FDI-related developmental opportunities and benefits, such as the expedited transfer of strategic technologies, and skills can similarly be expected to diminish, as will the scale of employment creation per landed investment, as associated with the attraction of larger, more established multi-national enterprises
- The ELIDZ's business development focus will need to recalibrate and aggressively seek out opportunities to replace the FDI-enabled industrialisation with better stimulated domestic direct investment (DDI) economic activities.
- This switch in investment focus will also require a recalibration of SEZ support measures, as developed and resourced by the ELIDZ itself as part of its investment facilitation services and also as provided by the ELIDZ's principals and other enabling stakeholders active within the SEZ sector.
- Inherent in these shifts is that the long and much desired industrial development and transformation outcomes of the SEZ programme will need to be given much stronger attention and precise enablement. Advancing DDI will necessitate that carefully crafted and more effective enablers be put into place to support the operation and growth of domestic SMMEs by addressing these enterprises' specific needs and constraints.
- On the transformation agenda, support measures will specifically need to respond to the challenge of creating and sustaining opportunities for existing and emergent black industrialists to fully make their mark and command positions of substance within industry value chains.
- Coupled to the refocus and stepped up developmental drive will be a need for capacity in strategic skills delivery, technology development and innovation support to be bolstered and mainstreamed in ways that far surpass activity in the past five-year strategic term. These are crucial elements of any campaign to ignite and sustain DDI-led economic recovery and growth into the medium to longer-term
- Also to be addressed with more urgency will be the SEZ sector's utilisation and exploitation of information and communication technologies in support of its desired outcomes and impacts, in line with the ascendancy that ICT has registered in the wake of Covid-19 and its lockdown effects on the local, national and international economies.

2.2.1.7 *Outlook: A Rallying Call to Action*

With the global environment still reverberating with the shocks of 2020, it is imperative that the SEZ programme and its implementation projects focus inwardly and act without delay to seize every opportunity to maximise the effectiveness of SEZ delivery and the value that the SEZ is able to create and deliver. This requires systemic action if it is to be effective at all.

Slow progress to date in building the SEZ policy's desired industrial support system that will truly ignite stronger industrial development points to a need for stronger and more visible championship and more determined efforts to lobby for and mobilise participation across government. This is essential in moving to contract firm inter-governmental commitments and to formalise a roadmap of well synchronised collaborative action supportive of industrial development.

Individual SEZ project implementers, like the ELIDZ, will have a particular (yet quite narrow) role to play as an evangelist of the change that government is seeking to bring into effect. Operating in an interface with industry, academia and government (across municipal, provincial and national terrains) offers SEZs some scope to act as change advocates and catalysts.

But wider championship and advocacy on the part of ELIDZ's shareholders and other key enabling stakeholders will be needed. This is recognised in the planning that has been laid into both the ELIDZ Strategic Plan and its Corporate Plan. Conscious effort will be made to attune the organisation's stakeholder engagement programming to vigorously rally stakeholder support for the realisation of the SEZ's five-year strategic vision and outcomes.

2.2.2 Organisational environment

2.2.2.1 Institution's Operational Focus

Changes in the range and profiling of customers serviced by the ELIDZ are anticipated as a result of shifts in industrial operations and their value chains globally. This will necessitate corresponding changes affecting the internal environment in a variety of ways -- and notably the ELIDZ's current and forward programming in the functional areas of human capital provisioning, employee training and development, research and knowledge management.

The current five-year strategic term's focus on the ELIDZ seeking to operate more broadly in the provincial industrial development landscape, together with the organisation's desire to function as a catalyst will similarly require appropriate business unit resourcing and the enhancement of employee social networking and communication skills.

The Covid-19 situation has also accentuated the need for the technological proficiency of the company and employees to receive close attention. This trend is likely to persist into the future and offer new areas where the business can act to create value for internal and external customers alike.

The pandemic has also ushered in meticulous internal protocols and procedures as part of concerted programming in support of business continuity and the combat of the spread of the virus. These efforts seek to safeguard the safety, health and well-being of both the ELIDZ staff and SEZ enterprise employees as well as the employees of contractors and service providers.

Over recent planning cycles, the ELIDZ has also invested considerable efforts to formally articulate its business delivery model – and to identify areas where delivery of its core products and services can be optimised and new levels of efficiency or effectiveness be attained. This focus will continue in the current period and seek to interpret and respond to changes in the external environment and the detailed feedback on product and services quality surveyed in customer satisfaction polls.

A lesson well learned from the coronavirus pandemic and the volatile circumstances that it ushered in is that it has become of utmost importance for business to reassess its planning, almost on a constant basis. This has driven the ELIDZ to new levels of examination of the underlying assumptions informing its hypotheses of business opportunity and how the company is able to act to configure and deliver value for its customers and stakeholders.

Assumptions will continue to be scrutinised as part of an activity programme of testing the strategic plan's theory of change and as part of the internal processes to attune organisational, departmental and employee performance management in line with the operating environment and extent of resourcing and enablement provided to the business by its principals and other enabling stakeholders.

2.2.2.2 Sector Synopsis

The ELIDZ's Vision 2025 strategy is premised on the need for the organisation to respond to the inherent economic challenges of the Eastern Cape economy. Key to these challenges are the following:

- The Eastern Cape province's GDP has been displaying signs of slow growth since 2011 and in 2018 the GDP was 0,8% (Eastern Cape Government, 2020).
- When it comes to sectoral contribution to the provincial GDP, the tertiary sector, driven by government services, has been the biggest contributor to provincial growth followed by the secondary sector, which contributes 7% to the national GDP and is fifth out of the nine provinces (Eastern Cape Government, 2020).
- The Tress Index of the Eastern Cape economy, which measures the level of diversification in the economic sectors, notes that there has not been much improvement in the diversification of economic sectors since 2008 and with an index of 76.6 in 2018, the economy is more concetrated in trade and manufacturing (Eastern Cape Government, 2020).

Despite this low growth the province has seen an increase in exports over the last decade and is ranked fifth in the country in terms of its contribution to the national export basket with exports growing at an average of 1,7% since 2008 (Eastern Cape Government, 2020). According to the Eastern Cape Government's Socio Economic Outlook (2020), the province boasts manufacturing multinationals such as Volkswagen, Mercedes Benz South Africa, Ford, Johnson and Johnson, Nestle, Defy and Aspen in its secondary sector which is dominated by vehicles, nuclear reactors, wool and animal hair, precious stones, fruits and nuts and locomotives.

The ELIDZ's sector profile, influenced by the economy of the Eastern Cape, has also changed. While the automotive sector remains the bedrock of the ELIDZ precint, there are new growth sectors and the ELIDZ is advancing opportunities in ICT services, ICT Manufacturing and Pharmaceutical, Agro-processing, Renewable Energy and Aquaculture sectors. Based on various studies conducted by the ELIDZ, it is , however very clear that the level of maturity, the strength of the value offering and the development of local value chains for each of these sectors are at different levels of advancement. The ELIDZ's efforts in the promotion of investment in these sectors however are also marred various challenges which impact on the competitiveness of the ELIDZ's offering and the strength of the organisation's investment promotion efforts particularly with respect to initiatives targetted at Foreign Direct Investment. Challenges in relation to access to inputs, access to markets, shortage of skilled, productive and efficient labour, high cost of doing business, bureaucratic red tape and a weak regulatory environment are some of the factors that have inhibitted growth and advancement of the ELIDZ's investment promotion efforts. In recognition of the above challenges, the ELIDZ's Vision 2025, with respect to ELIDZ's sector strategies, promoted a multi pronged response which would see the ELIDZ:

- Play a central role in the development of its strategic sectors and the elimination of inherent challenges that were limiting growth in these various sectors.
- Re-evaluate market requirements and build onto its existing capabilities for each sector in order to create a compelling and competitive value proposition that is responsive to market requirements.

As such the ELIDZ's approach for each sector is rooted on the need to prioritise:

- Industrial ugrading through technology transfer and skills development to take advantage of emerging new sector opportunities;
- Improved local value chain integration into global value chain to expand market footprint for local industrialists;
- The promotion of innovation and incubation to support pioneers in new growth industries industries.
- Industrial Development and the piloting of reform that would lead an improved, conducive and competitive business environment for investors

This would, in turn lead to the attraction and retention of high performing, competitive and resilient industries which would increase the manufacturing and services jobs created in the IDZ, growth in the industrial turnover of ELIDZ enterprises as well as growth in export-oriented production by ELIDZ enterprises. These efforts wuld also contribute toward technology-led innovation and industrial modernisation as a result of the innovation, incubation and skills and technology upgrading and other business support offered by the ELIDZ Science and Technology Park.

"...the province has seen an increase in exports over the last decade and is ranked fifth in the country in terms of its contribution to the national export basket..."

2.3

PROGRESS TOWARDS ACHIEVEMENT OF INSTITUTIONAL IMPACTS AND OUTCOMES

Highlight public entity must highlight significant achievements with regard to the contribution toward the Strat Plan.

2.3.1 Measuring the Impact

***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.*

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

2.3.2 Measuring Outcomes

Key to the ELIDZ outcome indicators is a measure of the extent to which the zone has attracted new investment into the region. By the end of the period under review the organisation had attracted over R981,5 worth of investment. It had created 3880 employment opportunities and there had been 155% growth in export-oriented production in the zone and the industrial turnover of zone enterprises. This is a significant impact toward the ELIDZ's outcomes which seek to contribute toward technology-led industrialisation and the creation of a resilient and competitive industries in the region.

2.4

INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

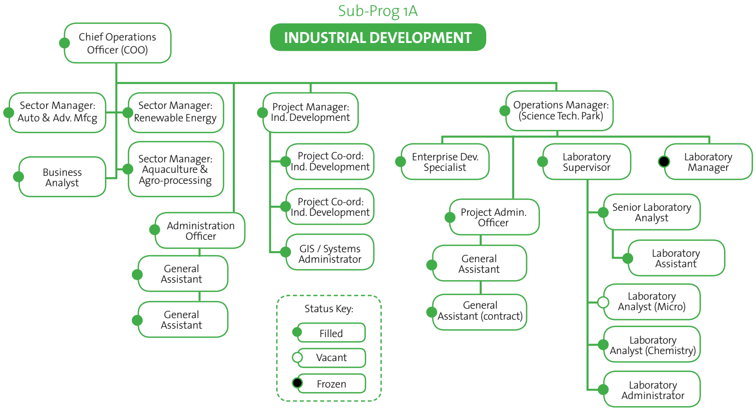
2.4.1 Programme 1: Zone Operations

Sub-programme 1A: Industrial Development

Programme Purpose:

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

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

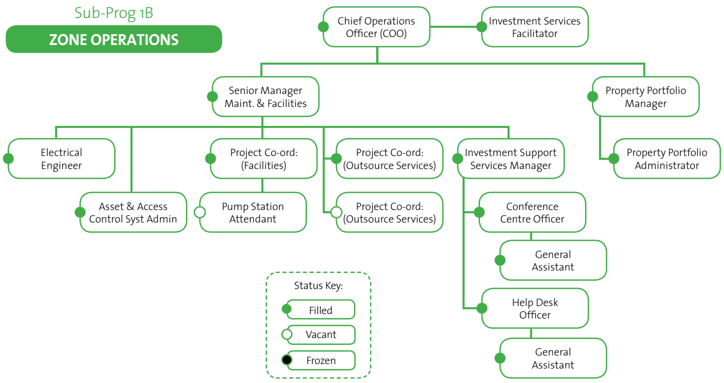


Sub-programme 1B: Zone Operations

Programme Purpose:

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

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



Programme 1: Operations

Outcome	Outcome Indicator	Audited Actual Performance 2017/18	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Annual Performance 2020/21	Reason for deviations
Outcome 1: High performing, competitive and resilient industries	1.1 Value of new private sector investment secured	R1,360m	R819.5m	R1,363m	R400m	R981.5m	See note 1
	1.2 Number of active manufacturing and services jobs	4186	4666	4794	5100	3945	See note 2
	1.3 Number of construction jobs created	520	1549	2048	2000	2149	See note 3
	1.4 Percentage growth in industrial turnovers of zone enterprises	New KPI	New KPI	New KPI	3%	155.49%	See note 4
	1.5 Percentage growth in export-oriented production by SEZ enterprises	New KPI	New KPI	New KPI	3%	154.66%	See note 5

NOTES:

1. The ELIDZ set a target of R400m and was able to secure investment to the value of R981,5m for the financial year. The amount of investments is made up of both investments by new investors as well as expansions by enterprises that were already existing on the ELIDZ's platform. New enterprises that invested on the ELIDZ's platform were WWS-Permalox (logistics), Polytec (automotive) and Automotive Investment Holdings (AIH) (automotive) and their investment accounted for R267 million of the investment secured. Due new opportunities and growth in their respective sectors, three of the ELIDZ's existing investors, Froetek, Automold and Yanfeng, expanded their facilities in the zone and invested an additional R719,5m combined. The overperformance in this indicator was as a result of new growth opportunities for these existing investors leading to additional investment into plant and machinery in the zone.

2. The ELIDZ had targeted to increase the number of active manufacturing and services jobs on its platform to 5100 jobs by the end of the 2020/21 financial year, however as at the end of the financial year, only 3945 jobs were active on the ELIDZ's platform. There were a number of reasons that contributed towards this underperformance. Firstly, it had been assumed that new facilities, which were under construction in the last financial year would become operational mid-way into 2020/21. This, however, was not the case due to the national Covid 19 induced lockdown which saw the construction sector in the zone not operating in the 1st quarter of the FY. These delays impacted the construction timelines for the new facilities and this , in return had an impact on the operationalisation of new facilities in the zone. The new facilities were only operationalised in Q4 and this affected the pace at which new jobs could be created. Secondly, there were two investor operations that were liquidated in the year, namely Yekani and ILB Helios. There were also retrenchments with one of the automotive companies in the zone as a result of changes in the business that they were awarded by MBSA for the new C-Class. The liquidations and the retrenchments resulted in a reduction of approximately 700 jobs when compared to last financial year.

3. The ELIDZ was able to exceed the target of 2000 construction jobs during the financial year There were a number of reasons for this over-performance. Firstly due to the national lockdown in March 2021, there was construction activity which was carried over and only reported in Q1 of the FY. Additionally there were new investment projects and expansions of facilities such as Sundale and Yanfeng and this led to increased construction activity in the zone.

4. A zone census undertaken in the zone revealed that the reported growth turnover in the zone had increased by 155.49% from the prior year. This was an increase from R896 million to R2,29 billion year-on-year. This over-performance could be attributed to two reasons. There were two new companies that became operational in 2019/20 that impacted on the total turnover of the zone (MBSA and TI Auto Expansion). Secondly , there has been improved declarations (returns) from investors in the zone.

5. A zone census undertaken in the zone revealed an increase of 154.66% year-on-year in terms of the export-oriented production by zone industries. This was from R453, 8 million to R1,16 billion year-on-year. This over-performance could be attributed to two reasons. There were two new companies that became operational in 2019/20 that impacted on the total turnover of the zone (MBSA and TI Auto Expansion). Secondly , there has been improved declarations (returns) from investors in the zone .

Programme 1: Operations

Outcome	Outcome Indicator	Audited Actual Performance 2017/18	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Annual Performance 2020/21	Reason for deviations
Outcome 2: Technology-led innovation and industrial modernisation	2.1 Number of prototypes developed	2	1	1	2	2	See note 6
	2.2 Number of new innovations commercialised (intermediate outcome)	New KPI	New KPI	New KPI	n/a	n/a	See note 7
	2.3 Number of new technologies localised in targeted industries	New KPI	New KPI	New KPI	n/a	n/a	See note 8

NOTES:

6. The entity was able to achieve the target of 2 prototypes with the completion of prototypes for applications relating to digital medical prescriptions and a biometric data capture tool resulting in the achievement of the target.

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

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

Programme 1: Operations

Outcome	Outcome Indicator	Audited Actual Performance 2017/18	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Annual Performance 2020/21	Reason for deviations
Output 1.1: An integrative industrial infrastructure planning and delivery programme implemented	1.1.1 Annual percentage increase in constructed tenant facilities (sqms)	New KPI	New KPI	New KPI	7%	38.82%	See note 9
	1.1.2 Number of economic enabling construction projects implemented	New KPI	New KPI	New KPI	1	1	See note 10
Output 1.2: Reliable and cost-effective SEZ Estate Services delivered	1.2.1 Customer Satisfaction Index	76.4%	75.2%	77.5%	75%	74.80%	See note 11
Output 1.3: SEZ incentives and value-added support ecosystem effectively deployed	1.3.1 Percentage of approved and operational investors enabled to benefit from SEZ incentives and other supporting tools	64%	54%	80%	63%	80.00%	See note 12
Output 1.4: Targeted sector investment market intelligence optimised and leveraged	1.4.1 Number of new investors attracted	5	5	7	5	6	See note 13
	1.4.2 Number of new investors operationalised	New KPI	New KPI	New KPI	3	4	See note 14

NOTES:

9. The ELIDZ has calculated that the increase in constructed tenant facilities is 38.82% based on completed construction activity during the 2020-21 financial year. This is due to some of the construction activity from the previous financial year carrying over into this financial year as well as projects that were delayed due to pandemic lockdown restrictions and only reaching completion during the year.

10. The ELIDZ is able to report that Phase 1 of the Electrical Infrastructure Upgrade Project has been achieved. This will see the augmentation of the zone's infrastructure supply in line with the demand of the new industries that will settle in the zone. The target has been achieved.

11. In a particularly challenging year, the ELIDZ was unable to meet the target of 75% and fell short with an achievement of 74,80%. A response plan to deal with issues of concern or low satisfaction by customers will be developed for implementation during the new financial year.

12. Out of a base of 10 investors who, because of their business model, qualifies for the SEZ related incentives, 8 participated. 6 of them benefit from the Customs Control Incentives. 1 benefits from being a Rebate User under Schedule 498 for duty-free importation on raw material. 1 benefits from the Employment Tax Incentive.

13. The ELIDZ was able to address the delays previously experienced in the early parts of the year as a result of the COVID-19 pandemic. The conclusion of outstanding investment agreements resulted in the achievement of 4 new agreements in the 4th quarter. This brings the total number of investment agreements to 6 for the year exceeds the annual target. Of the investments concluded, 3 were for new investments and 3 were for existing operators that expanded their operations through new agreements.

14. The ELIDZ is able to report 4 new operational investors for the financial year. These include Auria, Valeo, Ebor and Polytec which are all in the automotive sector. These are the new cohort of automotive suppliers for the MBSA W206 project. The overachievement is due to delayed completion of buildings for Valeo and Ebor as a result of delays caused by the pandemic which should have been completed during the last financial year.

Programme 1: Operations

Outcome	Outcome Indicator	Audited Actual Performance 2017/18	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Annual Performance 2020/21	Reason for deviations
Output 2.2: Innovation infrastructure and support tools delivered	2.2.1 Number of enterprises in active ELIDZ incubators	New KPI	New KPI	New KPI	0	0	See note 15
	2.2.2 Number of incubators operational	3	3	2	1	1	See note 16
	2.3.1 Number of skills beneficiaries trained	117	87	122	50	84	See note 17

NOTES:

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

16. The ELIDZ is able to report that 1 incubator was operational during the financial year enabling achievement of the target. This was the CISCO incubator which was unfortunately forced to stop operations due to COVID-19 precautionary measures.

17. After an initial delay in training activity due to lockdown restrictions, the STP was able to resume training during Q3 and Q4 with a significant increase in training programmes being made possible during Q4 resulting in much higher than anticipated results.

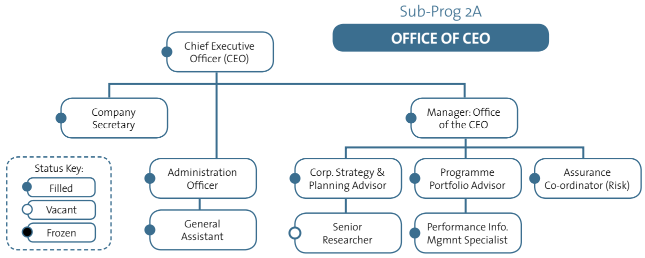
2.4.3 Programme 2: Institutional Support

Sub-programme 2A: Office of the CEO

Programme Purpose:

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

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

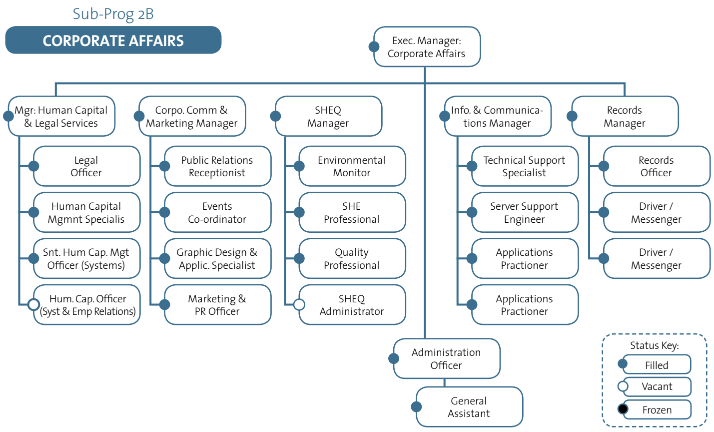


Sub-programme 2B: Corporate Affairs

Programme Purpose:

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

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

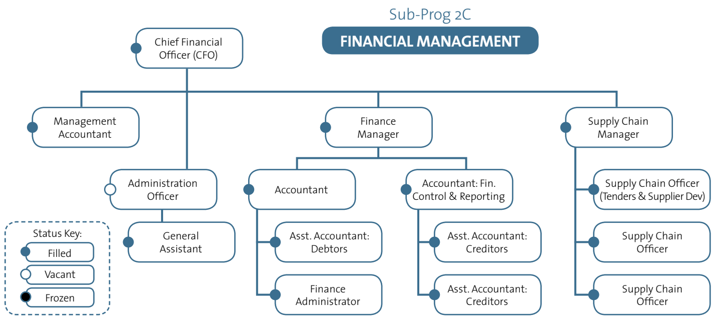


Sub-programme 2C: Financial Management

Programme Purpose:

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

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



Programme 2: Institutional Support							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2017/18**	**Audited Actual Performance 2018/19**	**Audited Actual Performance 2019/20**	**Planned Annual Target 2020/21**	**Actual Annual Performance 2020/21**	**Reason for deviations**
Outcome 3: Sustainable operational efficiencies and global best practice	3.1 Number of SMME development programme beneficiaries upgraded by at least two levels in CIDB grading	New KPI	New KPI	New KPI	n/a	n/a	See note 18
	3.2 Best practice systems compliance index	New KPI	New KPI	New KPI	3	3.6	See note 19

*Results undergoing audit and verification and are not considered final.

NOTES:

18. This KPI is not applicable this FY and will not be evaluated as it is an intermediate outcome and the benefit of which will only be derived in later years. The ELIDZ in the year under review, kick-started the operationalisation of the SMME development programme through the identification of implementation partners and soliciting market interest for the programme.

19. 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. For this draft report the overall achievement is a rating of 3.6. This will be adjusted on the finalisation of the internal audit reviews and the external audit finalisation for ISO27001 (ICT Systems). The over-performance is as a result of the ELIDZ's ability to successfully implement key processes required to retain its best practice certifications. The ELIDZ's compliance to legislation and best practice also continues to improve.

Programme 2: Institutional Support							
Outcome	**Outcome Indicator**	**Audited Actual Performance 2017/18**	**Audited Actual Performance 2018/19**	**Audited Actual Performance 2019/20**	**Planned Annual Target 2020/21**	**Actual Annual Performance 2020/21**	**Reason for deviations**
Output 3.1: Operational excellence and efficiency gains attained	3.1.1 Annually assessed ELIDZ BBBEE Status	Level 5	Level 2	Level 2	Level 2	Level 3	See note 20
Output 3.2: Economic transformation and community upliftment delivered	3.2.1 Number of internships offered per annum within ELIDZ	39	45	41	30	43	See note 21
	3.2.2 Number of active bursaries awarded by ELIDZ	11	11	11	8	12	See note 22
	3.2.3 Number of Corporate Social Investment projects administered by ELIDZ	9	12	15	12	16	See note 23
Output 3.3: Returns from services and asset portfolio optimised	3.3.1 Increase in gross income from ELIDZ services receipted per annum	New KPI	New KPI	New KPI	15%	-0.87%	See note 24
	3.3.2 Average Vacancy Rate per annum	1.9%	2%	0.92%	2%	1.32%	See note 25

NOTES:

20. The anticipated BBBEE level was not obtained due to the nature of expenditure of the ELIDZ on contracts that were not possible to be awarded to SMMEs. The nature of procurement requirements were such that it was not possible to award to SMMEs and this affected the overall BBBEE level adversely.

21. The ELIDZ was able to exceed the number of interns actively employed as additional interns were able to be employed due to savings realised from CoE at the ELIDZ

22. The ELIDZ was able to report 12 active bursaries at the end of the financial year as a result of new recruitment of bursary applicants toward the end of Q3 after previously awarded bursary recipients failed to meet the academic requirements and exited the bursary program.

23. The ELIDZ has completed 16 CSI initiatives for the year. This exceeds the annual target and was enabled through cost savings realised by the ELIDZ.

24. The revenue from billed services was adversely affected by the pandemic with a number of manufacturers remaining closed during lockdown periods which resulted in a reduced demand for services over those periods. The entity billed less than it did during the previous financial year. This resulted in a negative growth in services revenue year-on-year.

25. The entity experienced fluctuating levels of vacancy during the year as a result of the pandemic and vacant buildings unable to be occupied. However, toward the end of the financial year, new manufacturers became operational and occupancy of vacant premises improved resulting in achieving desired performance of lower than 2% vacancy.

2.4.4 Strategies to overcome underperformance

It is understandable that the impact of the COVID-19 global pandemic would affect the performance of all business entities and the ELIDZ unfortunately was not immune to it. The first indicator that underperformed is on the number of active manufacturing and services jobs. As this indicator is directly informed by the attraction and settlement of new investors, the ELIDZ will continue its efforts to close out existing pipeline investment opportunities. Further to this, concerted effort will go into attracting new investors along with continued support of existing investors which has proven to be beneficial through expansions of existing operations that resulted in additional employment opportunities.

The second area of underperformance related to Customer Satisfaction and it is envisaged that an improvement in interaction and service provision will assist in raising the results of this index. Adoption and utilisation of technology, particularly telecommunication and video communication will assist in ensuring that relationships with tenants and customers of the ELIDZ can improve.

A plan to improve the procurement and business practices of the ELIDZ BBBEE rating will be put in place to address the lower than targeted performance against this indicator. The lockdown affected the ELIDZ's revenue from services. The increased number of operational investors in 2021/22 will assist the organisation in dealing with this under-performance.

2.4.5 Reporting on the Institutional Response to the COVID-19 Pandemic

Programme	Intervention	Total Budget Allocation	Total Budget Spent	Contribution to the outputs in the Corporate Plan	Immediate Outcomes
Programme 1	Packaging of Economic Infrastructure Projects to ensure rollout of economic infrastructure critical for economic recovery	R102 million	R88 million	• Increase in number of infrastructure projects implemented. Electrical infrastructure augmented for future industry. • Master planning for Phase 2 Development of SEZ underway. • Application for designation has been submitted but there has been delays in the approval by DTI.	**High performing, competitive and resilient industries**
Programme 1	Implement project to localise new manufacturing capabilities (manufacturing incubator)	R72 million	R0	• Government and industry engagement for commitment to the project initiated and prioritized capabilities and technologies to be localized through the incubator have been finalized. • NDA signed with MBSA on the project • Incubator operational model currently being refined for finalisation with AIDC • 50% of funding was secured from DTI (R36 million) in 2019 and ELIDZ has been struggling to raise the remaining 50%.	**Technology-led innovation and industrial modernisation**
Programme 1	To ensure operationalization of all SEZ incentives to qualifying industries. Operationalization of One Stop shop	0	0	• Tax incentive and CCA incentive currently being received by some investors in the zone. Submission to city on consideration of investor support packages made. • Application for one stop shop has been approved by DTI and ELIDZ is now operationalising the one stop shop.	**High performing, competitive and resilient industries**
Programme 1	Development of an enterprise assistance ecosystem to support industries in the zone who are setting up facilities in the zone.	0	0	MOU signed between ELIDZ and Productivity SA and an operational plan is currently under way.	**High performing, competitive and resilient industries**

Programme 2	Implement Pro-active tenant support measures	0	0	Measures that ELIDZ implemented during the financial year include: • The ELIDZ's Board approved the implementation of a rental abatement which will bring relief to industries located in the ELIDZ. ELIDZ Provided rental abatement to qualifying zone enterprises for the period of Level 5 Lockdown (44 zone enterprises and Office Park tenants) valued at R5.8 million. • Review of ELIDZ debtors policy with regard to industrialists at risk of liquidation and or cashflow challenges by offering swift response and support	**High performing, competitive and resilient industries**
Programme 2	Implement Community Development Programmes			• The ELIDZ has continued to provide COVID-19 relief assistance to Ward 46 and has extended its impact to not only include the handing out food vouchers to the surrounding Ward 46's destitute families but to also driving community outreach programmes to intensify preventative measures to curb the spread of the virus and increase awareness within the community.	**Sustainable operational efficiencies and global best practice.**
Programme 1	Ensure projection of existing export contracts			• After the initial impact of COVID-19 affecting the timelines with construction activity and operationalisation of investors related to the MBSA W206 project, the fourth quarter saw the culmination of efforts by construction contractors to eliminate construction delays and ensuring that a number of essential W206 related projects were completed during the fourth quarter. • This has the effect of ensuring that manufacturers become operational and positively contribute to employment and economic activity.	**High performing, competitive and resilient industries**

2.4.6 Linking Performance with Budgets

2.4.6.1 Expenditure

	2019/2020			2020/2021		
Programme/ Activity/Objective	**Budget**	**Actual**	**(Over)/Under Expenditure**	**Budget**	**Actual**	**(Over)/Under Expenditure**
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Operations	161,079	160,474	606	187,732	170,424	17,308
Programme 2: Institutional Support	111,960	108,931	3,029	118,816	112,956	6,202
Total	**273,039**	**269,404**	**3,635**	**306,548**	**283,380**	**23,510**

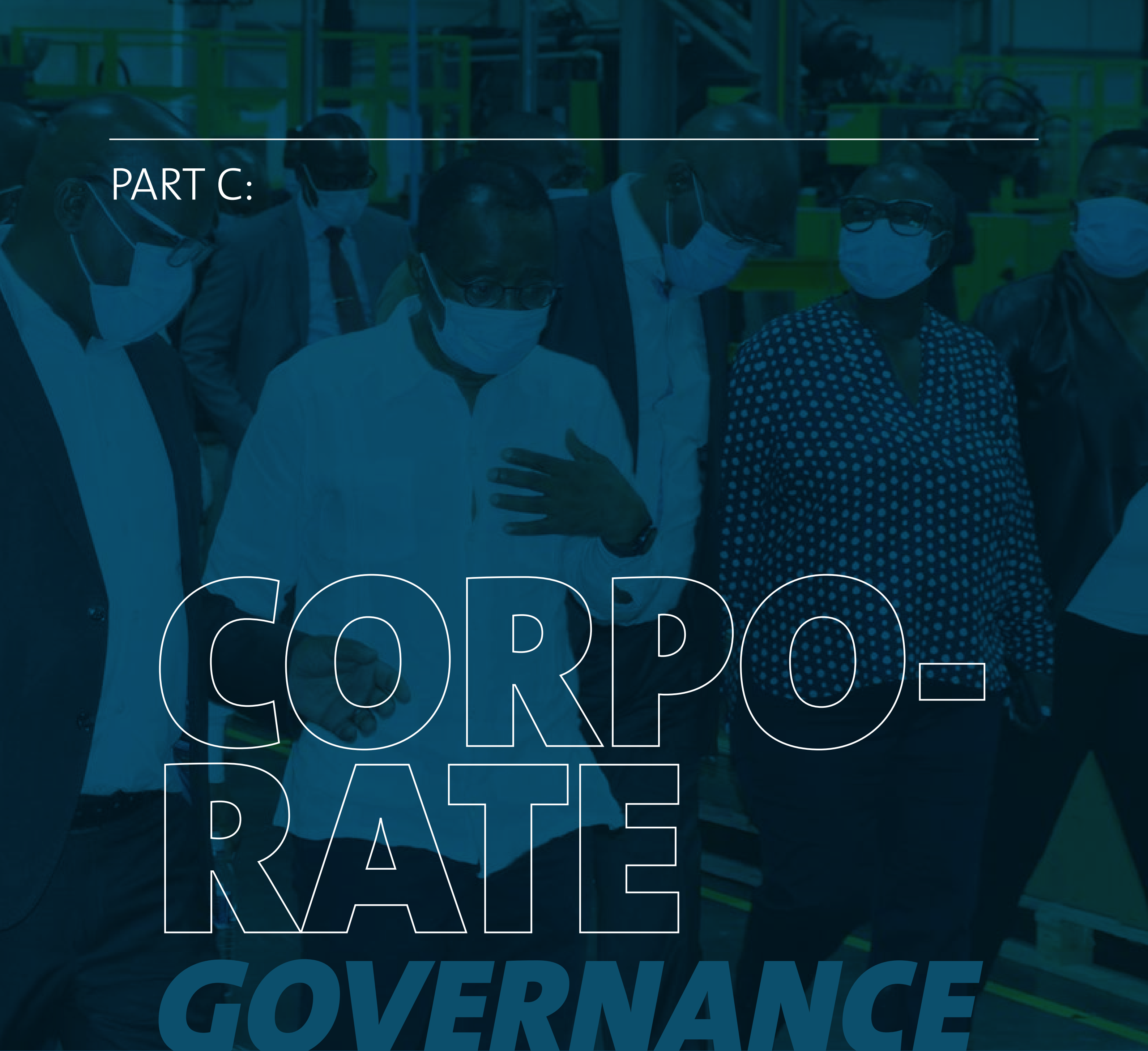
2.4.6.2 Revenue

Source of Revenue	2019/2020 Estimate	2019/2020 Actual	2019/2020 (Over)/Under Expenditure	2020/2021 Estimate	2020/2021 Actual	2020/2021 (Over)/Under Expenditure
	R'ooo	R'ooo	R'ooo	R'ooo	R'ooo	R'ooo
Rentals	81,166	72,025	- 9,141	93,733	106,063	12,330
Zone Levies	2,040	2,247	207	2,474	2,939	465
Sale of Land				3,199	-	(3,199)
Utilities Income	81,308	90,109	8,801	98,123	91,535	(6,588)
Other Income	3,000	3,661	661	3,777	163	(3,614)
STP Revenue	5,000	3,966	- 1,034	5,520	3,949	(1,571)
Total	**172,514**	**172,008**	**- 506**	**206,827**	**204,649**	**(2,177)**

2.4.6.3 Capital Investment

Infrastructure Projects	2019/2020 Budget	2019/2020 Budget Adjustments	2019/2020 Actual Expenditure	2019/2020 (Over)/Under Expenditure	2020/2021 Budget	2020/2021 Budget Adjustments	2020/2021 Actual Expenditure	2020/2021 (Over)/Under Expenditure
	R'ooo	R'ooo	R'ooo	R'ooo	R'ooo	R'ooo	R'ooo	R'ooo
Gemilatex*	43,213	-43,213	0,000	0,000	0,000	0,000	0,000	0,000
Bulk Electricity Upgrade	67,502	0,000	50,054	17,449	83,883	0,000	32,540	51,343
Yanfeng Extension	0,000	0,000	0,000	0,000	0,000	20,914	20,914	0,000
MBSA	232,390	0,000	201,398	30,991	0,000	15,659	15,659	0,000
D-Fence	50,475	17,473	67,948	0,000	0,000	10,264	10,264	0,000
Nulatex**	0,000	0,506	0,506	0,000	0,000	0,000	0,000	0,000
TI Automotive	104,640	0,000	100,072	4,568	0,000	2,174	2,174	0,000
Ebor system	109,603	0,000	78,576	31,027	32,913	0,000	26,935	5,977
Valeo	152,862	0,000	124,297	28,565	32,525	0,000	31,108	1,417
Voetstalpine	57,633	0,000	0,000	57,633	0,000	0,000	0,000	0,000
Yanfeng New Factory/AIH	100,175	0,000	29,360	70,815	46,672	0,000	45,752	0,920
Polytec	95,293	0,000	75,237	20,056	37,386	0,000	35,823	1,563
Auria	148,448	0,000	76,647	71,802	72,124	0,000	58,673	13,451
Linde Wieman***	0,000	8,588	8,588	0,000	0,000	1,210	1,210	0,000
MSC Hardstands****	0,000	12,414	12,414	0,000	0,000	1,008	1,008	0,000
Automold	0,000	0,000	0,000	0,000	27,459	0,000	22,508	4,951
Bushveld	41,295	0,000	0,000	41,295	0,000	1,670	1,670	0,000
Sundale	0,000	0,000	0,000	0,000	60,000	1,287	61,287	0,000
Drager*****	0,000	0,000	0,000	0,000	0,000	0,051	0,051	0,000
IOX Meet-me-room	0,000	0,000	0,000	0,000	55,062	0,000	0,000	55,062
Manufacturing Incubator	0,000	0,000	0,000	0,000	64,653	0,000	0,000	64,653
Total	**1 203,530**	**- 4,233**	**825,097**	**374,201**	**512,676**	**54,237**	**367,576**	**199,337**

* Project budgeted for but cancelled due to investor not attaining financial closure
**Project not included in original budget but adjusted during financial year for final completion
***Project was not originally budgeted for but funded through Ops Savings during the years
****Project was not originally budgeted for but funded through Ops Savings during the years
*****Project not included in original budget but adjusted during financial year



PART C:

CORPORATE GOVERNANCE

"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."

3.1

INTRODUCTION

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

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

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

3.2

PORTFOLIO COMMITTEES

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

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

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

The ELIDZ met with the Portfolio Committee on 11 June 2020 for the purposes of a budget vote meeting and on 27 November 2020 for the consideration of annual and financial oversight reports.

3.3

EXECUTIVE AUTHORITY

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

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

3.4

BOARD OF DIRECTORS

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

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

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

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

Affiliations: Eastern Cape Geographical Name Change Committee, Metro Growth Development Strategy 2030 Chair, Member of IoDSA

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

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

Skills: Economic Development, Research

Affiliations: Member of IoDSA

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

Current employment: Chief Executive Officer of Land Bank

Skills: Audit, Finance and Public Sector Governance

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

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

Current employment: Consultant at EVJ Consulting (Pty) Ltd

Skills: Supply Chain Management, Public Sector Governance and Finance

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

MR A. SKENJANA
Member of the Operations and Risk Committee

Current employment: Director: Agro-Processing at DEDEAT

Skills: Agriculture, Agro-Processing, Project Management

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

MR S. KONDLO
Executive Director - Ex Officio

Current employment: Chief Executive Officer of the ELIDZ

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

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

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

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

Current employment: Private Academic Research

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

Affiliations: Member of IoDSA

MS C. KONGWA
Member of the Audit Committee

Current employment: Administrator of the National Gambling Board

Skills: Legal and Public Sector Governance

Affiliations: Member of IoDSA

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

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

Skills: Public Sector Governance and Finance

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

MR B. MPONDO
Member of the Operations and Risk Committee

Current employment: Managing Director of Safiri (Pty) Ltd

Skills: Transport Planning, Development Planning, Project Management

Affiliations: Member of IoDSA

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

Current employment: Chief Executive Officer of Imbizo Group

Skills: Manufacturing and Development, Telecoms and IT Consulting

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

COUNCILLOR V GQODI
Member of the Finance Committee

Current employment: Councillor at Buffalo City Metropolitan Municipality

Skills: Local Economic Development, Community Relations

Affiliations: Member of IoDSA

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

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

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

3.4.1 Board Charter

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

The Board charter of the ELIDZ confirms:

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

The charter furthermore confirms that the Board is responsible for:

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

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

3.4.2 Composition of the Board

The Board of the East London IDZ comprised of nine non-executive directors as at 31 March 2021. The Chief Executive Officer is an ex officio member of the Board. The Executive Authority is responsible for appointing members of the Board and the Chairperson of the Board, and also determines the conditions of their service. The directors are drawn from diverse backgrounds and bring a wide range of experience and professional skills to the Board and its sub-committees.

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

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

Name	Designation	Date appointed	Date retired	Age	Qualifications	Area of expertise	Non-Executive /Independent Non-Executive	No. of Board meetings attended	No. of committee meetings attended
Professor MW Makalima	Chairperson of the Board and Chairperson of the Governance Committee	26/01/2016	N/A	72	BA (Hons) (MA)	Public sector	Independent Non-Executive	6/6	4/4 Governance Committee
Mr A Kanana	Chairperson of the Audit Committee and member of the Governance Committee	24/10/2012	N/A	38	BComm (Hons) (CA) SA	Finance and public sector governance	Independent Non-Executive	5/6	5/6 Audit Committee 4/4 Governance Committee

Name	Designation	Date appointed	Date retired	Age	Qualifications	Area of expertise	Non-Executive /Independent Non-Executive	No. of Board meetings attended	No. of committee meetings attended
Mr E Jooste	Chairperson of the Finance Committee, member of the Audit Committee, member of the Governance Committee	01/11/2013	N/A	59	BComm Acc	Finance and public sector governance	Independent Non-Executive	6/6	6/6 Audit Committee 4/4 Governance Committee 4/4 Finance Committee
Ms N Mnconywa	Member of the Audit Committee, member of the Finance Committee	26/09/2016	N/A	48	BCom (Hons), CA(SA), Higher Diploma in Education, Post Graduate Certificate in Accounting, Masters in Accounting Sciences	Finance and public sector governance	Independent Non-Executive	6/6	6/6 Audit Committee 4/4 Finance Committee
Cllr V Gqodi	Member of the Finance Committee	11/10/2017	N/A	34	N/A	Municipal sector	Non-Executive	6/6	4/4 Finance Committee
Mr M Mfuleni	Member of the Audit Committee, member of the Operations and Risk Committee, interim member of the Governance Committee	31/10/2018	N/A	49	Diploma (Theology)	Private business	Independent Non-Executive	6/6	3/4 Governance Committee 6/6 Audit Committee 4/4Operations and Risk Committee
Mr B Mpondo	Member of the Operations and Risk Committee	31/10/2018	N/A	45	BSc (Hons) Town and Regional Planning	Private business	Independent Non-Executive	4/6	3/4 Operations and Risk Committee
Ms C N Kongwa*	Member of the Operations and Risk Committee	30/10/2020	N/A	43	LLB, LLM	Legal, public sector	Non-Executive	2/6	1/4 Operations and Risk Committee
Mr A Skenjana*	Member of the Operations and Risk Committee	30/10/2020	N/A	42	BSc, MSc Agriculture	Agriculture, Agro-Processing, Project Management	Non-Executive	2/6	2/4 Operations and Risk Committee
Cllr P Nazo**	Chairperson of the Operations and Risk Committee, member of the Governance Committee	26/10/2011	30/10/2020	57	Postgraduate Diploma in Social Security, Diploma in Practical Labour Law, Certificate in Management Practice	Municipal sector	Non-Executive	4/6	1/4 Governance Committee 2/4 Operations and Risk Committee
Ms S Nkungwana**	Member of the Finance Committee	31/10/2018	30/10/2020	42	Bcomm (Hons)	Public sector	Non-Executive	2/6	2/4 Finance Committee

* New Board members

** Retired Board members

3.4.3 Changes in the Board Composition in 2020/21 FY

Cllr P Nazo and Ms S Nkungwana were retired as Board members on 30/10/2020. Ms C Kongwa and Mr A Skenjana were appointed as Board members on 30/10/2020.

3.4.4 Committees

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

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

3.4.4.1 Governance Committee

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

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

3.4.4.2 Audit Committee

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

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

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

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

3.4.4.3 Finance Committee

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

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

3.4.4.4 Operations and Risk Committee

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

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

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

3.4.5 Remuneration of Board Members

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

Board members are remunerated according to the following rates:

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

Name	Remuneration	Other allowance	Other re-imbursements	Total
MW Makalima	172 945,00	-	-	**172 945,00**
P Nazo	81 720,00	-	-	**81 720,00**
A Kanana	131 144,00	-	-	**131 144,00**
EV Jooste	172 726,00	-	-	**172 726,00**
N Mnconywa	152 820,00	-	-	**152 820,00**
V Gqodi	99 040,00	-	-	**99 040,00**
B Mpondo	63 357,00	1 278,00	-	**64 635,00**
S Nkungwana	-	-	-	**-**
M Mfuleni	167 476,00	-	-	**167 476,00**
Total Board Fees 2020/21 FY				**1 042 506,00**

3.5

RISK MANAGEMENT

ELIDZ has had an approved risk management policy and strategy in place for the duration of the 2020/21 financial year. Risk assessments are conducted regularly in order to determine the effectiveness of the risk management strategy and to identify new and emerging risks.

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

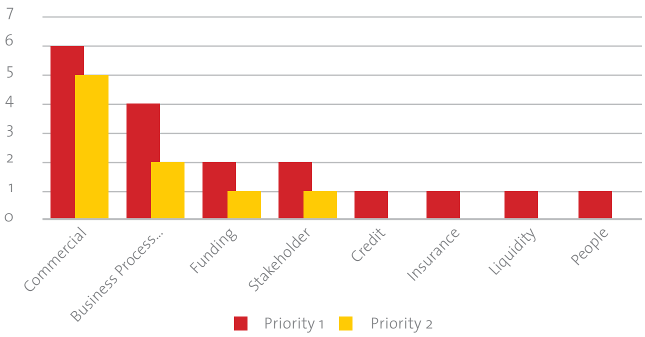
3.5.1 Board and Sub-committee oversight

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

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

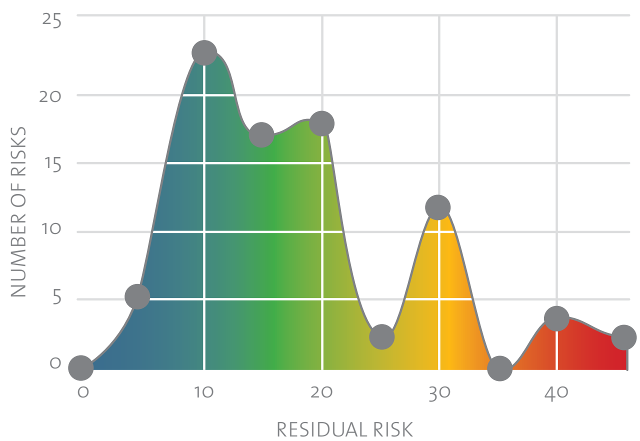
Below is an illustration of the Priority 1 (highest risk areas) distribution:

PRIORITY 1 DISTRIBUTION BY CATEGORY



The majority of the ELIDZ risks are included in the P4 and P5 risk categories – these risks are adequately mitigated through controls in place. This is consistent with the organisational controls assessment where 73% of controls have been rated as satisfactory and above.

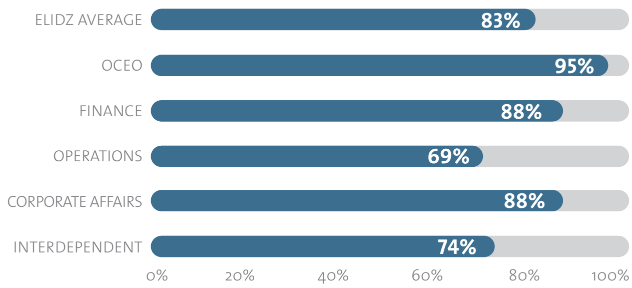
ORGANISATIONAL RESIDUAL RISK DISTRIBUTION



At the end of the 4th quarter, ELIDZ had implemented 83% of its risk improvement action plans.

Below is a summary of the overall status of controls implementation at 31 March 2021

% IMPLEMENTATION OF ACTION PLANS



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

TOP 10 ORGANISATIONAL RISKS 2020/21

	Category	Sub-category	Risk title	Movement	Residual risk – Q1	Residual risk – Q4
1	Financial	Credit	Loss of income due to debtor defaults	↔	Priority 1	Priority 1
2	Financial	Liquidity	Delays in payment of operating grants and debt settlement by ELIDZ customers	↓	Priority 1	Priority 1
3	Financial	Funding	Reduction in approved operational grant funding	↔	Priority 1	Priority 1
4	Strategic	Stakeholder	Non-disclosure of required data and information by existing tenants	↔	Priority 1	Priority 1
5	Financial	Funding	Inadequate funding to support Infrastructure Maintenance requirements	↓	Priority 1	Priority 1
6	Strategic	Stakeholder	Inability to achieve organisational mandate	↔	Priority 1	Priority 2
7	Strategic	Commercial	Inability to balance developmental mandate and financial sustainability expectations	↓	Priority 1	Priority 1
8	Strategic	Commercial	Value proposition for ICT services	↔	Priority 1	Priority 2
9	Strategic	Commercial	Inability to operationalise approved and signed investors.	↓	Priority 1	Priority 2
10	Strategic	Commercial	Inflated construction cost estimates	↓	Priority 1	Priority 3

3.6

INTERNAL AUDIT AND AUDIT COMMITTEE

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

Specifically, internal audit will:

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

Audit committee meetings were as follows:

Name	Qualifications	Internal/ External	If internal, position in public entity	Date Appointed	Date Resigned	Number of meetings attended
Mr A. Kanana (Chairperson)	BComm (Hons) (CA) SA	External	n/a	24/10/2012	n/a	5 of 6
Mr E. Jooste (Member)	BComm Acc	External	n/a	01/11/2013	n/a	6 of 6
Ms N. Mnconywa (Member)	BCom (Hons), CA(SA), Higher Diploma in Education, Post Graduate Certificate in Accounting, Masters in Accounting Sciences	External	n/a	26/09/2016	n/a	6 of 6
Mr M. Mfuleni (Member)	Diploma (Theology)	External	n/a	31/10/2018	n/a	6 of 6

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

3.6 INTERNAL AUDIT AND AUDIT COMMITTEE

he Audit Committee has an oversight function with regards to:

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

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

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

3.7

FRAUD AND CORRUPTION

- ELIDZ adopts an annual fraud management plan which forms part of the risk management framework. The plan was fully implemented for the 2020/21 financial year.
- A fraud hotline has been in place for the full financial year – all items reported through the hotline are investigated by internal audit. Legislated protections are also in place for whistleblowers through the Ethics policy.
- Finally, all employees are required to adhere to both the Code of Conduct (signed annually) and the Ethics policy which includes disclosing all conflicts of interest.

3.8

MINIMISING CONFLICT OF INTEREST

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

3.9

CODE OF CONDUCT

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

3.10

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

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

Section 24 states that "Everyone has the right –

a. to an environment that is not harmful to their health or well-being; and
b. to have the environment protected, for the benefit of present and future generations, through reasonable legislative and other measures that –

    (i) prevent pollution and ecological degradation;
    (ii) promote conservation;
    (iii) secure ecologically sustainable development
    (iv) use of natural resources while promoting justifiable economic and social development and
    (v) ensures a development environment that is safe and secure for its investors and those impacted by its operational and other activities.

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

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

In addition, a fundamental condition associated with the ELIDZ's permit to operate an SEZ is to ensure compliance to applicable legislation. One such legal obligation is to comply with the conditions of the change in land use that requires the establishment and maintenance of an Environmental Management System (EMS).

It is therefore Key for the ELIDZ maintain its certification to the adopted globally recognised ISO 14001 EMS in order to remain compliant as an operator of an SEZ.

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

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

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

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

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

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

3.11

COMPANY SECRETARY

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

Palmer

Jo-Anne Palmer
Company Secretary

"...I certify that the company has filed with the Companies and Intellectual Property Commission all such returns and notices in terms of the Act, and all such returns appear to be true, correct and up to date."

3.12

ELIDZ SOCIAL AND ETHICAL RESPONSIBILITY

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

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

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

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

3.12.1.1. The Companies Act on Social and Ethics

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

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

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

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

3.12.1.2. The King IV Report on Social and Ethics

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

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

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

3.12.2. ELIDZ Social and Ethical Agenda 2020/21

*3.12.2.1. **Priority 1:** Establishment of an Organisational Ethical Culture*

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

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

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

ELIDZ'S SOCIAL RESPONSIBILITY FOCUS AREAS

ELIDZ 2020/21 AGENDA: ESTABLISHMENT OF AN ORGANISATIONAL ETHICAL CULTURE

ELIDZ 2020/2021 INDICATORS	END YEAR PROGRESS
Development of an ELIDZ Ethics Framework comprising of the following:	
• ELIDZ Ethics Policy : To ensure there is a shared understanding of organisation's ethical values	Ethics policy approved in Q2 of 2020/2021
• ELIDZ Whistle-blower Policy: To ensure there is clear guidelines on reporting of any violation of ELIDZ Ethics Policies and Practices. To ensure there are clear processes and procedures to respond to unethical behaviours and practices.	Whistle-Blower Policy approved in Q2 of 2020/2021
• 5 Year ELIDZ Ethics Programme: To ensure awareness and understanding of ethical behaviour in the context of the organisation and to ensure there is a shared understanding of organisation's ethical aspirations and related behaviour.	5 Year Ethics programme integrated into organisational culture programme as part of ELIDZ's efforts to ensure that employees live the organisational value of "Ethical by Nature" which was integrated into ELIDZ values at the beginning of 5-year cycle.
Undertake ELIDZ Organisational Culture Assessment	ELIDZ Organisational Culture Assessment undertaken in Q4.
Develop a 5-year Organisational Culture Enhancement programme	ELIDZ Culture Enhancement Programme Developed. This is inclusive of ELIDZ Ideal Culture Definition, articulation of ELIDZ aspirations and Ideals when it comes to its internal culture and a programme to inculcate and align espoused culture to the lived culture in the organisation.
Implement a three-year Integrated Reporting Plan to ensure alignment of ELIDZ Annual Reporting to acceptable international Integrated Reporting Standards.	Integrated Reporting Project implementation kicked off in Q3. Project team has been appointed and a champion for each of the 6 capitals has been appointed. All of the 6 capitals have been defined and unpacked in accordance with ELIDZ practices.
Investigation and Development of an online annual declaration process for ELIDZ Employees	Online declaration process has been developed and implemented
% of eligible employees to complete Annual Declaration in line with ELIDZ Ethics Framework	Analysis of annual declarations has been finalised with no exceptions noted
% of eligible employees inducted / re-inducted during the FY	100% ELIDZ new employees and interns inducted during the period

ELIDZ 2020/2021 INDICATORS	END YEAR PROGRESS
100% implementation of the Fraud Prevention Plan.	100% of activities in ELIDZ Fraud Prevention Plan implemented for 2020/21
100% of reported Fraud Hotline Reports investigated and closed	No matters reported to the hotline
0 investigated and confirmed fraudulent cases against the ELIDZ	1 matter was reported and investigated during the period under review. A disciplinary process for two implicated employees has been completed and both employees were dismissed. The matter was also reported to SAPS and the process is currently in court. Internal investigation to identify root-cause has been completed and a corrective action are being implemented in this regard. These are being tracked through the ELIDZ Audit Action Plan.
0 fraud related findings reported by the Auditor General of South Africa	AG Audit completed in Q2, no fraud related findings noted.
2 fraud awareness campaigns implemented	One campaign currently underway on Intranet

*3.12.2.2. **Priority 2:** Establishment of Best Practice Employment Practices*

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

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

WORKPLACE
(INCLUDING EMPLOYMENT EQUITY, FAIR REMUNERATION; AND SAFETY, HEALTH, DIGNITY AND DEVELOPMENT OF EMPLOYEES)

KEY INITIATIVES

1. Implement the ELIDZ Employment Equity Plan to ensure that ELIDZ achieves desired employment equity targets by the end of October 2022.
2. Develop and Implement a Human Capital Management Strategy to ensure provision of required competencies and optimal management of ELIDZ Human Capital

ELIDZ 2020/2021 INDICATORS	END YEAR PROGRESS
• 80% achievement of non-numeric goals for Year 01 of 3-year Employment Equity Plan.	73% completion: Of 18 goals on the plan, 15 were due for implementation and of these 11 are completed, 2 are in progress and 2 have been delayed due to resource constraints. The ones that have been delayed are the improvement of the current induction process and increased awareness to improve transparency of HR policies
10% staff turnover	Staff turnover at the end of the financial year is 6.1%. While it is still lower than ELIDZ's appetite the increased rate is due to 3 positions being frozen during the FY due to the current Organisational Design process underway.

ELIDZ 2020/2021 INDICATORS	END YEAR PROGRESS
12% staff vacancy rate	Remained at 8,89% since Q3, the rate is impacted by two dismissals that occurred in Q2.
3% of employment-related expenditure spent on targeted training initiatives	4,55%
70% employee satisfaction index	To be undertaken in Q1 of 2021/22 due to noted survey fatigue within the organisation.

*3.12.2.3. **Priority 3:** Economic Development and Transformation*

ECONOMY

(INCLUDING ECONOMIC TRANSFORMATION; PREVENTION, DETECTION AND RESPONSE TO FRAUD AND CORRUPTION; AND RESPONSIBLE AND TRANSPARENT TAX POLICY)

ELIDZ 2020/21 INITIATIVES

1. Develop and Implement a Preferential Procurement Plan to ensure successful implementation of ELIDZ's transformational supply chain policies.
2. Monitor ELIDZ Expenditure towards designated groups (Black Owned, Women Owned, local procurement, SMMEs).
3. Develop an ELIDZ 5-year Socio-Economic Impact Strategy which consolidates ELIDZ's socio economic objectives as envisaged in Vision 2025 and develops key initiatives for the delivery of the desired impact.

ELIDZ 2020/2021 INDICATORS	END YEAR PROGRESS
30 intern/learnership contract opportunities offered per annum within the operations of ELIDZ organisation	43 interns offered opportunities to date (increase of 6 interns from Q3)
Level 2 B-BBEE Status retained by end of 2020/21	Level 3 BBBEE Status achieved. The major construction works underway which see the ELIDZ award contracts to larger companies, have reduced the ELIDZ's enterprise and supplier development score.
30% of sub-contractable construction work to be subcontracted to designated groups for all tenders above R30 million	The sub-contractable construction work subcontracted to designated groups for all tenders above R30 million was 61% at the end of FY. This however, is likely to be affected by the fact that the 30% sub-contracting was declared unconstitutional by the Supreme court.
30% local procurement achieved by end of the FY	Out of 44 contracts awarded during the FY 39 were awarded to local companies and this translates to 89% local procurement.
1 incubator hosted on the ELIDZ platform by the end of 2020/21	1 incubator currently active on ELIDZ platform
50 skills development beneficiaries trained in the ELIDZ Science and Technology Park by end of 2020/21	142 beneficiaries trained. After an initial delay in training activity due to lockdown restrictions, the STP were able to resume training during Q3 and Q4 with a significant increase in training programmes being made possible during Q4 – higher than anticipated. The performance against this target has been exceeded by 164%. With the restrictions of lockdown behind us, training activity is on track to continue as scheduled.

ELIDZ 2020/2021 INDICATORS	END YEAR PROGRESS
1 prototypes developed in the ELIDZ Science and Technology Park by end of 2019/20	The entity was able to achieve the target of 2 prototypes with the completion of prototypes for applications relating to digital medical prescriptions and a biometric data capture tool
5100 manufacturing and services jobs active in the ELIDZ by end of 2020/21	The number of manufacturing and services jobs is 3945. The performance against this indicator has been affected largely by liquidations, retrenchments and enterprises undergoing business rescue. This has resulted in a reduction of approximately 700 jobs when compared to last financial year. Despite new manufacturers becoming operational, the new employment does not make up for the losses experienced during this financial year. A zone census is underway to validate figures
2000 construction jobs created in the zone by end of 2020/21	2149 - The ELIDZ was able to exceed the revised target for construction jobs during the financial year.
Annual Zone Impact Census undertaken by end of Q4	The census was finalised.

*3.12.2.4. **Priority 4:** Community Development*

COMMUNITY DEVELOPMENT

(INCLUDING PUBLIC HEALTH AND SAFETY; CONSUMER PROTECTION; COMMUNITY DEVELOPMENT AND PROTECTION OF HUMAN RIGHTS)

ELIDZ 2020/21 INITIATIVES

1. Development of a 5-year Corporate Social Investment Programme aligned to Vision 2025
2. Extend the ELIDZ's Socio-Economic Impact through the implementation of targeted Corporate Social Investment Initiatives.

ELIDZ 2020/2021 INDICATORS	END YEAR PROGRESS
75% customer satisfaction index by end 2020/21	74,8% - n a particularly challenging year, the ELIDZ was unable to meet the target of 75% and fell short with an achievement of 74,8%.
7% year-on-year growth in ELIDZ Corporate Social Investment	The ELIDZ's year on year growth on CSI measured at 10,65% compared to prior year. The ELIDZ implemented more projects than the prior year and awarded more bursaries compared to prior year.
12 CSI initiatives implemented by end 2020/21	16 initiatives implemented by end of FY
15% of beneficiaries retained to ensure continuity and sustainability of beneficiaries.	Currently being measured
8 bursaries awarded to neighbouring communities	12 bursaries awarded at the end of Q4

*3.12.2.4. **Priority 4:** Community Development*

ENVIRONMENTAL IMPACT MANAGEMENT

(INCLUDING RESPONSIBILITIES IN RESPECT OF POLLUTION AND WASTE DISPOSAL; AND PROTECTION OF BIODIVERSITY)

ELIDZ 2020/21 INITIATIVES

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

ELIDZ 2020/2021 INDICATORS	END YEAR PROGRESS
# of SHE citations for ELIDZ Corporate	No SHE citations received
Monitoring, communication, response and tracking of all zone enterprises SHE non-conformances and incidents as required.	Continuous monitoring and communication of non-conformance to all zone enterprises.
Ensure Environmental due diligence is performed for 100% of investments presented to board for approval	Environmental Due Diligence undertaken for all proposed investors
100% of SHEQ certifications retained.	All certifications have been retained
Implementation and Monitoring of a COVID 19 Risk Assessment and Risk Mitigation Strategies undertaken	Risk Assessment undertaken COVID 19 regulations compliance monitored inclusive of appointment of COVID 19 Officer Risk mitigation strategies implemented. Low infection rate in ELIDZ Corporate During Q4.

3.13

AUDIT COMMITTEE REPORT

The Audit Committee is pleased to present its report for the financial year ended 31 March 2021.

3.13.1 Audit Committee Members and Attendance

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

Name of the members	Number of meetings attended
Mr A. Kanana (Chairperson)	5 of 6
Mr E. Jooste (Member)	6 of 6
Ms N. Mnconywa (Member)	6 of 6
Mr M. Mfuleni (Member)	6 of 6

3.13.2 Audit committee responsibility

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

The Audit Committee has an oversight function with regards to:

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

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

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

3.13.3 Effectiveness of Internal Control

The Audit Committee is satisfied:

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

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

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

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

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

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

3.13.4 Evaluation of Financial Statements

The Audit Committee has evaluated and discussed the AFS of the ELIDZ for the year ended 31 March 2021 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 18 August 2021, recommended the adoption of the financial statements by the Board of Directors.

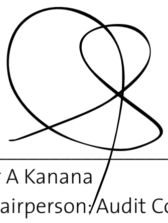
The Audit Committee concurs with and accepts the AGSA's report on the AFS and is of the opinion that the AFS should be accepted and read together with the report of AGSA.

> *"...I certify that the company has filed with the Companies and Intellectual Property Commission all such returns and notices in terms of the Act, and all such returns appear to be true, correct and up to date."*

3.13.5 Auditor-General

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

On behalf of the Committee:

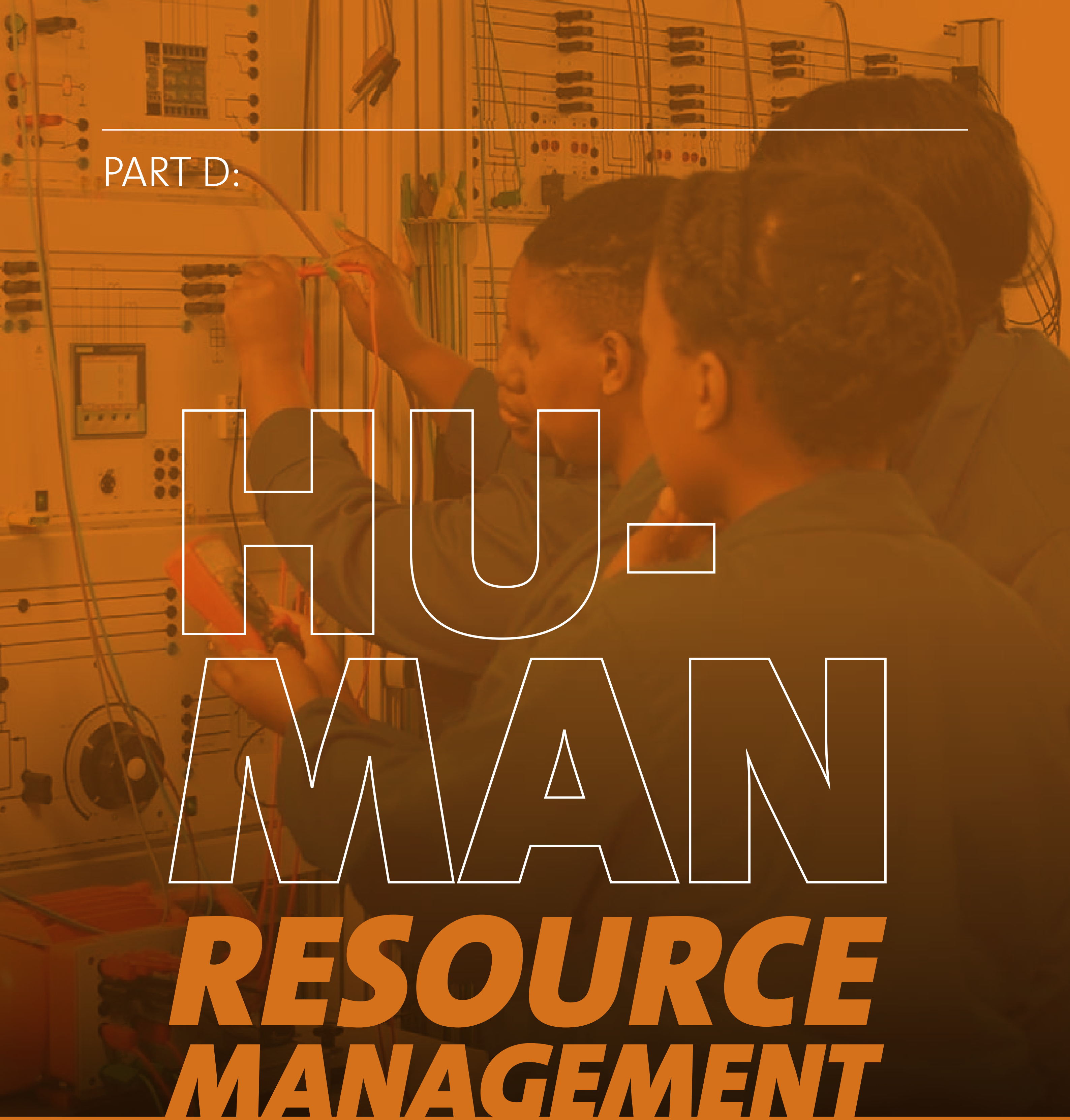


Mr A Kanana
Chairperson: Audit Committee

3.14

B-BBEE COMPLIANCE PERFORMANCE INFORMATION

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	**Response Yes / No**	**Discussion (include a discussion on your response and indicate what measures have been taken to comply)**
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	**Yes**	This is not applicable to institutions like the ELIDZ
Developing and implementing a preferential procurement policy?	**Yes**	The ELIDZ has developed this SMME policy to guide the organisation in the process of acquisition of goods and services that are required to support the service delivery obligations of the ELIDZ from time to time. The ELIDZ commits itself to implement this policy in a manner that will: • Promote and empower small and emerging enterprises; • Support local business enterprises; and • Empower those persons disadvantaged by unfair discrimination.
Determining qualification criteria for the sale of state-owned enterprises?	**No**	This is not applicable to institutions like the ELIDZ
Developing criteria for entering into partnerships with the private sector?	**No**	This is not applicable to institutions like the ELIDZ
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment?	**No**	This is not applicable to institutions like the ELIDZ



PART D:

HU-MAN RESOURCE MANAGEMENT

"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."

4.1

INTRODUCTION

The success of the Human Capital Management Strategy depends in part on our ability to retain, motivate, develop, and continue to attract employees with the skills and experience to help the ELIDZ master challenges and make the most of opportunities. Investing in our employees remains of paramount importance. ELIDZ employees are therefore viewed as crucial assets in driving the achievement of the company's strategic goals. As such, the ELIDZ continues to implement various measures to ensure the optimisation of such. The ELIDZ issues a quarterly Human Capital Management Report to the Board's Governance Committee, which also serves as the Social, and Ethics and HR Committee. The report, amongst other things reports on the following:

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

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

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

4.2

HUMAN RESOURCES OVERSIGHT STATISTICS

4.2.1 Personnel cost by programme

EXPENDITURE: Personnel Costs by Programme: 2019/20				
Programme/activity/objective	**Total Expenditure for the entity (R)**	**Departmental exp. as a % of total exp.**	**No. of employees**	**Average Personnel cost per employee (R)**
Office of the CEO	12 691 132	18%	9	1 410 126
Corporate Affairs	19 756 781	28%	24	823 199
Finance	11 342 875	16%	14	810 205
Operations	27 564 314	39%	35	787 552
TOTAL	**71 355 101**	**100%**	**82**	**870 184**

4.2.2 Personnel cost by salary band

EXPENDITURE: Personnel Costs By Salary Bands: 2019/20				
Programme/activity/objective	**Personnel Expenditure (R)**	**% of personnel exp. to total personnel cost**	**No. of employees**	**Average Personnel cost per employee (R)**
Top management	3 545 788	5%	1	3 545 788
Senior management	7 405 588	10%	3	2 468 529
Professionally qualified and experienced specialists and mid-management	30 400 859	43%	23	1 321 776
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	23 678 918	33%	34	696 439
Semi-skilled and discretionary decision making	4 941 830	7%	13	380 141
Unskilled and defined decision making	1 382 119	2%	8	172 765
TOTAL	**71 355 101**	**100%**	**82**	**870 184**

Notes:
The ELIDZ does not pay a homeowner's allowance
R 26 612 in overtime was paid during the Financial Year ended 31 March 2021
Remuneration and Benefits are paid in terms of the prevailing policies.

Number of employees whose salary positions were upgraded due to their posts being upgraded
None during the year under review

Employees whose salary level exceed the grade determined by job evaluation
None during the year under review

4.2.3 Performance rewards

Programme//activity/objective	Performance rewards (R)	Personnel Expenditure (R)	% of performance rewards to total personnel cost
Top management	583 928	3 545 788	16%
Senior management	1 222 074	7 405 588	17%
Professionally qualified and experienced specialists and mid-management	4 356 090	30 400 859	14%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	3 178 806	23 678 918	13%
Semi-skilled and discretionary decision making	750 341	4 941 830	15%
Unskilled and defined decision making	199 332	1 382 119	14%
TOTAL	**10 290 572**	**71 355 101**	**14%**

4.2.4 Training costs

Programme / activity / objective	Personnel Expenditure (R)	Training Expenditure (R)	% of Training Expenditure to total Personnel Expenditure	No. of employees trained	Avg training cost per employee (R)
Top management	3 545 788	-	0%	-	-
Senior management	7 405 588	611 962	8%	3	203 987
Professionally qualified and experienced specialists and mid-management	30 400 859	267 307	1%	17	15 724
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	23 678 918	311 769	1%	25	12 471
Semi-skilled and discretionary decision making	4 941 830	261 808	5%	12	21 817
Unskilled and defined decision making	1 382 119	295 985	21%	8	36 998
TOTAL	**71 355 101**	**1 748 831**	**2,45%**	**65**	**26 905**

4.2.5 Employment and Vacancies

Programme / activity / objective	2019/2020 No. of Employees	2019/2020 Approved Posts	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 Vacancies (Budgeted)	% of Vacancies
Office of the CEO	9	10	10	9	1	10,00%
Corporate Affairs	25	26	26	24	2	7,69%
Finance	15	15	15	14	1	6,67%
Operations	37	39	39	35	4	10,26%
TOTAL	**86**	**90**	**90**	**82**	**8**	**8,89%**

Programme / activity / objective	2019/2020 No. of Employees	2019/2020 Approved Posts	2020/2021 Approved Posts	2020/2021 No. of Employees	2020/2021 Vacancies (Budgeted)	% of Vacancies
Top management	1	1	1	1	-	0,00%
Senior management	3	3	3	3	-	0,00%
Professionally qualified and experienced specialists and mid-management	23	24	24	23	1	1,11%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	36	39	39	34	5	5,56%
Semi-skilled and discretionary decision making	15	15	15	13	2	2,22%
Unskilled and defined decision making	8	8	8	8	-	0,00%
TOTAL	**86**	**90**	**90**	**82**	**8**	**8,89%**

4.2.6 Employment changes

EMPLOYMENT CHANGES: ANNUAL TURNOVER RATES BY SALARY BAND & CRITICAL OCCUPATION FOR THE PERIOD 01 APRIL 2020 TO 31 MARCH 2021

SALARY BAND	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top management	1	-	-	1
Senior management	3	-	-	3
Professionally qualified and experienced specialists and mid-management	23	-	-	23
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	36	1	3	34
Semi-skilled and discretionary decision making	15	-	2	13
Unskilled and defined decision making	8	-	-	8
TOTAL	**86**	**1**	**5**	**82**

4.2.7 Reasons for staff leaving

EMPLOYMENT CHANGES: REASONS WHY STAFF ARE LEAVING

REASON	Number	% of total no, of staff leaving
Death	-	-
Resignation	1	1.22%
Dismissal	3	3.66%
Retirement	1	1.22%
Ill Health	-	-
Expiry of Contract	-	-
Other	-	-
Total	**5**	**6.10%**
Total number of employees who left as a % of the total employment	**5**	**6.10%**

4.2.8 Labour relations

PRECAUTIONARY SUSPENSIONS:

Two (2) individuals were placed on suspension pending investigation of serious allegations of misconduct and for the duration of their disciplinary proceedings.

LABOUR REFERRALS TO THE CCMA DISPUTES:

Three (3) matters were referred to the CCMA. One (1) matter was settled at Conciliation stage and the two (2) other matters proceeded to Arbitration.

INTERNAL DISCIPLINARY CASES:

Four (4) disciplinary cases were held during the Financial Year. These were all concluded, and sanctions imposed against employees; in three (3) matters the sanction of dismissal was imposed.

STRIKE INDUSTRIAL ACTION:

No industrial action took place within the EL IDZ during the year under review. It is to be noted that the Trade Union membership numbers increased during the 2020/21 financial year.

4.2.9 Employment equity

EMPLOYMENT EQUITY ANALYSIS (AS AT 31 MARCH 2021)

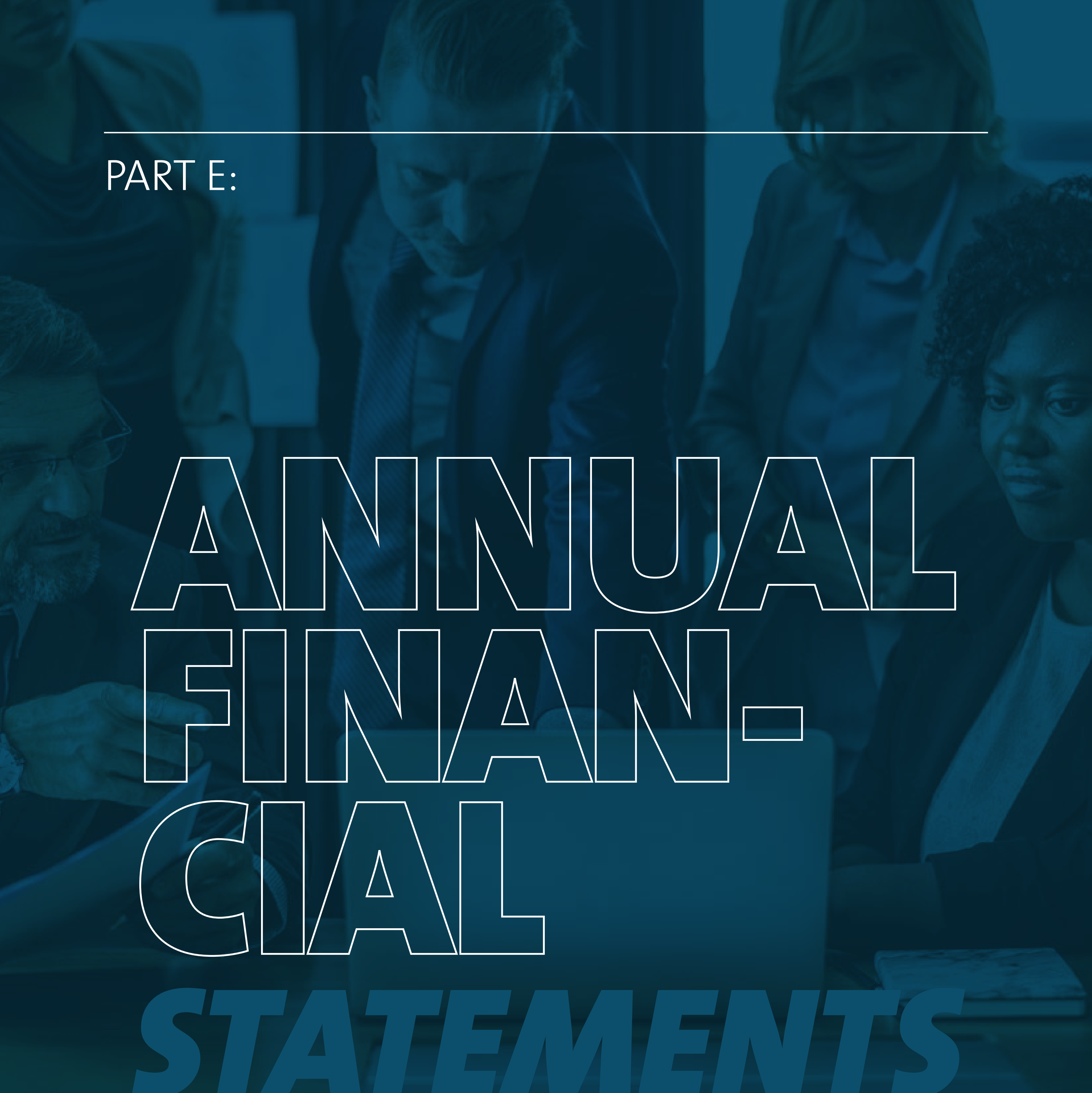
OCCUPATIONAL BANDS	MALE					FEMALE					
	AFRICAN	COLOURED	INDIAN	WHITE	Sub Total	AFRICAN	COLOURED	INDIAN	WHITE	Sub Total	Grand Total
Top management	1	-	-	-	1	-	-	-	-	-	1
Senior management	2	-	-	-	2	1	-	-	-	1	3
Professionally qualified and experienced specialists and mid-management	7	2	2	3	14	5	1	-	3	9	23
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	9	1	1	3	14	18	2	-	-	20	34
Semi-skilled and discretionary decision making	2	-	-	-	2	9	2	-	-	11	13
Unskilled and defined decision making	-	-	-	-	0	7	-	-	-	7	7
Total permanent	20	3	3	6	33	40	5	-	3	48	81
Temporary employees	-	-	-	-	-	-	-	-	-	-	-
Grand total	**22**	**3**	**3**	**6**	**34**	**42**	**5**	**-**	**4**	**51**	**86**

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

4.2.10 Foreign workers

FOREIGN WORKERS

No foreign workers were appointed during the year under review



PART E:

ANNUAL FINANCIAL STATEMENTS

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

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Legal form of entity	Public entity (PFMA)
Nature of business and principal activities	The development and management of the Special Economic Zone (SEZ) in East London
Directors	MW Makalima (Chairperson) EV Jooste A Kanana S Kondlo (Ex-officio) N Mnconywa V Momeni (Gqodi) M Mfuleni B Mpondo N C Kongwa A Skenjana
Registered office	Acacia House Palm Square Bonza Bay Road 5201
Business address	Lower Chester Road Sunnyridge East London 5201
Postal address	P.O Box 5458 Greenfields East London 5208
Bankers	Standard Bank
Auditors	Auditor General of South Africa
Secretary	Ms. Jo-Anne Palmer
Preparer	The financial statements were internally compiled under the supervision of: Gift Matengambiri CA (SA) Chief Financial Officer
Specific governing legislation	Public Finance Management Act, 1999 (Act No. 1 of 1999) Special Econpmic Zone Act, 2014 (Act No. 16 of 2014)

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

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

BOARD OF DIRECTORS' RESPONSIBILITIES & APPROVAL

The directors are required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

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

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

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

The directors have reviewed the entity's cash flow forecast for the 12 months to 31 March 2022 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 annual financial statements set out on pages 74 to 125 which have been prepared on the going concern basis, were approved by the board on 31 May 2021 and were signed on its behalf by:

Professor MW Makalima	**S Kondlo (Ex-officio)**
Board chairperson	Chief executive officer

BOARD OF DIRECTORS' REPORT

The members submit their report for the year ended 31 March 2021

1. Nature of business

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

2. Going concern

The assets of the entity exceeds its liabilities by R2 601 726 027 (2020: R2 704 139 598). Although the entity incurred a deficit in the current year, it has been assessed as an isolated occurrence. The entity has maintained profitability for the past four years and is expected to return to profitability in the 2021-22 financial year.

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

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

The Special Economic Zones Act, 2014 (Act No. 16 of 2014), and the Regulations made in terms thereof, came into operation on 9 February 2016. In terms of the Act and its Regulations, a period of 3 years was provided for the entity to become compliant with the legislation. As a result, a compliance plan was prepared and submitted to DTIC by 8 February
2017 and full compliance was required by 8 February 2019

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

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

3. Subsequent events

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.

The investigation comes hardly a year after a judgment was issued on a court case that lasted more than four years, where the same allegations were probed, and the judgment handed down vindicated the ELIDZ from any wrongdoing.

Prior to the court case, back in 2015, a detailed investigation was launched by a service provider that was commissioned by the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT) to investigate the same allegations and a report on the investigation found no transgression against the ELIDZ.

The entity has welcomed the investigation in hopes that the investigation by the SIU will finally put an end to the allegations.

4. Accounting policies

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

5. Share capital

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

6. Dividends

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

7. Board Of Directors

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

Directors	Nationality	Changes
MW Makalima (Chairperson)	South African	
EV Jooste	South African	
A Kanana	South African	
S Kondlo (Ex-officio)	South African	
P Nazo	South African	Retired 30 October 2020
N Mnconywa	South African	
V Momeni (Gqodi)	South African	
S Nkungwana	South African	Retired 30 October 2020
M Mfuleni	South African	
B Mpondo	South African	
N C Kongwa	South African	Appointed 30 October 2020
A Skenjana	South African	Appointed 30 October 2020

8. Secretary

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

9. Auditors

At this annual general meeting (AGM) held on 30 October 2020, the entity approved for the Auditor-General of South Africa to continue in office as the external auditors for current financial period.

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, 2008 (Act No. 71 of 2008), as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Palmer

Ms. Jo-Anne Palmer
Company Secretary
Monday, 31 May 2021

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current Assets			
Other financial assets	3	-	1 391 359
Receivables from exchange transactions	4	68 351 150	52 155 514
VAT receivable		5 130 868	14 072 585
Prepayments	5	476 384	621 702
Cash and cash equivalents	6	374 055 745	576 011 321
		448 014 147	**644 252 481**
Non-Current Assets			
Investment property	7	2 032 489 546	2 152 940 581
Property, plant and equipment	8	519 241 706	509 924 350
Intangible assets	9	5 671 393	2 507 202
Other financial assets	3	-	1 315 932
		2 557 402 645	**2 666 688 065**
Total Assets		**3 005 416 792**	**3 310 940 546**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	68 173 198	20 546 691
Payables from non-exchange transactions	11	2 865 836	1 369 614
Unspent conditional grants and receipts	12	318 755 984	574 553 649
Provisions	13	13 895 747	10 330 994
Total Current Liabilities		**403 690 765**	**606 800 948**
Total Liabilities		**403 690 765**	**606 800 948**
Net Assets		**2 601 726 027**	**2 704 139 598**
Share capital / contributed capital	14	1 000	1 000
Accumulated surplus		2 601 725 027	2 704 138 598
Total Net Assets		**2 601 726 027**	**2 704 139 598**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Rendering of services	15	98 625 669	99 492 001
Rental of facilities and equipment	16	126 617 932	76 214 411
Sundry income	17	263 600	492 193
Interest received	18	11 614 461	4 195 251
Total revenue from exchange transactions		**237 121 662**	**180 393 856**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	19	465 243 624	916 454 312
Total revenue		**702 365 286**	**1 096 848 168**
Expenditure			
Employee related costs	20	(95 517 766)	(90 217 813)
Depreciation and amortisation	21	(25 043 130)	(27 715 171)
Impairments losses on property plant and equipment	8	(194 727)	(24 561 850)
Lease rentals on operating lease	22	(918 071)	(936 527)
Debt Impairment and bad debts written off	23	(41 706 315)	(39 435 053)
Fair value adjustments	24	(456 171 925)	(323 852 050)
Loss on non-current assets disposal		(850 223)	(1 285 666)
General Expenses	25	(184 376 700)	(182 368 078)
Total expenditure		**(804 778 857)**	**(690 372 208)**
(Deficit)/Surplus for the period		**(102 413 571)**	**406 475 960**

STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Share capital/ contributed capital	Accumulated surplus	Total net assets
Balance at 01 April 2019	**1 000**	**2 297 662 638**	**2 297 663 638**
Changes in net assets			
Surplus for the period	-	406 475 960	406 475 960
Total changes	-	406 475 960	406 475 960
Balance at 01 April 2020	**1 000**	**2 704 138 598**	**2 704 139 598**
Changes in net assets			
Surplus for the year	-	(102 413 571)	(102 413 571)
Total changes	-	(102 413 571)	(102 413 571)
Balance at 31 March 2021	**1 000**	**2 601 725 027**	**2 601 726 027**
Note(s)	14		

CASH FLOW STATEMENT

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Sale of goods and services		179 249 857	170 885 339
Grants		209 445 959	335 154 101
Interest income		11 614 461	4 195 251
		400 310 277	510 234 691
Payments			
Employee costs		(91 654 379)	(90 217 813)
Suppliers		(136 320 958)	(221 316 049)
		(227 975 337)	(311 533 862)
Net cash flows from operating activities	27	**172 334 940**	**198 700 829**
Cash flows from investing activities			
Construction and purchase of property, plant and equipment	8	(35 210 805)	(52 236 344)
Proceeds from sale of property, plant and equipment	8	2 807	4 495 985
Construction of investment property	7	(335 720 890)	(775 672 100)
Purchase of other intangible assets	9	(3 361 628)	(2 435 797)
Net cash flows from investing activities		**(374 290 516)**	**(825 848 256)**
Net increase/(decrease) in cash and cash equivalents		**(201 955 576)**	**(627 147 427)**
Cash and cash equivalents at the beginning of the year		576 011 321	1 203 158 748
Cash and cash equivalents at the end of the year	6	**374 055 745**	**576 011 321**

STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	116 100 910	(8 236 228)	**107 864 682**	98 625 669	**(9 239 013)**	35
Rental of facilities and equipment	99 277 657	(7 275 880)	**92 001 777**	107 763 572	**15 761 795**	
Other income - (roll-over)	5 000 000	2 409 191	**7 409 191**	7 409 191	**-**	
Proceeds from disposal of fixed assets	3 389 240	(248 391)	**3 140 849**	3 140 849	**-**	
Total revenue from exchange transactions	**223 767 807**	**(13 351 308)**	**210 416 499**	**216 939 281**	**6 522 782**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	98 495 652	(2 363 478)	**96 132 174**	95 262 609	**(869 565)**	
Total revenue	**322 263 459**	**(15 714 786**	**306 548 673**	**312 201 890**	**5 653 217**	
Expenditure						
Personnel	(93 804 757)	494 909	**(93 309 848)**	(94 287 009)	**(977 161)**	
Lease rentals on operating lease	(987 748)	-	**(987 748)**	(918 071)	**69 677**	
General Expenses	(227 470 954)	15 219 877	**(212 251 077)**	(184 376 699)	**27 874 378**	35
Total expenditure	**(322 263 459)**	**15 714 786**	**(306 548 673)**	**(279 581 779)**	**26 966 894**	
Surplus before taxation	**-**	**-**	**-**	**32 620 111**	**32 620 111**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**-**	**-**	**32 620 111**	**32 620 111**	

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

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation						
BASIS DIFFERENCE						
Operating activities						
Government grants and subsidies				369 981 015		
Operating lease smoothing				18 854 360		
Depreciation and amortisation				(25 043 130)		
Interest received				11 614 461		
Debt impairment and bad debts written off				(41 706 315)		
Other Income				263 600		
Leave pay provision - expense				(1 230 757)		
Investing activities						
Impairment loss- property plant and equipment				(194 728)		
Loss on disposal - property plant and equipment				(850 223)		
Fair value adjustment				(456 171 925)		
Format and classification differences						
Other income (roll-over)				(7 409 191)		
Proceeds from disposal of fixed assets				(3 140 849)		
Actual Amount in the Statement of Financial Performance				**(102 413 571)**		

ACCOUNTING POLICIES

1. Presentation of Financial Statements

The annual 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 122(3) of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

These annual 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 annual financial statements, are disclosed below.

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

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions and Note 1.14 of the accounting policies.

Expected manner of realisation for deferred tax

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

Taxation

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

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

Useful lives and residual values of property, plant and equipment

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

Selection of an appropriate reporting framework

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

COVID 19 Impact

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

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

1.2 Investment property

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

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

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

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

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

Fair value

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

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

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

Investment property is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an investment property is included in net surplus or deficit when the item is derecognised. Any gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 8).

1.4 Intangible assets

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

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

1.5 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification

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

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

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

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognises the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

Financial liabilities

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

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

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

1.6 Prepayments

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

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

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

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

1.7 Tax

Current tax assets and liabilities

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

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

1.8 Value added tax

The company is subject to value added tax in accordance with the Value added Tax Act, 1991 (Act No. 89 of 1991). Value added tax for current and prior periods is, to the extent that it is due to the Receiver of Revenue, recognised as a liability. If the value added tax is due from the Receiver of Revenue for current and prior periods, that balance is recognised as an asset. The entity levies (claims) output (input) value added tax on goods and services sold (purchased) in accordance with the provisions of the Value Added Tax Act, 1991 (Act No. 89 of 1991)and relevant regulations.

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

1.9 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Fair value less costs to sell

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

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

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

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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

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

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

Designation

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

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

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

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

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Fair value less costs to sell

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

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

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.12 Share capital / contributed capital

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

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

1.14 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

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

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.15 Commitments

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

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

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

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

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

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

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

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-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.

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest, royalties and dividends

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

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

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

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

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

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

Revenue arising from principal-agent arrangements

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

1.17 Revenue from non-exchange transactions

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

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

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

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

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation. Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.18 General expenses

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

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

Expenses incurred during the reporting period are recognised in surplus.

1.19 Investment income

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

1.20 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

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

1.21 Budget information

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

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

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives. The approved budget covers the fiscal period from 2020/04/01 to 2021/03/31.

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.'

1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Remuneration of management includes remuneration derived for services provided 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.

1.23 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	Ended 2021	Ended 2020

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 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	Not set	Impact is currently being assessed, unlikely that there will be a material impact.
Guideline: Guideline on the Application of Materiality to Financial Statements	Not set	Impact is currently being assessed, unlikely that there will be a material impact.

The entity will apply the relevant standards when they become effective.

3. Other financial assets

	Ended 2021	Ended 2020
At amortised cost		
Other financial assets	-	2 707 291
Non-current assets		
At amortised cost	-	1 315 932
Current assets		
At amortised cost	-	1 391 359
Financial assets at amortised cost		
Time value of money effect		
Current assets	-	88 002
Non-current assets	-	9 100 386
	-	**9 188 388**

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

Figures in Rand	Ended 2021	Ended 2020

Financial assets at amortised cost impaired

As of 31 March 2021, other financial assets were measured at an amortised cost of R25 527 059 (2020:R25 879 063). Of these, R25 527 059 (2020: R25 746 413) were impaired and provided for.

The amount of the provision was R25 527 059 as of 31 March 2021 (31 March 2020:R23 171 772).

The ageing of these loans is as follows.

0 to 12 months	4 366 089	12 585 334
Over 12 months	21 160 970	13 161 079

Reconciliation of changes in allowance account of financial assets

Class 1 - Other financial assets (recovery of leasehold improvements)

Opening balance	23 171 772	-
Provision for impairment	2 355 287	23 171 772
	25 527 059	**23 171 772**

The creation and release of provision for impairment of receivables have been included in operating expenses in deficit (2020: surplus). Unwinding of discount is included in deficit (2020: surplus). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

Other financial assets relate to leasehold improvements which were done on premises that were occupied by a tenant. The improvements were done according to the instructions of the tenant. The tenant agreed to reimburse the amount that was spent over a period of 20 years and the instalments payable were to escalate at a rate of 5,5% per annum. The tenant has since terminated the lease, vacated the premises and is undergoing liquidation. Consequently, the balance has been impaired in line with the entity's policies and procedures.

Reconciliation of net carrying amount	**2021**	**2020**
Other financial assets at amortised cost	25 527 059	25 879 063
Less: Impairment allowance	(25 527 059)	(23 171 772)
	-	**2 707 291**

4. Receivables from exchange transactions

Trade debtors	68 753 750	34 212 447
Impairment for bad debts	(56 033 843)	(21 451 411)
Operating lease receivables	54 044 491	35 190 130
Other receivables	455 901	3 560 379
Other debtors including related parties	1 130 851	643 969
	68 351 150	**52 155 514**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(21 451 411)	(13 660 643)
Provision for impairment	(34 582 432)	(7 790 768)
	(56 033 843)	**(21 451 411)**

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

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	Ended 2021	Ended 2020

5. Prepayments

Reconciliation of closing balance

Opening balance	621 702	3 116 411
Expenditure incurred and prepayment released	(621 702)	(2 494 709)
Prepayment recognised during the year	476 383	-
	476 383	**621 702**

The prepayments relate to prepaid insurance . The terms of each contract require a prepayment of the contract amount or premium. The service to which the prepayment relates will be rendered in future periods.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 607	3 335
Bank balances	8 426 934	9 104 010
Short-term deposits	365 623 204	566 903 976
	374 055 745	**576 011 321**

Cash and cash equivalents held by the entity that are ringfenced for capital projects.	318 755 984	574 553 649

7. Investment property

	2021			2020		
	Cost / Valuation	Accumulated depreciation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation & accumulated impairment	Carrying value
Investment property	2 032 489 546	-	2 032 489 546	2 152 940 581	-	2 152 940 581

Reconciliation of investment property - 2021

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

Reconciliation of investment property - 2020

	Opening balance	Additions resulting from construction of investment property	Fair value adjustments	Total
Investment property	1 701 120 531	775 672 100	(323 852 050)	2 152 940 581

NOTES TO THE FINANCIAL STATEMENTS: *7. Investment property - (continued)*

Figures in Rand	Ended 2021	Ended 2020

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	106 814 823	382 188 689

Details of property

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

Details of valuation

Certain investment property was revalued in the prior year after final close out. The effective date of those revaluations was 31 March 2021. These revaluations were performed by Letlaka Ndamase who is registered with the South African Council for the Property Valuers Profession, Reg. No 5435/7. The valuer has recent experience in the location and category of the investment property being valued.

The methods used by the company to revalue the investment property are;
(a) The income capitalisation method - for income generating properties.
(b) The direct comparable sales method - for all vacant industrial land and agriculturally zoned farms
(c) The cost method - investment property which is under construction
(d) The depreciated replacement cost (DRC) method - investment property requires refurbishing to generate income (either through sale or rental).

There has been no change to the valuation techniques since the last valuation was performed.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Amounts recognised in deficit (2020: surplus)

Rental revenue from Investment property	122 338 059	74 115 589

From Investment property that generated rental revenue

Direct operating expenses (excluding repairs and maintenance)	(19 645 164)	(17 666 247)

From Investment property that did not generate rental revenue

Direct operating expenses (excluding repairs and maintenance)	(1 704 705)	(2 224 170)

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	Ended 2021	Ended 2020

8. Property, plant and equipment

	2021			2020		
	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	754 218 994	(288 865 697)	465 353 297	719 795 043	(270 019 506)	449 775 537
Plant and machinery	64 042 533	(20 220 705)	43 821 828	64 042 533	(16 973 882)	47 068 651
Furniture and fixtures	4 731 014	(3 473 581)	1 257 433	4 810 813	(3 377 669)	1 433 144
Motor vehicles	1 633 192	(1 058 695)	574 497	1 633 192	(818 788)	814 404
Office equipment	588 860	(371 341)	217 519	587 275	(335 530)	251 745
IT equipment	25 959 799	(22 154 402)	3 805 397	32 214 405	(26 010 264)	6 204 141
Laboratory and other property, plant and equipment	3 469 322	(3 078 948)	390 374	3 521 512	(2 966 145)	555 367
Total	**858 465 075**	**(339 223 369)**	**519 241 706**	**830 426 134**	**(320 501 784)**	**509 924 350**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	3 821 361	-	-	-	-	3 821 361
Infrastructure including buildings	449 775 536	34 475 768	(51 819)	(18 846 188)	-	465 353 297
Plant and machinery	47 068 651	-	-	(3 232 812)	(14 011)	43 821 828
Furniture and fixtures	1 433 144	-	(29 547)	(128 070)	(18 094)	1 257 433
Motor vehicles	814 404	-	-	(103 814)	(136 093)	574 497
Office equipment	251 745	14 285	(7 827)	(36 482)	(4 202)	217 519
IT equipment	6 204 141	720 752	(722 050)	(2 377 959)	(19 487)	3 805 397
Laboratory and other property, plant and equipment	555 367	-	(41 783)	(120 368)	(2 842)	390 374
Total	**509 924 350**	**35 210 805**	**(853 026)**	**(24 845 693)**	**(194 729)**	**519 241 706**

NOTES TO THE FINANCIAL STATEMENTS: *8. Property, plant and equipment - (continued)*

Figures in Rand	Ended 2021	Ended 2020

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation reversal	Depreciation	Total
Land	3 821 361	-	-	-	-	3 821 361
Infrastructure including buildings	450 670 079	50 053 621	(5 442 720)	(20 943 594)	(24 561 850)	449 775 536
Plant and machinery	50 301 464	-	-	(3 232 813)	-	47 068 651
Furniture and fixtures	1 499 225	61 185	-	(127 266)	-	1 433 144
Motor vehicles	556 990	418 460	(120 000)	(41 046)	-	814 404
Office equipment	277 030	20 564	(7 240)	(38 609)	-	251 745
IT equipment	7 444 480	1 572 805	(211 682)	(2 601 462)	-	6 204 141
Laboratory and other property, plant and equipment	560 659	109 709	-	(115 001)	-	555 367
Total	**515 131 288**	**52 236 344**	**(5 781 642)**	**(27 099 791)**	**(24 561 850)**	**509 924 350**

Pledged as security

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

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

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

	Ended 2021	Ended 2020
Infrastructure and buildings	125 741 863	91 317 912

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

	Ended 2021	Ended 2020
Actom- Contract Z6/E1/TRF/03/11-Transfomers The Project is linked to the settlement of an investor in Berlin which did not materialise. The project was put on hold until another investor could be obtained.	25 494 175	25 494 175
	25 494 175	**25 494 175**

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

	Ended 2021	Ended 2020
Windfarm Turnkey Solution The appointed contractor for this project went into liquidation and was unable to complete the project. The entity has been unable to source another contractor to complete the project. In the prior year, the funding for the project was withdrawn and allocated to other projects. This effectively meant that the funder had cancelled the project. At reporting date the entity had not secured an investor for the project and the assets have no alternative use.The entity is still in possession of the components manufactured for the project. These were subjected to an impairment test in the prior year.	479 200	479 200
	479 200	**479 200**

Management has assessed the recoverable amount of the work in progress. The carrying amount for one of the projects was assessed as exceeding its recoverable amount. Consequently, an impairment of loss of R24 561 850 was recognised in the prior year for the wind farm project. The assessed recoverable amount was based as the fair value less cost to sell the components that make up the project cost. There has been no further noted developments in the project during the current financial year. Management has re-assessed the recoverable amount of the assets and no adjustments were necessary.

NOTES TO THE FINANCIAL STATEMENTS: *8. Property, plant and equipment - (continued)*

Figures in Rand	Ended 2021	Ended 2020

Reconciliation of Work-in-Progress 2021

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

Reconciliation of Work-in-Progress 2020

	Included within computer equipment
Opening balance	71 268 862
Additions/capital expenditure	50 053 621
Disposals	(5 442 720)
Impairment loss recognised	(24 561 850)
	91 317 913

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

	Ended 2021	Ended 2020
Contracted services	(31 119 774)	(25 226 590)

Details of Property, plant and equipment

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

Impairment considerations

The entity recognised an impairment loss of R194 728 (2019-20: R24 561 850) on property plant and equipment.

During the financial year the entity identified several assets with a net carrying amount of R194 728 which were damaged and were no longer in use. This was assessed as an indicator of impairment.

The entity proceeded to assess the value in use and the fair value costs to sell. For the assets in question, it was concluded that as the assets were no longer in use, the value in use was nil.

It was also determined that the assets in question could not be disposed for an economic benefit or service potential. This is due to their deteriorated state. Consequently, the fair value less costs to sell was also determined as nil.

The identified assets' carrying amounts as at 31 March 2021, was written down to their recoverable amount of nil.

Disposals of property plant and equipment

During the year ended 31 March 2021, the entity disposed off items of property plant and equipment with a carrying amount of R853 026 (2020: R5 781 642). A loss was realised on the disposal to the amount of R850 223 (2020: R1 285 666).

These disposal were undertaken in accordance with approved policies of the entity.

Figures in Rand	Ended 2021	Ended 2020

9. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation & accumulated impairment	Carrying value
Patents, trademarks and other rights	30 000	(13 783)	16 217	30 000	(8 919)	21 081
Computer software, other	15 327 126	(9 671 950)	5 655 176	11 965 499	(9 479 378)	2 486 121
Total	**15 357 126**	**(9 685 733)**	**5 671 393**	**11 995 499**	**(9 488 297)**	**2 507 202**

Reconciliation of intangible assets - 2021

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

Reconciliation of intangible assets - 2020

	Opening balance	Additions through acquisitions	Amortisation	Total
Patents, trademarks and other rights	25 946	-	(4 865)	21 081
Computer software, other	660 848	2 435 797	(610 524)	2 486 121
	686 794	**2 435 797**	**(615 389)**	**2 507 202**

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(acquisitions)	5 493 628	2 132 000

Details of intangible assets

A register containing information required by Regulation 25(3) of the companies Regulations 2011 is available for inspection at the registered office of the entity. None of the above intangible assets were internally generated , encumbered or pledged as a security.

Figures in Rand	Ended 2021	Ended 2020

10. Payables from exchange transactions

Trade payables	55 988 606	11 229 034
Other payables*	2 280 654	1 584 885
Accrued leave pay	4 888 790	3 831 359
Deposits received	5 015 148	3 901 413
	68 173 198	**20 546 691**

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

Amortised cost of trade and other payables

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

11. Payables from non-exchange transactions

Other payables from non-exchange transactions	2 865 836	1 369 614

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

Reconciliation of closing balance		
Opening balance	1 369 614	683 823
Transfers received	6 761 312	913 043
Expenditure incurred	(5 292 131)	(32 289)
Interest income	27 040	26 599
Transfers repaid to funders	-	(221 562)
	2 865 835	**1 369 614**

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Unspent Grants DTIC and DEDEAT	318 755 984	574 553 649

Unspent conditional grants reconciliation		
Balance at the beginning of the year	574 553 649	1 155 853 860
Condition met and recognised	(371 415 794)	(810 763 588)
Grants receipt	95 941 605	168 668 415
Interest received	19 676 524	60 794 962
	318 755 984	**574 553 649**

See note 19 for reconciliation of grants from National/Provincial Government.

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

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	Ended 2021	Ended 2020

13. Provisions

Reconciliation of provisions - 2021

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

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus provision	9 747 746	10 330 994	(9 609 500)	(138 246)	10 330 994

Performance bonus provision

The provision for performance bonus relates to the payment of bonuses to the entity's employees based on the assessment of performance for the financial period ended 31 March 2021. 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 dependant on key factors such as the performance of employees as well as the timing of the approval of the board directors. The performance bonus provided for in the prior year was paid in the current year in November 2020.

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 projects that were in progress at year end. These retentions are on the professional fees charged by various consultants. The entity will release the retentions upon completion of the specified works for each consultant. This resulted from a change in contracting arrangements with consultants

14. Share capital / contributed capital

Authorised		
1000 000 Ordinary shares of R0,01 each	10 000	10 000
Reconciliation of number of shares issued:		
Reported as at 31 December 2020	100 000	100 000
Issued		
100 000 Ordinary shares at R0.01 each	1 000	1 000

The issued share capital consists only of ordinary shares.There is no intention on the part of the entity to repay the capital to the shareholders. Ordinary shares issued can only be sold or transferred to an entity that is an organ of the state.The declaration of dividends is considered at annual general meeting of the shareholder. Since incorporation the company has not declared any dividends.

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	Ended 2021	Ended 2020

15. Rendering of services

Electricity income	77 269 203	77 199 376
Conference hire income	176 537	3 169 304
Analytical lab income	3 974 801	3 966 475
Telephone and internet services income	5 757 291	5 511 968
Estate levy income	2 939 510	2 247 207
Water income	5 113 127	4 666 472
Sewerage income	3 395 200	2 731 199
	98 625 669	**99 492 001**

16. Rental of facilities and equipment

Premises and equipment

Premises and equipment	107 763 572	72 024 604
Rental smoothing	18 854 360	4 189 807
	126 617 932	**76 214 411**

17. Other revenue

Sundry Income	263 600	492 193

18. Interest received

Interest received

Other financial assets	9 188 389	2 704 624
Bank	1 844 299	1 039 341
Interest charged on trade and other receivables	581 773	451 286
	11 614 461	**4 195 251**

19. Government grants and subsidies

Operating grants

Government grant (DEDEAT)	93 827 826	105 690 724

Capital grants

Government grant DTIC	368 045 416	810 763 588
Government grant DEDEAT	3 370 382	-
	371 415 798	810 763 588
	465 243 624	**916 454 312**

NOTES TO THE FINANCIAL STATEMENTS: *19. Government grants and subsidies - (continued)*

Figures in Rand	Ended 2021	Ended 2020

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants recognised	371 415 798	810 763 588
Unconditional grants recognised	93 827 826	105 690 724
	465 243 624	**916 454 312**

20. Employee related costs

Salaries and wages	69 782 534	67 642 443
Bonus provision	13 096 529	10 244 543
UIF and other contributions	535 633	512 038
SDL	601 467	802 382
Leave pay provision charge	1 230 757	242 369
Internships	2 467 278	2 629 125
Other short term costs	35 000	160 000
Defined contribution plans	7 768 568	7 984 913
	95 517 766	**90 217 813**

21. Depreciation and amortisation

Fixed Assets - Depreciation	24 845 694	27 099 783
Amortisation	197 436	615 388
	25 043 130	**27 715 171**

22. Lease rentals on operating lease

Equipment

Contractual amounts	918 071	936 527

23. Debt impairment

Contributions to debt impairment provision	36 937 720	30 962 539
Bad debts written off	4 768 595	8 472 514
	41 706 315	**39 435 053**

The ELIDZ wrote off bad debts of R4 768 595 (2020: R8 472 514)

Figures in Rand	Ended 2021	Ended 2020

24. Fair value adjustments

Investment property (Fair value model)	(456 171 925)	(323 852 050)

25. General expenses

Advertising	297 287	454 136
Auditors remuneration	2 305 642	2 351 327
Bank charges	104 907	104 551
Board fees	1 042 506	1 505 618
Cleaning services	1 224 831	382 622
Computer expenses	159 627	194 951
Conferences and seminars	-	2 306
Consulting and professional fees	5 467 447	6 000 666
Consumables (laboratory and conference centre)	3 365 430	5 286 108
Donations	447 057	607 961
Electricity	64 803 584	67 308 801
Entertainment	71 159	358 043
IT expenses	1 889 096	1 974 083
Insurance	5 529 213	5 226 750
Internal Audit services	402 234	788 415
Medical expenses	-	294 167
Motor vehicle expenses	76 263	96 855
Placement fees	87 266	176 245
Postage and courier	92 464	152 191
Printing and stationery	145 548	189 329
Project expenses contracted services	10 281 058	12 124 161
Promotions	781 072	792 130
Rates and taxes	19 645 164	17 666 247
Repairs and maintenance contracted services	31 119 774	25 226 590
Research and development	220 150	-
SHEQ Expenses	3 152 512	3 493 197
Security costs	11 706 810	9 428 934
Sewerage	3 529 834	2 222 407
Software licences	5 991 808	6 034 477
Staff welfare	93 080	300 421
Subscriptions and membership fees	411 000	419 689
Telephone and fax	1 554 199	1 208 938
Training	1 748 831	1 939 126
Travel and accommodation	201 900	1 715 219
Water	6 427 947	6 341 417
	184 376 700	**182 368 078**

NOTES TO THE FINANCIAL STATEMENTS:

Figures in Rand	Ended 2021	Ended 2020

26. Auditors' remuneration

Fees (External audit fees)	2 305 642	2 351 327

27. Cash generated from operations

(Deficit)/surplus	(102 413 571)	406 475 960
Adjustments for:		
Depreciation and amortisation	25 043 130	27 715 171
Loss on sale of assets and liabilities	850 223	1 285 666
Fair value adjustments	456 171 925	323 852 050
Impairment loss	194 727	24 561 850
Debt impairment	-	-
Movements in provisions	3 564 753	583 248
Changes in working capital:		
Increase in Receivables from exchange transactions	(16 195 637)	(5 313 266)
Decrease in Prepayments	145 318	2 494 709
Decrease in Other financial assets	2 707 291	27 625 632
Increase in Payables from exchange transactions	47 626 508	3 099 160
(Increase)/Decrease in VAT asset	8 941 717	(33 064 931)
Increase in Payables from non-exchange transactions	1 496 222	685 791
Decrease in Unspent conditional grants and receipts	(255 797 666)	(581 300 211)
	172 334 940	**198 700 829**

28. Taxation

No provision has been made for 2021 tax as the entity has no taxable income. The estimated tax loss available for set off against future taxable income is R123 155 645 (2020: R 122 622 593).

Reconciliation of the tax income

(Loss)/Profit before tax	(102 413 571)	406 475 960
Permanent differences	(380 157 130)	(812 860 252)
Temporary differences	482 037 649	383 394 574
Unrecognised assessed loss	533 052	22 989 718
	-	-

Assessed loss carried forward

Opening assessed loss	(122 622 593)	(99 632 875)
Taxable (loss) /income	(533 052)	(22 989 718)
	(123 155 645)	**(122 622 593)**

NOTES TO THE FINANCIAL STATEMENTS: *28. Taxation - (continued)*

Figures in Rand	Ended 2021	Ended 2020

Reconciliation of the income tax expense

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

Reconciliation of tax rate (%)

Applicable tax rate	28	28
Permanent differences		
Expenses not deductible for tax purposes	(26)	7
Grant income not taxable	127	(63)
Other permanent differences	3	1
Temporary differences		
Investment property fair value (gains)/losses	(125)	22
Operating lease smoothing	5	-
Depreciation and wear and tear adjustment	(6)	3
Provision for doubtful debts	(5)	1
Other temporary differences	1	1
Provision for performance bonus	(1)	-
Unrecognised/(Utilised) assessed loss for the year	(1)	1
	-	-

29. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

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

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	68 173 199	68 173 199
Payables from non-exchange transactions	2 865 836	2 865 836
	71 039 035	**71 039 035**

NOTES TO THE FINANCIAL STATEMENTS: *29. Financial instruments disclosure - (continued)*

Figures in Rand	Ended 2021	Ended 2020

2020

Financial assets

	At amortised cost	Total
Other financial assets	2 707 291	2 707 291
Trade and other receivables from exchange transactions	16 965 384	16 965 384
Cash and cash equivalent	576 011 321	576 011 321
	595 683 996	**595 683 996**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	20 546 684	20 546 684
Taxes and transfers payable (non-exchange)	1 369 614	1 369 614
	21 916 298	**21 916 298**

Financial instruments in Statement of financial performance

2021

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	11 614 461	11 614 461
Impairment loss	36 937 720	36 937 720
	48 552 181	**48 552 181**

2020

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	(4 195 251)	(4 195 251)
Impairment loss	30 962 539	30 962 539
	26 767 288	**26 767 288**

30. Commitments

Authorised capital expenditure

Already contracted and budgeted for

• Property, plant and equipment	21 722 716	42 635 677
• Investment property	113 802 423	274 214 043
• Intangible assets	846 000	1 121 000
	136 371 139	**317 970 720**

Total capital commitments

Already approved and contracted for	136 371 139	317 970 720

The committed expenditure relates to intangible assets, Investment property and Property, plant and equipment contracts that will be finished in the coming years. The commitments will be financed by grants from DTIC, DEDEAT as well as own generated revenues. The commitment amounts are exclusive of VAT.

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

Figures in Rand	Ended 2021	Ended 2020
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	349 064	950 423
- in second to fifth year inclusive	-	349 064
	349 064	**1 299 487**

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.

Figures in Rand	Ended 2021	Ended 2020
Operating leases - as lessor (income)		
Minimum lease receipts due		
- within one year	115 792 258	96 163 585
- in second to fifth year inclusive	446 914 838	286 239 997
- later than five years	335 582 026	233 035 559
	898 289 122	**615 439 141**

Leasing arrangements
Operating leases relate to the investment property owned by the entity with lease terms of between 1 to 10 years, with an option to extend for a further 10 years in some instances. All operating lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The operating leases include an escalation clause.

Rental income earned by the entity from its investment properties and direct operating expenses arising on the investment properties for the year are set out in note 7.

The entity owns a metal surface treatment plant that is leased to a lessee for seven years with an option to extend. The lessee does not have an option to purchase the property at the expiry of the lease period.

Contingent rentals are based on the number of units produced for property, plant and equipment that is leased out and the percentage of revenue generated for investment property that is leased out. However, the lease contains a minimum amount that is charged in the event that the units produced fall below a prescribed level.

31. 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 custodians of the SEZ act, an enabling legislation to the ELIDZ as well as material transactions in the form of capital funding provided to the ELIDZ.
Members of key Management	S. Kondlo
	T. Zweni
	G. Matengambiri
	N Makhoba

NOTES TO THE FINANCIAL STATEMENTS: *31. Related parties - (continued)*

Figures in Rand		Ended 2021	Ended 2020
Non-executive Directors	MW Makalima		
	P Nazo		
	A Kanana		
	S Nkungwana		
	B Mpondo		
	E.V Jooste		
	N Mnconywa		
	M Mfuleni		
	V Momeni(Gqodi)		
	A Skenjana*		
	N C Kongwa*		

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

Related party balances

Buffalo City Metropolitan Municipality

	Ended 2021	Ended 2020
Payables from exchange transactions(not at arms length)	9 067 101	8 260 865

Related party transactions

Buffalo City Metropolitan Municipality

	Ended 2021	Ended 2020
Expenditure: Rates and Taxes	19 645 164	17 666 247
Expenditure: Electricity	64 803 584	67 308 801
Expenditure: Water	6 427 947	6 341 417

For directors remuneration refer to note 32
For grant funding received from DEDEAT refer to note 19
For grant funding received from DTIC refer to note 19 and 12.

The entity transacts with the minority shareholder, BCMM in its capacity as a provider of municipal services to the zone. Apart from the transactions mentioned below, all other transaction(sewerage and refuse) are at arms length rates applicable to the general public.

Rates - A 26 % rebate is granted by BCMM to the ELIDZ property portfolio.

Water - A 15 % special discount rate was offered on bulk purchases by BCMM.

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

32. Directors and Executive managements' remuneration

Executive

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

Figures in Rand	Ended 2021	Ended 2020

2020	Basic salary	Allowances	Employer contributions to funds	Performance bonus	Total
S.Kondlo (Ex.officio)	2 217 052	1 161 519	437 589	609 158	4 425 318
T Zweni	1 839 947	963 953	369 711	499 986	3 673 597
G Matengambiri	1 428 251	748 264	295 605	400 234	2 872 354
N Makhoba	1 338 035	701 000	279 366	397 378	2 715 779
	6 823 285	**3 574 736**	**1 382 271**	**1 906 756**	**13 687 048**

Non-executive

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

2020	Members' fees	Allowances	Total
MW Makalima (Chairperson)	333 221	1 521	334 742
EV Jooste	238 991	-	238 991
A Kanana	140 748	10 216	150 964
P Nazo	215 931	-	215 931
N Mnconywa	180 579	-	180 579
V Momeni(Gqodi)	153 270	-	153 270
M Mfuleni	128 250	10 216	138 466
B Mpondo	76 500	15 324	91 824
	1 467 490	**37 277**	**1 504 767**

33. Risk management

Financial risk management

The Board has overall responsibility for the establishment and oversight of the company risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Company Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS: *33. Risk management - (continued)*

Figures in Rand	Ended 2021	Ended 2020

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed grants allocated and own generated revenue. The entity manages liquidity risk by continuously monitoring forecast and actual cash flows. Liquidity risk is the risk that the entity may fail to meet its payment obligations as they fall due, the consequences of which may be the failure to meet the obligations to creditors. The company identifies this risk through periodic liquidity gap analysis and the maturity profile of the assets and liabilities. Action is taken in advance to close or minimise the gaps

The Company'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 for raising more own revenue to ensure the sustainability of the organisation in case the grant is reduced or cut back.

A maturity analysis of ELIDZ's financial instruments as at 31 March 2021 is as follows:

2021 Liquidity gap analysis	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Receivables from exchange transactions	14 306 659	-	-	14 306 659
Cash and cash equivalents	374 055 745	-	-	374 055 745
Subtotal	388 362 404	-	-	388 362 404
Liabilities				
Payables from exchange transactions	(63 158 050)	-	(5 015 149)	(68 173 199)
Payables from non-exchange transactions	(2 865 836)	-	-	(2 865 836)
	322 338 518	**-**	**(5 015 149)**	**317 323 369**

2020 Liquidity gap analysis	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Other financial assets	-	1 391 359	1 315 932	2 707 291
Receivables from exchange transactions	16 965 384	-	-	16 965 384
Cash and cash equivalents	576 011 321	-	-	576 011 321
Subtotal	592 976 705	1 391 359	1 315 932	595 683 996
Liabilities				
Payables from exchange transactions	(16 645 271)	-	(3 901 413)	(20 546 684)
Payables from non-exchange transactions	(1 369 614)	-	-	(1 369 614)
	574 961 820	**1 391 359**	**(2 585 481)**	**573 767 698**

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the entity assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

NOTES TO THE FINANCIAL STATEMENTS: *33. Risk management - (continued)*

Figures in Rand	Ended 2021	Ended 2020

The carrying amounts of financial assets, represent the entity's maximum exposure to credit risk in relation to these assets. The company's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions

There has been no significant change during the year, or since the end of the previous financial year, to the company's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing the risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk.

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge a contract. Credit risk arises from cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures to members, including outstanding receivables and committed transactions. For banks and financial institutions, only well-established institutions with sound financial positions are used. Credit exposures are closely monitored for indications of impairment.

Trade receivables comprise mainly of amounts owing from tenants. Management evaluated credit risk relating to tenants before they were incorporated into the zone. ELIDZ tenants pay deposits at the beginning of their lease terms. At 31 March 2021 ELIDZ holds deposits from tenants amounting to R5 015 148 (2020: R3 901 413) as security for tenants' lease obligations.

The amounts below are before impairment.

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

The entity's exposure to credit risk by class of financial asset is as follows:

Receivables from exchange transactions	70 340 502	38 416 795
Cash and cash equivalents	374 055 745	576 011 321
Other financial assets	25 527 059	25 879 062

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

Cash and cash equivalents	374 055 745	576 011 321
Receivables from exchange transactions	6 153 824	6 199 103
Other financial asset	-	132 649
	380 209 569	**582 343 073**

Past due and not impaired

Receivables from exchange transactions	3 922 777	7 842 992

Impaired financial assets

Receivables from exchange transactions	60 263 900	24 374 700
Other financial assets	25 527 059	25 746 413
	85 790 959	**50 121 113**

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
- Debtors undergoing liquidation

Market risk

Interest rate risk

The entity's interest-bearing assets are included under cash and cash equivalents. As the entity has no significant interest- bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates due to short term nature of interest bearing assets.

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with the South African prime rate. The company's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus/deficit.

Interest charged on trade debtors in arrears is linked to the South African prime interest rate. Interest rate sensitivity analysis

Figures in Rand	Ended 2021	Ended 2020

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the potential change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected changes in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite percentage adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on surplus.

Estimated increase in rates		
Cash and cash equivalents	374 055 745	576 011 321
1% thereof:	3 740 557	5 760 113

34. Events after the reporting date

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 has assessed the financial effect of the investivation as nil. The event has been classified as a non-adjusting event after reporting date in accordance with applicable accounting standards.

35. Budget differences

Material differences between budget and actual amounts

- The adverse variance of 8,6% from the budgeted revenue from rendering of services is due to decrease in usage of utilities by the entity's customers. A significant number of customers were closed from April until June 2020
- due to the national wide lockdown. Although the lockdown restrictions have been eased, the lost revenue has not been recovered.
- The favorable variance of 17% from budgeted revenue from rental of facilities and equipment is due to new leases that became effective during the year.
- Due to the restrictions posed during the lockdown, operating expenditure on usage based items has been less than budgeted. This has resulted in the 13% favorable variance on budgeted general expenditure.

The approved budget as presented in the face of the annual financial statements only includes operating expenditure that the entity funds through own generated revenue and partly by the provincial government through DEDEAT.

The budget excludes capital expenditure for the construction of investment property and property plant and equipment that is mainly funded by the national government through the Department of Trade and Industry.

Changes from the approved budget to the final budget

The difference between the approved and final budget are due to a reduction in grant allocations from DEDEAT with regards to the budgeted revenue from non-exchange transactions. The changes between the approved and final budget for expenditure are a consequence of reallocations within the approved budget parameters.

The budgeted revenue were also adjusted as a result of the impact of COVID 19 lockdown on consumption based revenue streams.

36. COVID 19 Impact on operations

Since the declaration of the COVID 19 as a global pandemic, the world is still battling with the virus. The lockdowns implemented by the South African government have affected the entity's operations.

- The annual budget allocation from DEDEAT was reduced for the current year by R2,36million excluding VAT.
- Initial revenue forecasts were adjusted downwards to account for the reduced consumption during the lockddown period by the entity's customers.
- Budgeted expenditure was also reduced due to the above reason.

Figures in Rand	Ended 2021	Ended 2020

37. Accounting by principals and agents

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

Details of the arrangments are as follows:

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

The first agreement relates to the implementation of a greening project where the local municility is the designated recepient. The principal in the agreement is the national Department of Environmental Affairs. The project was successfully implemented and concluded.

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

The last agreement relates to a skills development initiative by the Department of Labor. 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 entity only bears the risk for the funds received from the principals.

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

Entity as agent

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

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

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

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

Revenue recognised

R344 321 (2020: -) was recognised as revenue by the entity as compensation for the transactions carried out on behalf of the principal.

Liabilities and corresponding rights of reimbursement recognised as assets

As at the end of the reporting period, no liabilities were incurred on behalf of the principals that have been recognised by the entity. Consequently, no assets have been recognised for the entity's to be re-imbursed for the liabiities incurred.

38. BBBEE Performance

During the financial period ended 31 March 2021, 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 2020 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 BEE Commission.

Detailed information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

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