View Coega SEZ
Visual Tour

CELEBRATING 20 years
1999-2019
OF EXCELLENCE

SA'S TOP PERFORMING PUBLIC SECTOR ORGANISATION AWARD | VISION 2030 - INFRASTRUCTURE DEVELOPMENT AWARD | TOP EMPLOYER 2019 - CERTIFIED EXCELLENCE IN EMPLOYER CONDITIONS | BEST PROVIDER OF SERVICES TO EXPORTERS | INVESTOR OF THE YEAR AWARD 2019 SA PREMIER BUSINESS AWARDS

INTEGRATED ANNUAL REPORT
2018/19

top EMPLOYER SOUTH AFRICA 2019
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS

6th ANNUAL SA PREMIER BUSINESS AWARDS 2019
WINNER 2019
INVESTOR OF THE YEAR AWARD

COEGA
DEVELOPMENT CORPORATION

▪ right **PLACE** ▪ right **TIME** ▪ right **CHOICE**

COEGA
DEVELOPMENT CORPORATION

▪ right **PLACE** ▪ right **TIME** ▪ right **CHOICE**

ISO 9001 14001 20001 27001 31000 OHSAS 18001

VISION

To be the leading catalyst for the championing of socio-economic development.

MISSION

To provide a competitive investment location, facilitate holistic infrastructure and value-adding commercial business solutions.

VALUES

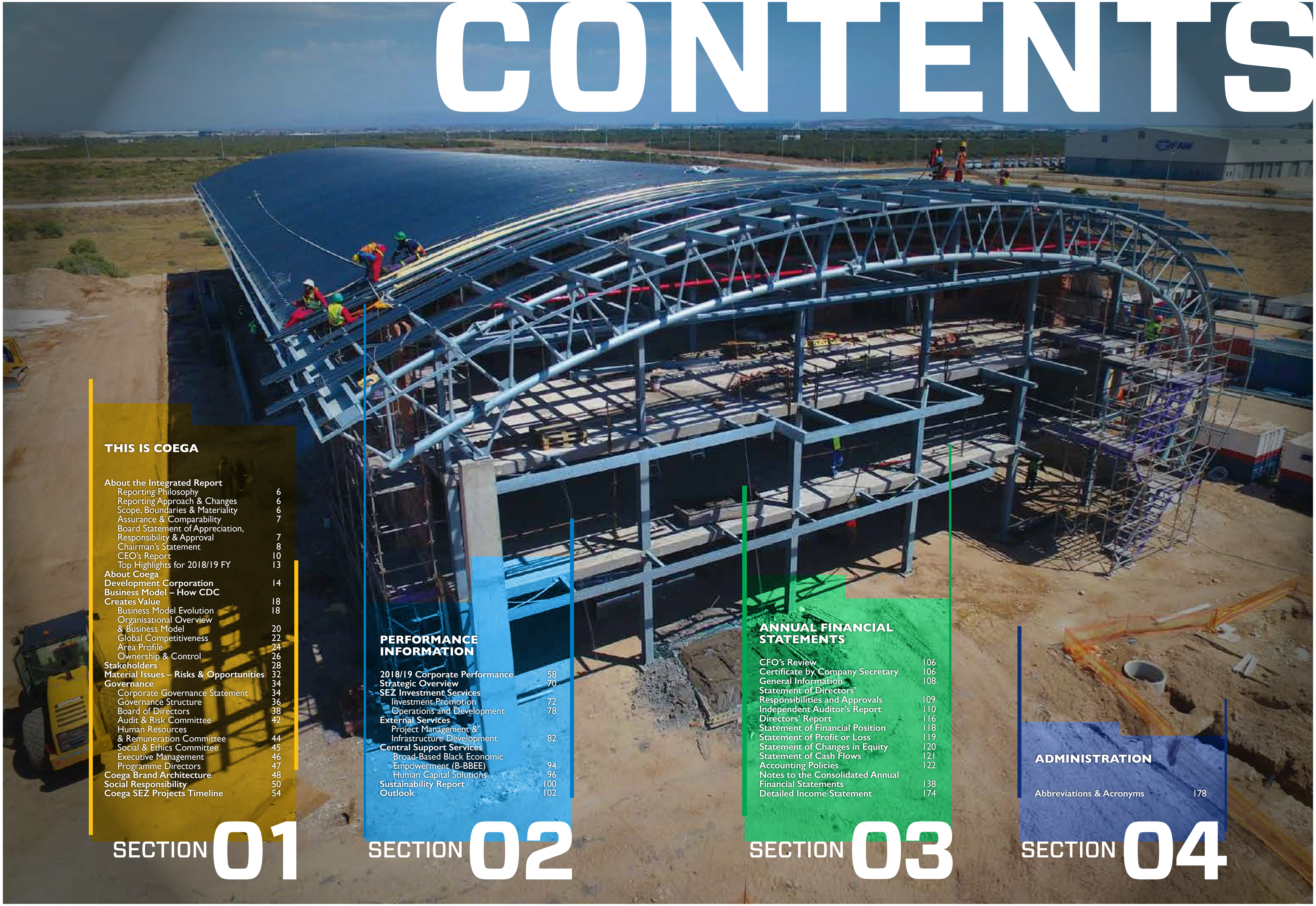
Integrity
Honesty, reliability – trust

Innovation
Needs-based service innovation, continuous improvement

Partnership
Teamwork, building long term relationships with clients and stakeholders

Service Excellence
Delivery, speed, quality, customer focus

Sustainability
Social, economic and environmental growth



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7 406

PEOPLE TRAINED THROUGH SKILLS DEVELOPMENT DURING THE 2018/19 FY

18 INVESTORS

18 NEW INVESTORS SIGNED DURING THE 2018/19 FY

8 016

NUMBER OF CONSTRUCTION JOBS CREATED DURING THE 2018/19 FY

THIS IS COEGA 01

ABOUT THE INTEGRATED REPORT

REPORTING PHILOSOPHY

The International Integrated Reporting Council (IIRC) requires Coega Development Corporation (CDC) to compile a fully integrated annual report in terms of the International Integrated Reporting Framework <IR>. Over the six years that the CDC has complied with this requirement, the process of collecting and collating information and the opportunity it gives to reflect on both successes and challenges has become a welcomed exercise.

The CDC supports the view of the IIRC that, in a climate of uncertainty and restrained economic performance, there is a need to develop more meaningful interactions and relations between investment decisions, corporate behaviour and reporting in order to promote financial stability and sustainable development.

According to the IIRC, the <IR> helps businesses to think holistically about their strategy and plans, make informed decisions and manage key risks to build investor and stakeholder confidence and improve future performance. It is shaped by a diverse coalition including business leaders and investors to drive a global evolution in corporate reporting.

This integrated thinking breaks down internal silos and reduces duplication while also improving the quality of information available, thereby enabling a more efficient and productive allocation of capital. Its focus on value creation, and the "capitals" used by the business to create value over time, contributes towards a more financially stable global economy.

Once again this year, the reporting process has stimulated integrated thinking within the CDC. It sharpened the organisation's focus on first evaluating and understanding the external environment, stakeholder needs and concerns in order to make decisions on material issues. This process informs the CDC's strategic response, planning and performance targets which are aimed at creating value over time for shareholders and both the CDC and its broad base of stakeholders.

The CDC is confident that the 2018/19 Integrated Annual Report will provide shareholders, stakeholders and investors with clear, concise, connected and comparable information about how the CDC's strategy, governance, performance and prospects are creating value over the short, medium and long term. This information is supplemented by the website (www.coega.co.za), which carries more in-depth information on the various projects and initiatives in which the CDC is involved. The CDC's website is updated regularly for relevance and information.

Readers of this report are given a clear picture of the CDC's strategic goals and objectives, current position, where it is heading and how it plans to get there. The objective is to enable shareholders, investors and other stakeholders in general to make an informed assessment of the CDC's performance and its ability to continue creating value.

In the page for its ages that follow, the reader will discover details of the CDC's mandate, strategy, business model, governance structure, performance review and outlook. The report also illustrates how the CDC is responding to risks and opportunities in its drive to create sustainable value and to support the Provincial Government, business and civil society in the drive to address the socio-economic developmental needs of the Eastern Cape.

REPORTING APPROACH AND CHANGES

In the 2018/19 Integrated Annual Report, the focus of the content continues to be on connecting performance more closely to strategy and material issues in line with the guiding principles of the <IR> Framework and the King IV report on corporate governance.

The following reporting standards have been applied in the preparation of this report:

- <IR> Framework v1.0, International Integrated Reporting Council, December 2013;
- Public Finance Management Act (PFMA), Act 1 of 1999;
- Companies Act, Act 71 of 2008;
- International Financial Reporting Standards (IFRS); and
- King Code of Corporate Governance for South Africa by the Institute of Directors of Southern Africa came into effect on 1 November 2016 (King IV™). King IV™ builds on King III™. It was revised to bring it up to date with international governance codes and best practice; to align it to shifts in the approach to capitalism (towards inclusive, integrated thinking across the six capitals) and to take account of specific corporate governance developments in relation to effective governing bodies, increased compliance requirements, new governance structures (e.g. Social and Ethics Committee), emerging risks and opportunities from new technologies and new reporting and disclosure requirements e.g. Integrated Reporting. Therefore, the CDC's Integrated Annual Report 2018/19 is based on King IV.

SCOPE, BOUNDARIES AND MATERIALITY

This report covers the financial year 2018/19 from the period 1 April 2018 to 31 March 2019. It encompasses all operations related to the mandate of the CDC. This includes its role as the entity responsible for the development and operation of the Coega Special Economic Zone (SEZ).

Using the expertise and experience acquired during the development of the SEZ infrastructure, since inception from 1999, the CDC serves as an Implementing Agent (IA) for certain key government departments in support of the Infrastructure Delivery Programme (IDP). The IDP is an initiative of the South African government to fast-track and improve the standard of infrastructure delivered by the public sector. In order to provide this support, the CDC has adopted the infrastructure delivery management system (IDMS), which helps the organisation support efficient and effective public sector infrastructure investment.

The CDC operates in a dynamic environment. Therefore, the organisation adapts in order to respond to meeting the needs and requirements of all stakeholders, including funders, investors, tenants and external services clients. This is reflected in the performance report, which highlights the performance of the CDC in the context of its strategy, including its commercial and project management services and its management of the Nelson Mandela Bay Logistics Park (NMBLP).

The activities of investors, tenants and the adjacent Deepwater Port of Ngqura are addressed only to the extent that they impact upon, or are serviced or influenced by, the CDC's execution of its strategy.

ASSURANCE AND COMPARABILITY

The CDC employs a rigorous system of internal controls, as well as external oversight, to assure the quality of its reported results and its adherence to international standards.

Wherever possible, the results for the year under review are compared to at least one of the following:

- The previous year;
- Cumulative for the past five years;
- Cumulative for the past three years into the five-year strategic plan 2015-2020; and/or
- Cumulative since inception.

Financial controls and risk management are subject to review through an internal audit process. As a public entity, the CDC's financial statements and performance information are independently reviewed and reported on by the Auditor-General of South Africa (AGSA).

Similarly, non-financial information is subject to internal review and control in accordance with the standards set by the Board and independent external verification that has taken place during the period under review.

The Board provides leadership and ongoing support to create an environment with controls and risk management mechanisms that have strengthened the CDC and enhanced governance.

Internal assurances included internal audit, risk management and executive management committee supervision, with additional oversight from the Board, its committees and the CDC's project committees.

Certification

The CDC retained the following standards and certification in the year under review:

- ISO 9 001: 2015 (Quality Management);
- ISO 14 001: 2015 (Environmental Management);
- OHSAS 18 001: (Occupation Health & Safety). In the next financial year, we expect a transition to 45001: 2018;
- ISO 20 001: IT Service Management;
- ISO 27 001: Information Management; and
- ISO 31 000: Risk Management.

The CDC was audited by Bureau Veritas.

Similarly, the CDC undertakes an annual independent project management maturity audit based on internationally accepted project management standards such as OPM3 and P3M3, which were developed by the Philadelphia, USA-based Project Management Institute (PMI).

In addition, the CDC received three certificates of excellence (or recognition awards) during the period under review. These were: Top Employer 2019 - Certified Excellence in Employer Conditions; 2018 Top Performing Public Service Organisation; and 2019 Investor of the Year, the Department of Trade & Industry (the dti's) Annual South African Premier Business Awards.

BOARD STATEMENT OF APPRECIATION, RESPONSIBILITY AND APPROVAL

There are several individuals and organisations whom the Board would like to thank for their vital roles in the last year, including, the Chair of the Parliamentary Portfolio Committee on Trade and Industry, Ms Joanmariae Fubbs; the Minister of Trade and Industry, Dr Rob Davies; the Minister of Economic Development, Mr Ebrahim Patel and their respective deputy ministers and directors general.

The Board also expresses its appreciation to the former Premier of the Eastern Cape, Mr Phumulo Masualle; the Eastern Cape MEC for Finance, Economic Development, Environmental Affairs and Tourism, Mr Oscar Lubabalo Mabuyane; former Chair of the Portfolio Committee on Economic Development, Environment Affairs and Tourism, Mr Tony Duba; and their respective heads of department for their support, oversight and leadership. The Board also wishes to express its appreciation and is looking forward to work with the new Premier of the Eastern Cape, Mr Oscar Lubabalo Mabuyane; the MEC for Finance, Economic Development, Environmental Affairs and Tourism, Mr Mlungisi Gerald Mvoko and the Chair of the Portfolio Committee on Economic Development, Environmental Affairs and Tourism, Mr Phumelele Ndamase.

CDC staff and external stakeholders are vital to the success of the organisation. Therefore, the Board extends a special and warm-hearted thank you to each and every person who continues to uphold the values and high-performance standards of the organisation.

The CDC Board, assisted by its committees, is ultimately responsible for oversight of the integrity of the annual report. Therefore, the Board has collectively reviewed the output of the integrated reporting process and has concluded that the 2018/19 Integrated Annual Report has made substantial progress over the previous year in the journey to meeting the requirements of the International Integrated Reporting Framework v1.0.

CHAIRPERSON'S STATEMENT

Dr. Paul Jourdan
Chairperson

This year marks the 20th anniversary since the establishment of the Coega Development Corporation (CDC) in 1999. As we celebrate this significant milestone, we reflect on the journey pursuant to our vision to be the leading catalyst for championing of socio-economic development in the Eastern Cape Province.

The Board holds an important oversight role to maintain the vision and strategic direction of the CDC. To this end, it brings knowledge and experience to play an active role in defining, shaping, monitoring and evaluating the annual performance outcomes of the CDC against its overall objectives.

Operating in a global ecosystem, several reports by international organisations monitoring international investment trends have shown that global foreign direct investment (FDI) flows continued to slide in 2018, falling by 13% to $1.3 trillion – the third consecutive year's fall in FDI, representing the lowest level since the global financial crisis and underlines the lack of growth in international investment this decade.

According to the 2019 United Nations Conference on Trade and Development (UNCTAD) World Investment Report, FDI flows to developed economies reached the lowest point since 2004, declining by 27%. Meanwhile, flows to developing countries remained stable, rising by 2%.

As a result of the anomalous fall in FDI in developed countries, developing countries' share of global FDI increased to a record-breaking 54%. FDI flows to Africa rose 11% to $46 billion, still below the annual average of the last 10 years (at about $50 billion), despite declines in many of the larger recipient countries. The increase was supported by continued resource-seeking inflows, diversified investments and a recovery in South Africa after several years of low-level inflows, said the UNCTAD.

Closer to home, the FDI flows to South Africa rose and increased by 62% from $2 billion to $5.3 billion contributing to the African FDI inflows. In 2019, the expected acceleration of economic growth in Africa, progress towards the implementation of the African Continental Free Trade Area Agreement (ACFTA), and the possibility of new greenfields investments materialising could result in higher FDI flows to our continent, said the UNCTAD.

Against this backdrop, the Board is especially pleased with the performance of the CDC during the financial year under review. The CDC's performance was commendable in spite of the deteriorated state of macroeconomic conditions and geo-political shocks, uncertainty and volatility.

The key performance indicators of the CDC show that 18 new investors were signed – four more than the previous financial year - with an investment value pledged of R2.06 billion.

At the end of the 2018/19 financial year, the organisation had also accumulated a total of 45 operational investors, all of whom have contributed in excess of R9.53 billion in private sector investment, employing 7 815 people, of whom more than 86% are from the Eastern Cape and the balance being experts from the rest of the country and abroad. On the construction front, 8 016 jobs were created through infrastructure projects in the same period.

The CDC is therefore doing its part in making a significant contribution to reducing unemployment in the region and contributing to the country's National Development Plan (NDP) priorities, particularly those of bringing about faster economic growth, higher investment and greater labour absorption as well as building a capable developmental state.

In particular, the CDC acknowledges the important role Small, Medium and Micro Enterprises (SMMEs) play in growing the economy and providing employment to a large number of unemployed South Africans. To this end, during the financial year, the CDC in meeting its socio-economic developmental objectives awarded 33% of procurement spend to SMMEs.

Additionally, our commitment to training ensured that 7 406 people participated. As regards good corporate citizenship, the flagship Coega Maths and Science Programme, our education orientated Corporate Social Investment (CSI) initiative, continued to provide Grade 12 learners from disadvantaged communities with support to improve their Maths and Science results to obtain entry to higher institutions of learning. All 85 learners successfully completed the programme with the pass rate of 100% in both mathematics and physical science. The CSI programmes will be strengthened by the establishment of the Coega Development Foundation (CDF), which will consolidate all community-focused programmes, including skills development and ancillary services.

I am pleased that the CDC remained the preferred infrastructure programme Implementing Agent (IA) in South Africa, despite operating in a highly competitive environment. With the CDC expanding its external services operations to Zimbabwe, Cameroon, Central African Republic, and Democratic Republic of Congo under the Coega Africa Progamme (CAP), the next financial year is expected to deliver positive results for the external services infrastructure programme.

I wish to congratulate the CDC for maintaining the pace of awards of excellence received for transforming the social and economic conditions of the Eastern Cape. In the 2018/19 financial year, the CDC received, among others, the prestigious Top Performing Public Sector Organisation Award at the "Oscars" of South African Business in Johannesburg and the dti's 2019 Premier Business Investor of the Year Award. Well done!

As we look to the future, 1 400 new SEZs across the world have recently been established and the UNCTAD predicts a further 500 new ones in the pipeline. This global SEZ boom is part of a new wave of industrial policies and comes in response to increasing competition for international investments.

Therefore, competing for FDI with the rest of the world means the CDC must be agile and employ new and advanced technological competencies amidst the Fourth Industrial Revolution.

Our corporate governance is commendable as evinced by positive audit outcomes in the past four years of our current strategic cycle. However, in the changing environment we must remain more diligent to maintain a good record of positive audit findings.

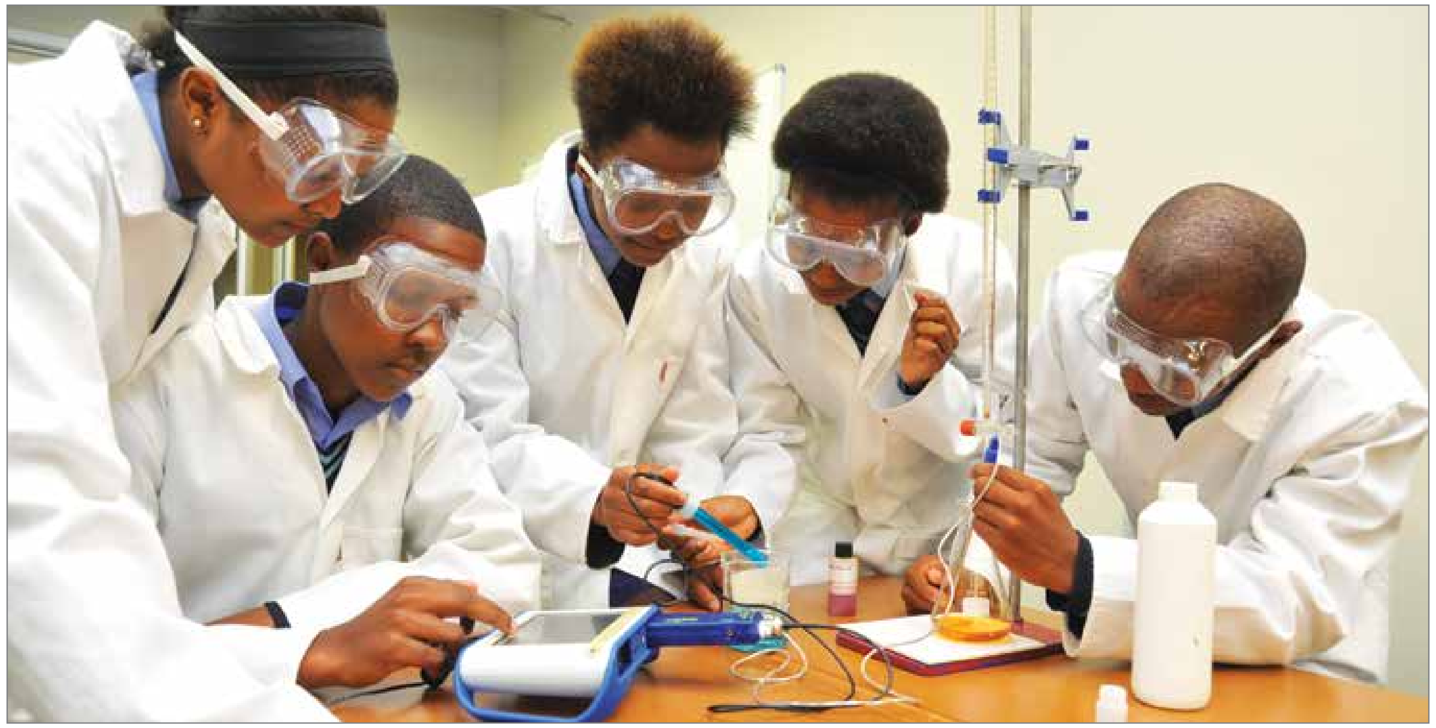
On behalf of the Board, let me acknowledge the support we have received during the financial year from our Executive Authority, the Eastern Cape Provincial Government, under the leadership of the Honourable Premier, Mr Phumulo Masualle and the MEC for the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), Mr Lubabalo Oscar Mabuyane, whilst extending our heartfelt congratulations for being appointed to the highest position as the Premier of the Eastern Cape. We look forward to working closely with the new MEC for DEDEAT, Honourable Mlungisi Gerald Mvoko, to achieve our strategic objectives for the next five years.

Let me also extend the Board's gratitude for their support to the Portfolio Committee on Economic Development, Environmental Affairs and Tourism in the province under the leadership of Mr Tony Duba and we look forward to working with the new Chairperson, Honourable Phumelele Ndamase, and the rest of the committee.

We acknowledge the critical role of the dti as the legislative and policy making body of government. As the custodian of the Special Economic Zone (SEZ) Act (Act No.16 of 2014) in South Africa, the Board expresses its appreciation for the support received under the leadership of the Trade and Industry Minister, Dr Rob Davies. By the same token we wish to congratulate the new Minister of Trade and Industry, Mr Ebrahim Patel, and we look forward to a continued relationship with the ministry.

Lastly, I wish to express my gratitude to my fellow Board members for their commitment to their oversight function. To the Chief Executive Officer and his entire team, the Board is behind you and is confident of your capacity to achieve the CDC's strategic goals and objectives that will help to boost the economy of the Nelson Mandela Bay Metro, the Eastern Cape Province, and South Africa, as a whole.

Dr Paul Jourdan
Chairperson



THE COEGA FLAGSHIP MATHS AND SCIENCE PROGRAMME

Mr. Mninawe (Pepi) Silinga
Chief Executive Officer

It is with great pleasure that I present the consolidated performance results of the Coega Development Corporation (CDC) for the 2018/19 financial year (FY), the penultimate year of the five-year 2015-2020 Strategic Plan.

The current financial year was markedly challenging for CDC given the economic downturn globally and at home with GDP growth of just 0.8% in 2018, down from 1.7% in 2017.

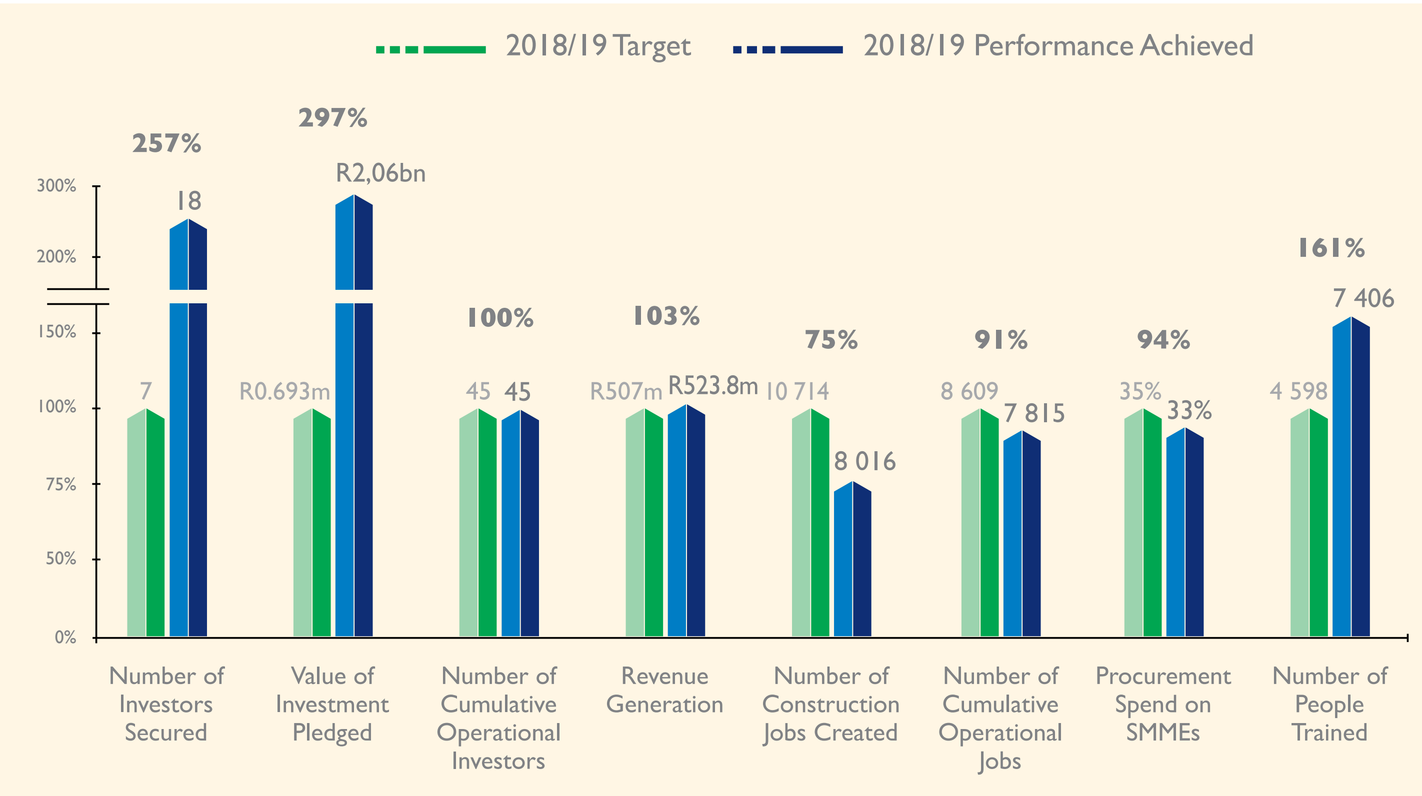
As indicated earlier by the Chairman, investment flows – the lifeblood for beneficiating socio-economic development through the Coega Special Economic Zone (SEZ) – has fallen sharply if one takes the past 10-year view.

Despite this, the CDC performed well in terms of meeting its strategic goals and objectives centred around preferred investment destination, financial sustainability, and advancing socio-economic development, which includes empowerment, transformation, broadening of economic participation for Small, Micro and Medium Enterprises (SMMEs), and promoting skills and technology transfer.

Summary of Results

In the financial year under review, the CDC achieved and exceeded several targets of its Key Performance Indicators (KPIs) index. However, as a result of an interplay between macro-economic, geo-political, investment flows and funding dynamics, the CDC could not attain certain targets – albeit by the slightest margins – due to the shortfall in the CDC's funding requirements, and other exogenous market-related factors.

Annual Performance Achieved against Targets for 2018/19 FY



In the financial year under review, the CDC secured 18 new investors against a target of seven (achievement of 257%) with investment value pledged of R2.06 billion against a target of R693 million (achievement of 297%).

As a socio-economic development organization, the CDC created 8 016 construction jobs. In addition, 7 815 number of cumulative operational jobs were achieved. Therefore, notwithstanding a difficult operational climate, a total of 15 831 jobs that have been created by the CDC is a significant contribution towards reducing unemployment in the Province, which is 37.4% (0.8 million) (Stats SA). Global trends indicate that SEZs/IDZs can play a major role in employment creation in individual countries. In several countries, the rate of job creation in national SEZ/IDZ programmes has significantly outpaced employment growth in their economies as a whole.

During the financial year under review, 7 406 people received training from the CDC against a target of 4 598 (achievement of 161%). Procurement spend on SMMEs reached 33% against a target of 35% (achievement of 94%) due to a decline in government expenditure, particularly on infrastructure programmes. However, the CDC is already implementing other avenues to be successful in this area.

The CDC's strategic goal of financial sustainability through revenue growth initiatives yielded positive results. Revenue generated from operations amounted to R523.8 million against a budget of R507 million (achievement of 103%).

We are also pleased to report that in our 20th anniversary year, the Coega SEZ houses 45 operational investors/ tenants, up from 43 last year. The following is a list of operational investors at the Coega SEZ by sector:

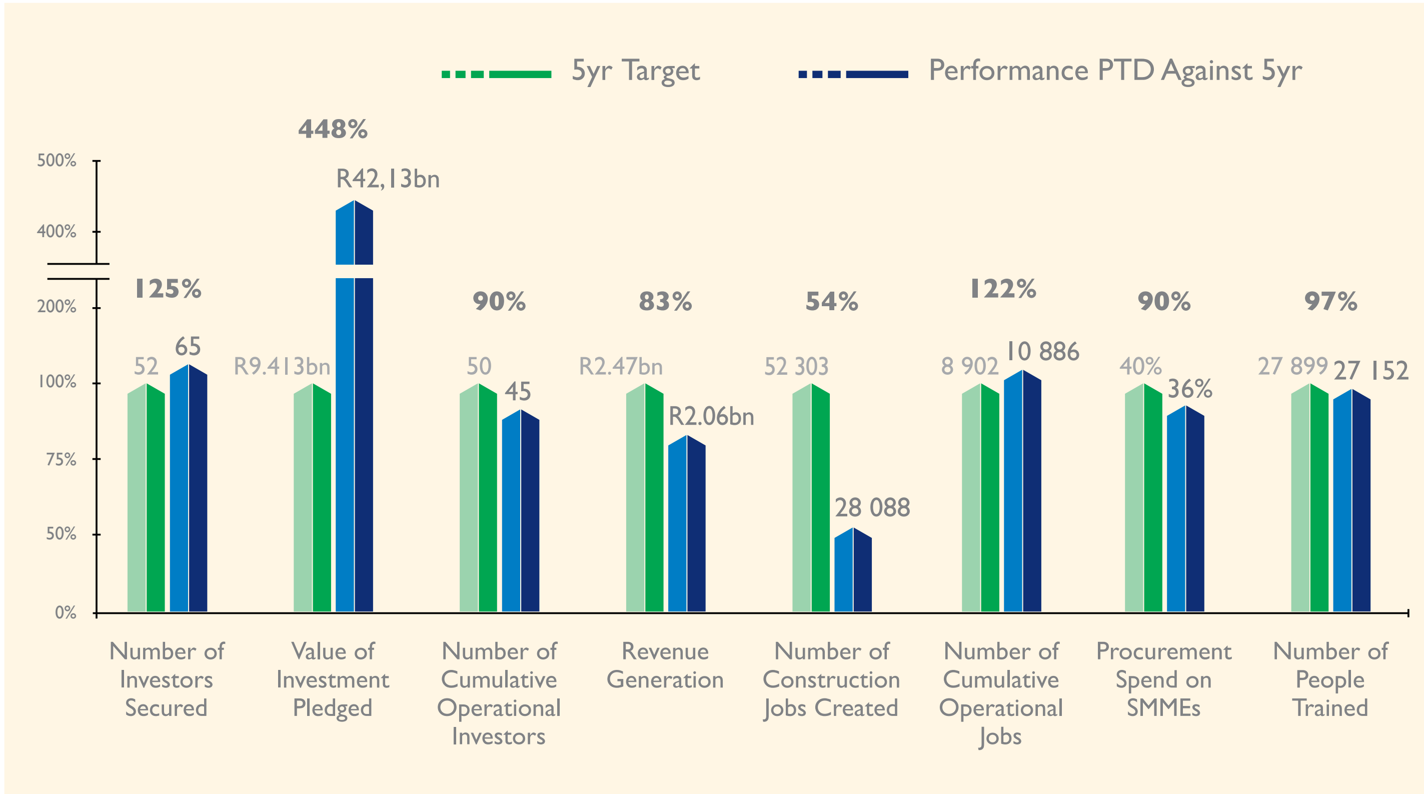
SEZ Focus Sectors	Number
Chemicals Manufacturing	4
Metals	1
Logistics	11
Automotive	12
Agro-processing	5
Business Process Outsourcing (BPO)	2
Energy	5
Construction	2
Light Manufacturing	1
Pharmaceuticals	1
Electronics	1

CDC Performance: 5 Year Cycle

The 2018/19 financial year marked the penultimate year of our 5-year Strategic Plan 2015-2020 that will end in 2019/20.

I am pleased to report that the CDC is making important strides to reach its 5-year targets.

Actual Performance against 5 Year Targets



Over 138.6% of the 5-year target for all the KPIs have been achieved.

The value of investment pledged to date is R42.13 billion against a 5-year target (2015-2020) of R9.413 billion (achievement of 448%). The total number of cumulative operational investors to date is 45 against a 5-year target of 50.

In relation to SMME spend, 36% has already been achieved against a 5-year target of 40%. The number of people trained achieved is 27 152 against a 5-year target of 27 899.

The over-achievement of 448% in the value of investment pledged can mostly be attributed to the size of the new companies signed, some of whom represent the Agriculture, Agro-Processing and Advanced Manufacturing sectors. BAIC SA's R11 billion investment was a significant milestone for the Coega SEZ and the country. Meanwhile, an over-achievement of 125% in the number of investors secured was due to the securing of investors earlier than expected.

Awards of Excellence and Recognition

We appreciate the affirmation of the CDC's best practices from industry during the financial year under review, which included the following key awards:

- DTI Premier Business Investor of the Year Award;
- SA's Top Performing Public Sector Organisation Award;
- Top Employer SA 2019 – Certified Excellence in Employer Conditions; and
- Standard Bank Top Women Award – Top Gender Empowered Public Service.

Furthermore, the CDC retained the following ISO standards during the financial year:

- ISO 9 001: 2015 (Quality Management);
- ISO 14 001: 2015 (Environmental Management);
- OHSAS 18 001: (Occupation Health & Safety). In the next financial year, we expect a transition to 45001: 2018;
- ISO 20 001: IT Service Management;
- ISO 27 001: Information Management; and
- ISO 31 000: Risk Management.

It is also worth mentioning that during the financial year, the CDC was the focus of a World Bank case study examining international best practices and operational efficiencies for special economic zones, which the London School of Economics was undertaking. In addition, the Coega SEZ was mentioned in the UNCTAD World Investment Report 2019:

> ***"FDI flows to Southern Africa recovered to nearly $4.2 billion in 2018, from -$925 million in 2017.*** *FDI flows to South Africa more than doubled to $5.3 billion in 2018, contributing to progress in the Government's campaign to attract $100 billion of FDI by 2023. The surge in inflows was largely due to intracompany loans, but equity inflows also recorded a sizeable increase. In 2018, China-based automaker Beijing Automotive Industry Holding opened a $750 million plant in the Coega Industrial Development Zone, while automakers BMW (Germany) and Nissan (Japan) expanded their existing facilities in the country." UNCTAD World Investment Report 2019, p38.*

In addition, Coega SEZ was featured prominently in the UNCTAD LinkedIn page, which has 42 617 followers from all over the world. This awareness of the Coega SEZ as the preferred investment destination and Gateway to African and World markets is going to help the CDC to attract more investment. The Global recognition and awareness are also critical for the newly established Coega Africa Programme (CAP). Other effective channels are currently being explored to further strengthen global brand awareness.

Material Issues & Risks

Predictability into future costs of electricity remains a concern and is often a deal-breaker for large energy-intensive investment projects, amplified in part by the huge last mile of use installations for greenfield projects. Our transformation projects could therefore be negatively impacted by the unpredictable cost of electricity.

Despite our consistent funding challenges during the financial year for operational expenditure, which range from deferral of projects especially CSI and budget cuts from client departments as an Implementing Agent (IA) on external services (Infrastructure Development and Maintenance), to delays in payments from clients, we however reached and exceeded several of our targets and narrowly missed a few.

To address our funding challenges, for example, the CDC business model is being reviewed conscientiously to improve our competitiveness, service and value proposition and to increase market share against other Implementing Agents (IAs), in particular.

Some of the other challenges faced by the CDC include ICT Networks in that the Coega SEZ requires capital funding to upgrade our legacy systems in line with new breakthrough technologies. The lack of such funding becomes a real challenge when the diversion of investment promotion funds towards the upgrading and maintenance of ageing infrastructure must be considered.

We also face the threat of deindustrialisation as a consequence of deglobalisation, a process that is affecting established SEZs. This calls for more innovation in the State's approach to evade the threat of deindustrialisation.

Prospects

We proceed into the final year of our 5-year Strategic Plan 2015-2020 knowing we have covered much ground towards establishing a preferred investment destination, realising financial stability and growth, and galvanising socio-economic development in Nelson Mandela Bay, the Eastern Cape Province, and South Africa at large.

Investment promotion activities we have undertaken globally have yielded tangible outcomes. The CDC has identified transformational projects worth approximately R98,6 billion pledged, with the most notable being the much talked about $10 billion oil refinery (Project Mthombo), that could potentially create more than 26 000 jobs as well as the $2.7 billion CCGT -Power Station that could potentially create an additional 8 140 jobs, to mention but a few.

With planning of the new 5-year strategic plan underway, the CDC will continue to drive down costs and improve revenue generation from operations. In addition, the organisation will take advantage of the Fourth Industrial Revolution and digital economy, which is changing the manufacturing industries and international production.

In particular, advances in technology, which includes the adoption across all industries of digital technologies, advanced robotics, 3D printing, big data and the internet of things. Grounded in improved, cheaper and quicker means of industrial production such means of technological innovation bring numerous opportunities that can offer access to skilled resources and clusters of relevant business and technology service providers; however, they can also be disruptive. Therefore, the low labour costs, the traditional competitive edge of most SEZs, could be challenged.

As a result, the Coega SEZ will need to anticipate the Fourth Industrial Revolution trends and be agile. However, the organisation will require capital funding to upgrade its legacy systems in line with new breakthrough technologies.

In conclusion, I want to express my sincere appreciation to the CDC team for their dedication to the organisation. You continue to demonstrate commitment and passion for what you do as is evident in our commendable performance. In addition, I wish to thank our Board for guidance as well as our Executive Authority (DEDEAT) for ensuring we remain accountable in pursuit of our strategic goals and objectives, not to mention our investors for choosing the Coega SEZ as their preferred investment destination. To our stakeholders at large, thank you for working closely with us over the past 20 years to realise our vision to deliver socio-economic development in the Nelson Mandela Bay Metro, the Eastern Cape Province and the whole of South Africa. Here's to the next 20 years!

The Integrated Annual Report 2018/19 was approved for release by the Board and signed on its behalf by:

Dr Paul Jourdan Chairman 31 August 2019	Mninawe (Pepi) Silinga CEO 31 August 2019	Lionel Billings Chief Financial Officer 31 August 2019

TOP HIGHLIGHTS FOR 2018/19 FY

INVESTMENT DESTINATION OF CHOICE
18 New Investors with a combined Investment value of R2.06 billion

OPERATIONAL INVESTORS
45 To-date, the CDC has recorded a staggering forty-five operational investors with a combined investment value of R9,53 billion

REVENUE GENERATED
which includes both the SEZ and Other Programmes of R523.8 million

JOB CREATION HUB
The CDC secured 8 016 additional construction jobs and has reached 7 815 operational jobs and has also trained over 7 406 people
7 815 operational jobs

SMME PROCUREMENT
SMME procurement spend of 33%

INVESTMENT PLEDGED
R42.13 billion value of Investment pledged against 5 year target of R9,413 billion (448%)

ABOUT COEGA DEVELOPMENT CORPORATION

The Coega Development Corporation (CDC) is a public entity in terms of the Public Finance Management Act (PFMA), based in the Nelson Mandela Bay Municipality with operations throughout South Africa. Established in 1999, the corporation is mandated to develop and operate the re-gazetted 9 003ha Coega Special Economic Zone (SEZ). The Coega SEZ was gazetted by the Minister, Dr Rob Davies (Government Gazette No. 40883 on 2 June 2017) in terms of section 39(2) of the SEZ Act No. 16 of 2014 ("SEZ Act "), replacing the Government Gazette No. 21803 of 1 December 2000) made in terms of the Manufacturing Development Act No. 187 of 1993.

The CDC is tasked with the responsibility to create employment opportunities, provide training & development, as well as SMME support & development. This is meant to reduce unemployment and to eradicate poverty in the Eastern Cape, with a focus on the Nelson Mandela Bay Metro.

Therefore, the CDC's vision is to be the leading catalyst for the championing of socio-economic development. Its mission is to provide a competitive investment location, facilitate holistic infrastructure and value-adding commercial business solutions that effectively enable socio-economic development in the Eastern Cape and the rest of South Africa.

In the 20 years since its establishment in 1999, the CDC has become South Africa's most successful SEZ and one of the biggest drivers of job creation and development of the Eastern Cape's economy. It is purpose-designed following the cluster model, which strategically positions related and synergistic industries and their supply chains in close proximity to one another in order to maximise efficiency and minimise turnaround times.

As a result, the SEZ has been demarcated into 14 zones, with the focus on the following sectors:

- Metals/Metallurgical;
- Automotive;
- Business Process Outsourcing (BPO);
- Chemicals;
- Agro-processing;
- Logistics;
- Trade Solutions;
- Energy; and
- Maritime.

Coega SEZ focus sectors

In 2008, the reach of the Coega SEZ was extended to include the 216ha Nelson Mandela Bay Logistics Park (NMBLP) in Uitenhage, an area which provides infrastructure and support services to the automotive manufacturing industry, thus reducing operating costs and improving competitiveness.

The CDC's organisational structure is based on the three main business areas:

- **Coega SEZ:** currently, home to 45 operational tenants, who comprises of local (25) and international (20) investors. This translates into a combined investment value of R9,53 billion in FDI.
- **Coega Commercial Services:** which includes;
  - Recruitment and selection, training and development, staff development services for investors in the SEZ, and social facilitation, through Coega Human Capital Solutions (HCS);
  - Business and leisure travel-related solutions (including accommodation and car hire) through Coega Corporate Travel (CCT) providing seamless and cost-effective travel management solutions. CCT holds an IATA accreditation, a seal of approval that is recognised worldwide;
  - Consulting services providing fully scalable suite of integrated management consultancy and turnkey solutions through Coega Business Solutions (CBS);
  - ICT services by Coega Telecoms enhancing the Coega SEZ telecommunications services; and
  - Accommodation and conferencing at the Vulindlela Accommodation and Conference Centre (VACC).
- **Project Management Services** – Engineering and project management skills honed during the construction of the Coega SEZ. These skills have been retained to enable the CDC to contribute towards the socio-economic development of the country. To this end, the CDC acts as an Implementing Agent (IA) for a range of public and private sector clients, providing infrastructure development and facilities management services throughout South Africa. CDC is also assisting other companies/ agencies in the country with the establishment of the SEZ under the new SEZ Act (Act No. 16 of 2014). In the current financial year, these services have been extended to the rest of the African continent, especially the Eastern Corridor, under the Coega Africa Programme (CAP). Through its Africa Trade and Investment Solutions Strategy, the CDC is championing the country's renewed push for business exchanges between South Africa and the rest of the Continent.

The Coega Development Corporation offers the following revenue generating products and services:

REVENUE GENERATING PRODUCT OFFERING		
SEZ Focus	Industrial Estate Planning & Development	• Infrastructure Planning & Development • Investment Promotion • Facilities Management • One-Stop-Shop
SEZ & Non-SEZ Focus	Travel Agency Services	• Travel Planning • Travel & Accommodation • VISA Applications
	Skills Development Services	• Accredited Training • Mentorship & Development • Non-accredited Training • Human Capital Solutions
Non-SEZ Focus	Programme Implementing Agency Services	• Project Management Services • Mega & Minor Infrastructure Development • Facilities Management
	Management Consultancy Services	• Turnkey Business Solutions • Economic Research & Development • Document Management Services • SEZ Planning & Development • Business Process & Systems Re-engineering • ICT Systems Development & Support

TOP 9 REASONS TO INVEST AT COEGA

World Class Infrastructure

1

- The Coega SEZ is ready to "plug and play". All the necessary infrastructure is in place, including roads, bulk water and sewer networks, telecommunication sleeve networks, electrical substations (HV and MV), and overhead power lines (HV and MV) – all that investors are looking for and more in a world class industrial development zone.

Governance

2

- CDC has robust internal governance structures in place to prevent corruption. Strong and proven supply chain processes ensure minor and mega infrastructure projects are implemented on time, within scope and on budget.

A Connected Zone

3

- There is a rail connection between the SEZ, the rest of South Africa and neighbouring countries
- Major roads provide a seamless link into the national N2 arterial highway, which connects the SEZ to the rest of the region
- The zone is integrated into Africa's newest deep-water harbour, the Port of Ngqura
- National and international connectivity for passengers and freight is provided by the Port Elizabeth International Airport (PLZ), which is around 20 minutes travelling time away on the N2 Freeway
- It takes just 1 hour 40 minutes to fly from PLZ to OR Tambo International Airport on a route serviced by a number of airlines
- The distance to the main banking and business precincts in Port Elizabeth is around 20 km, which takes about 15 minutes.

4 Regional and international logistics

- The Coega SEZ is strategically positioned on the main Southern Hemisphere east-west shipping routes
- It is the only SEZ in Africa to be served by two ports, with a combined capacity of over two million TEU (Twenty Foot Equivalent Unit) a year
- The deep-water port of Ngqura is the designated South African hub for container traffic, and is served by the world's top shipping lines
- Named day services connect the port to the main global markets and supply centres
- The Port of Port Elizabeth operates world class container, vehicle, breakbulk and bulk terminals
- The shipping links are complemented by direct road and rail links to the rest of South and Southern Africa.

5 World Class Support Systems

- Geographic Information System helps investors make informed decisions on positioning their plant
- ICT Solutions for supply chain management, budgeting, procurement and financial management
- Customs Control Areas (CCA) in the Logistics and Automotive Zones
- Customs compliance infrastructure management
- Proven in-house expertise in delivering infrastructure projects of all sizes on budget and on time.

6 One Stop Investor Services Centre

- Full Human Relations support, including recruitment, training and managing labour relations
- Assistance with visa applications, work and study permits, applications for municipal services
- Assistance with applying for incentives
- Facilitation of environmental approvals and licence requirements for project development (EIAs, Basic Assessment, Air Quality Licence, Waste Licence and OEMP)
- Customs services to assist with all SARS Customs registrations and permit processes in preparation for approval of facility for operational phases
- Incentives: Assist all investors to ensure optimal use of all necessary incentives available to industry (SEZ, Municipal, and Sector Specific Incentives)
- The CDC's Package of Plans approach allows statutory approvals for Site Development Plans and Building Plans to take place within 10 working days, respectively
- Construction management and operational Safety, Health and Environment (SHE) management systems in place
- SHE systems monitor and control construction and operational phases (waste management, water and air quality, storm water and effluent, alien plant eradication, open space management)
- The CDC clinic provides services during construction and operational phases.

7 Incentives

- The CDC assists investors in their application for incentives offered by the national government, provincial legislature and local municipality. They include incentives for:
  - Training
  - Automotive Production and Development Programme (APDP)
  - Production Incentive Programme
  - Aquaculture Development and Enhancement Programme
  - Research and Development (S11D)
  - Export promotion incentives
  - Infrastructure support
  - Reduced municipal costs
- The Coega SEZ also provides some of the most affordable rates for developed and zoned industrial land in Africa.

8 Skills Development

- Systems are in place to assist investors with skills development
- Advanced systems for registering work-seeker and competency-based recruitment functionality
- Advanced labour management systems in place
- Co-ordinated transport services
- Induction training capacity
- Central wage payment services
- Construction Village facilities provide accommodation, conference and training venues
- Partnership with internationally recognised university (NMU) for research and development
- Apprenticeship training centre (construction, manufacturing and MEI).

9 Lifestyle – the Best of All Worlds

- Nelson Mandela Bay and its surroundings offer a lifestyle that is the envy of other SEZ operators around the world
- It offers a cosmopolitan Indian Ocean lifestyle that is a unique mix of the best of African, European and Asian cultures
- Executives and key staff will find comfortable homes within a 20-minute commute of the SEZ
- Nelson Mandela Bay has world-class theatres, including an opera house, museums, restaurants, beaches, public gardens, sports stadiums, gymnasiums, hospitals and shopping malls
- It is home to some of South Africa's top schools, as well as the Nelson Mandela University (NMU)
- There is plenty of opportunity to enjoy the great outdoors – Nelson Mandela Bay is the sunniest metro complex in South Africa
- Algoa Bay, the metro, is rated as one of the top water sport venues in the world and has world-renowned Blue Flag beaches
- Nelson Mandela Bay is the gateway to the world-famous Garden Route
- For those venturing further afield, the Metro is 750 km from Cape Town along the Garden Route, 1 000 km from Durban, and 1 300 km from Gauteng.

SPECIAL ECONOMIC ZONE TAX INCENTIVES

The success of Coega in attracting investors under the new Special Economic Zone (SEZ) Act (Act No 16 of 2014) will depend on the effectiveness of the SEZ incentives in making South Africa a more globally competitive investment destination. The SEZ Act came into operation on 9 February 2016, having been signed into law in May 2014. The legislation aims to boost private investment (domestic and foreign) in labour-intensive areas in order to stimulate job creation, competitiveness, skills and technology transfer as well as increasing exports of beneficiated products through the establishment of special economic zones. Incentives for qualifying companies located in an SEZ include, value-added tax and customs duty relief – if located in a customs controlled area; and the relaxation of employment tax incentive (ETI) provisions, subject to certain conditions. More information on the SEZ incentives for qualifying companies is available on the department of trade and industry's website *(http://www.thedti.gov.za/industrial_development/sez.jsp)*.

Reduced Corporate Income Tax Rate – Certain companies will qualify for a reduced rate of 15% (instead of 28%) between **2014** and **2024**

Building Allowance – Qualifying **businesses** operating within SEZs will be **eligible** for an **accelerated depreciation allowance** of 10% for buildings

12i Tax Allowance – This offers a tax allowance in relation to **capital investment** for NEW industrial projects, as well as expansions or upgrades to EXISTING ones

VAT and Customs Relief – Businesses within **customer-controlled areas** will qualify for **VAT and customs relief**, similar to those currently enjoyed in SEZs

Employment Tax Incentive – **Employers** that hire **low-salaried staff** (below R60 000 PER ANNUM) in any SEZ will be entitled to this incentive.

SARS VISIT: SARS Acting Commissioner, Mr Mark Kingon on his visit to the Coega SEZ in 2018.

BUSINESS MODEL – HOW CDC CREATES VALUE

Businesses have to meet high expectations around the value created for society and their ability to deliver value that is consistent with the needs of sustainable development. The CDC actively connect its thinking and reporting to its purpose. It strives to create long-term value for stakeholders through strategic clarity, financial discipline, operational excellence and strictly defined capital allocation principles.

Therefore, CDC's previous five-year strategy 2009/10 – 2014/15 indicates a business model that has evolved over time from mainly investment attraction to providing project management and strategic services to a broader range of clients in the public and private sector and thus creating sustainable value for communities and its clients. This evolution came about through the implementation of the CDC's five-year rolling strategy, that ended in the 2014/15 financial year, and which saw a diversification of the CDC's core business from SEZ developer and operator to catalyst for the championing of socio-economic development throughout the Eastern Cape and beyond, thus empowering growth and development in South Africa.

This shift in strategy reflects the CDC's vision of a developmental organisation operating within a developmental state, faced with severe reduction in government grant funding, which has greatly challenged, not only the business model, but CDC's financial sustainability and growth.

As a result, over the past few years, the CDC has pro-actively developed external consulting businesses (including project management of provincial and national Infrastructure Programmes). The external consulting business has evolved from the capabilities the organisation has built internally over time, which have been converted into products and services delivering customer value and diversifying CDC's income streams.

Therefore, the external consulting business and infrastructure programmes have driven a consistent increase in selfgenerated revenue for the CDC year-on-year over the past five-year strategy implementation period. However, the projections in revenue indicates that the growth has stabilised and in real terms declining.

BUSINESS MODEL EVOLUTION

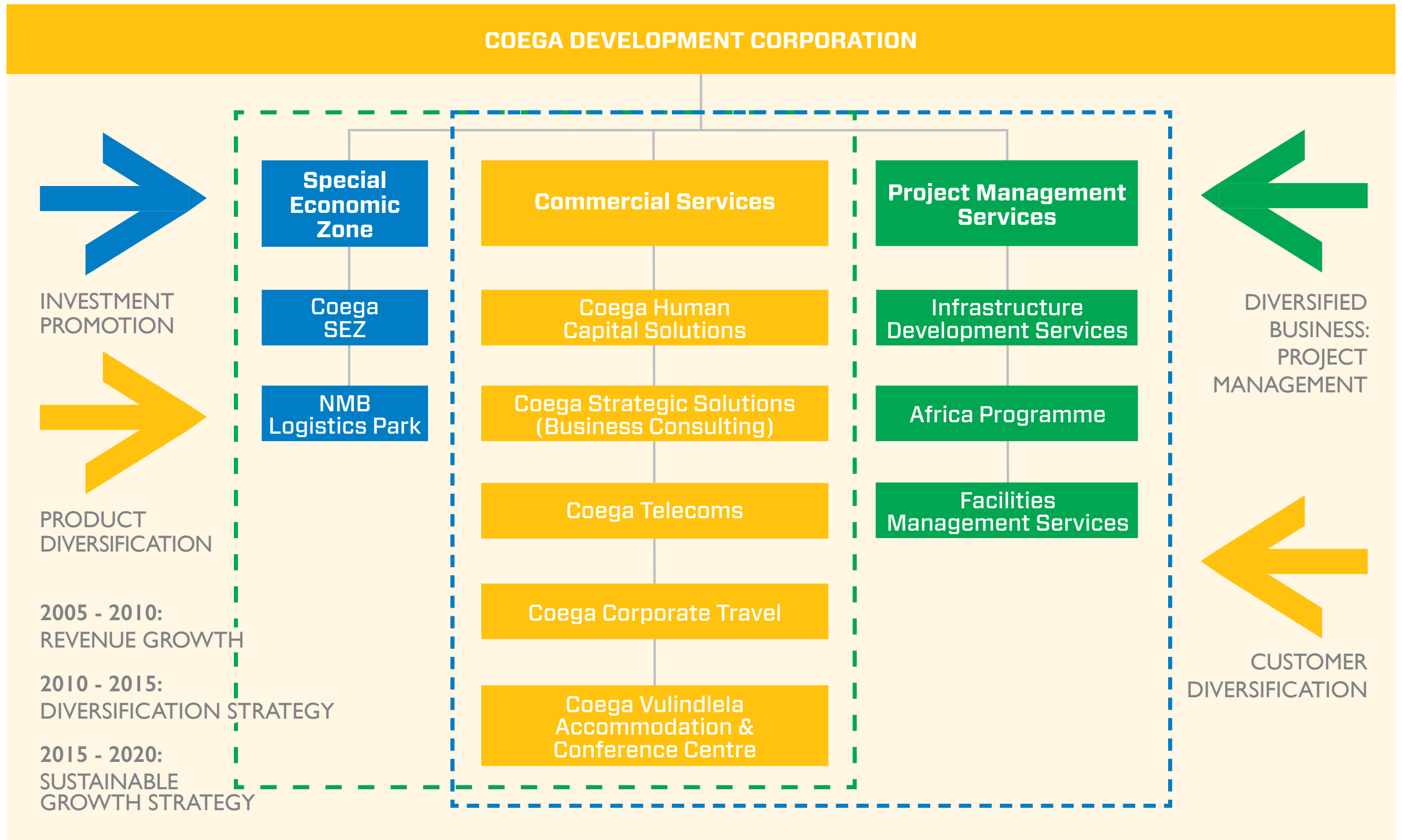
When the CDC was established in 1999, its key role was the developer and operator of the Coega SEZ as well as investment attraction. The focus was on leasing the developed industrial land in the SEZ for commercial gain to create jobs and stimulate economic growth. Over time, with changes in the environment, especially the declining government grant funding from the shareholder and a maturing organisation, the CDC has had to evolve.

As a result, investors and clients in general are now offered a suite of innovative products and in-house services (including a range of project management competencies and services), which improves turnaround times and fast track the delivery of infrastructure.

Some of the external consulting business clients who have taken advantage of CDC's innovative products and services and derived value in doing so include, amongst others, Eastern Cape and KwaZulu-Natal DoE, EC DoH, NDPW, and more recently other government departments located in Gauteng, Mpumalanga, Western Cape, and Northern Cape.

More than 7 815 people go to the Coega SEZ everyday for work thus contributing towards the economic development of the Eastern Cape.

The diagram below indicates the evolution of the CDC's business model, with the addition of project management services outside of the SEZ:



The SEZ focuses on investment attraction and therefore it is investor specific; however, these investors also make use of the external consulting products and services on offer (commercial services), specifically human capital solutions, corporate travel, accommodation and conferencing facilities and Telecoms. External consulting is comprised of individual business units originally intended to support the investors of the SEZ, but which now operate with a core focus to generate their own revenue through servicing of private businesses and government.

Project Management Services is targeted to cater to the project management needs of large infrastructure developments, currently servicing government projects and SEZ investors, and recently private industry infrastructure development projects in the country and the rest of the African continent. To this end, during the year under review, the CDC implemented its Africa Trade and Investment Solutions Strategy pushing for business exchanges between South Africa and the rest of the continent, thus expanding its vision to the rest of the African continent. The CDC is characterised by extensive capability in Engineering, Project Management, Procurement, Construction & Facilities Management and Localisation. The organisation is committed to be the leading catalyst for championing of economic growth and contributes to the South African and broader African regional developmental agenda, as an Implementing Agent of choice.

Taking into account the aforementioned and through meeting the strategic objectives of the CDC, the organisation can contribute towards reducing unemployment, inequalities, and poverty in communities in which it operates. In so doing, the organisation can meet expectations around the value created for society and its ability to deliver value that is consistent with the needs of sustainable development. This is achieved through job opportunities, skills development, training and development, support for the development of SMMEs, whilst ensuring they benefit from the CDC's procurement spend throughout the lifespan of projects.

Specifically, the CDC facilitates the creation of the Special Economic Zone, having strategic national economic advantage for targeted investments and industries to enable the securing of 54 investors valued at R10.28 billion by 2019/20 and sustain tenant Industries to realise 50 operational investors by 2019/20. In addition, the organisation ensures the development and sustaining of strategic partnerships to achieve financial sustainability and growth by diversifying and growing the CDC's income streams to a sum of R2.47 billion by 2019/20.

Finally, the CDC ensures the creation of 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 cooperatives, as well as promoting skills and technology transfer in order to realise 52 303 construction jobs from all spheres of CDC operations, 27 899 people trained, and achieve 40% of procurement spend on SMMEs by 2019/20, thus delivering value to our shareholders, communities, employees and stakeholders in general.

"Coega has enormous potential to further broaden the economy of Nelson Mandela Bay and the Eastern Cape. Investor interest and investment in the Coega SEZ is commendable."
Litha Suka
Chair: Select Committee on Economic & Business Development, NCOP

ORGANISATIONAL OVERVIEW & BUSINESS MODEL

ORGANISATIONAL OVERVIEW – WHO WE ARE, WHAT WE DO

During the past five financial years, the CDC undertook organisational restructuring to streamline its operations to meet growing internal and external demands. The result of the diversification of the CDC's business is the allocation of human resources to further capacitate the organisation in the following business functions:

- SEZ Investment Services;
- Central Support Services; and
- External Services.

These divisions and the current organisational structure are further outlined in the organogram below.

CHIEF EXECUTIVE OFFICER
MR PEPI SILINGA

INTERNAL AUDIT
MS LUMKA PANI

SEZ INVESTMENT SERVICES

- BUSINESS DEVELOPMENT: **MR CHRISTOPHER MASHIGO**
- PROPERTY DEVELOPMENT AND MANAGEMENT: **MR ZUKO MQHATU**
- OPERATIONS: **MR FEZILE NDEMA** (Acting)

CENTRAL SUPPORT SERVICES

- FINANCE (CFO): **MR LIONEL BILLINGS**
- CORPORATE SERVICES: **MR BONGINKOSI MTHEMBU**
- TECHNICAL PROCUREMENT SUPPORT: **MS ZINE MTANDA**
- CENTRE OF EXCELLENCE: **MR RICCARDO TEMMERS**
- ICT, RESEARCH AND STRATEGY: **MR MONDE MAWASHA**
- SHARED SERVICES UNIT: **MR RICCARDO TEMMERS** (Acting)

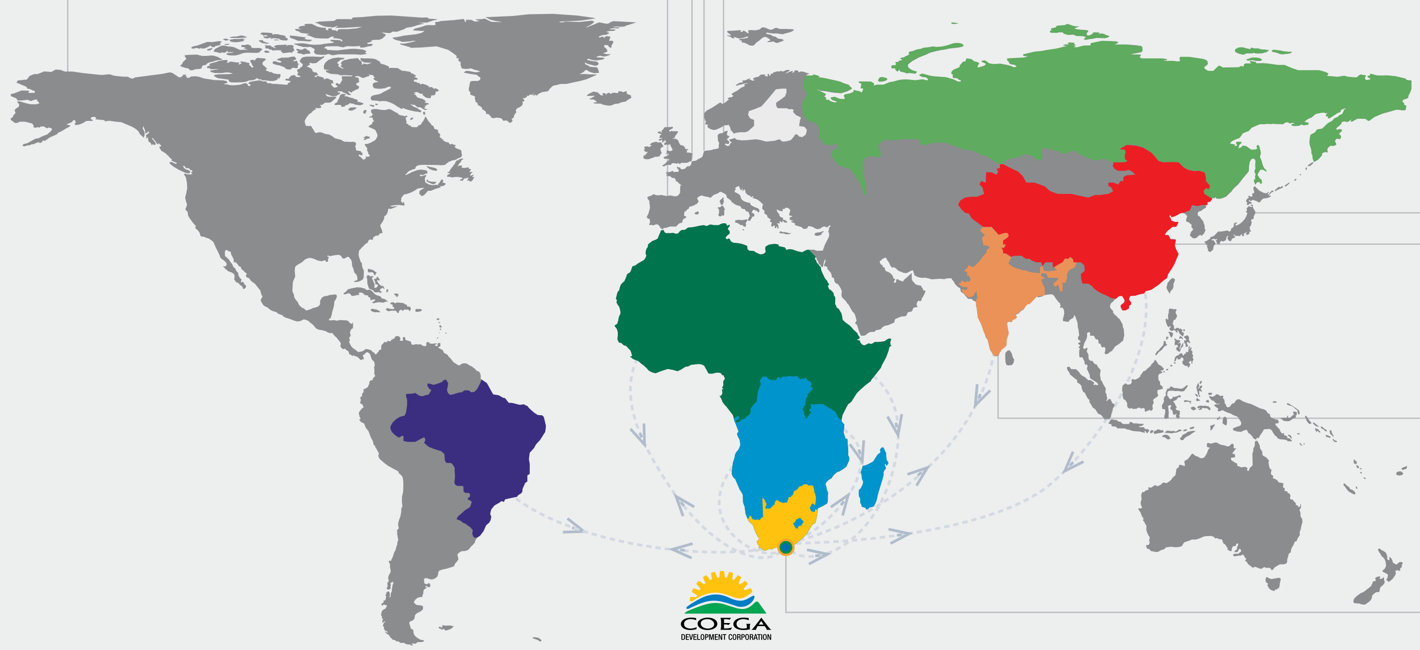
EXTERNAL SERVICES

- TECHNICAL SUPPORT FOR PROGRAMMES: **MR KELLY BYRNE**
- NATIONAL DPW PROGRAMME (CAPE TOWN): **MR THEMBA KOZA**
- NATIONAL DPW PROGRAMME (MTHATHA): **MR THANDILE NGXAKAWE**
- WILD COAST SEZ PROGRAMME: **MR DAVID LEFUTSO**
- BUSINESS DEVELOPMENT EXTERNAL PROJECTS: **MR CHUMA MBANDE**
- KZN PROGRAMME: **MS NOLUNDI KETI**
- NORTHERN CAPE PROGRAMME: **DR SIYABONGA SIMAYI**
- EC DEPARTMENT OF EDUCATION: **MS THEMBEKA POSWA**
- DEPARTMENT OF HEALTH PROGRAMME: **MR HENNIE VAN DER KOLF**
- MEGA PROGRAMME: **MR ZAKHELE KUNENE**

GLOBAL COMPETITIVENESS

The CDC creates value for investors, clients and stakeholders through its provision of a competitive investment location supported by value-added business services, resulting in the organisation achieving its mission to act as an enabler of sustainable socio-economic development. This is evidenced by major trans-national companies from the majority of the world's leading industrial nations that have invested in the SEZ. The Coega SEZ provides transhipment hub facilities adjacent to the Port of Ngqura for international shipping lines destined to other countries in the Continent and World markets, thus enhancing the Coega SEZ value proposition and competitiveness. More than half of the current volume to the Port is transhipment. The facilities are well positioned for the growing demand transhipment cargo and gateway. Coega is using the Port of Singapore and Tuas Mega Port as case studies for transhipment effectiveness. The 2011 Study provides clear guidance on transhipment and for Port of Ngqura and Coega as best location for transhipment whilst the 2017 Policy incorporates an objective for a Transhipment Framework and legislation. Coega will continue to engage with the Department of Transport (DoT) to give effect to transhipment policy and studies.

Trade map of South Africa with SADC, the rest of Africa and the world.



South Africa with SADC, the rest of Africa and the world's imports & exports statistics.

SOUTH AFRICA	SADC	REST OF AFRICA (EXCL. SOUTH AFRICA)	BRAZIL	RUSSIA	INDIA	CHINA
Population (2017): 56.72 million	**Population** (2017): 342.4 million	**Population** (2017): 1.2 billion	**Population** (2017): 207.8 million	**Population** (2017): 144.50 million	**Population** (2017): 1.32 billion	**Population** (2017): 1.39 billion
GDP (2017): US$ 249.30 billion	**GDP** (2016): US$ 602.62 billion	**GDP** (2016): US$ 1.8 trillion	**GDP** (2017): US$ 2.05 trillion	**GDP** (2016): US$ 1.53 trillion	**GDP** (2016): US$ 2.61 trillion	**GDP** (2016): US$ 12.01 trillion
Export (2016): US$ 86.32 billion	**Export** (2016): US$ 174.9 billion	**Export** (2016): US$ 358.2 billion	**Export** (2016): US$ 217.75 billion	**Export** (2016): US$ 332.19 billion	**Export** (2016): US$ 430.46 billion	**Export** (2015): US$ 2.20 trillion
Import (2016): US$ 89.26 billion	**Import** (2016): US$ 190.1 billion	**Import** (2016): US$ 521.8 billion	**Import** (2016): US$ 203.17 billion	**Import** (2016): US$ 266.05 billion	**Import** (2016): US$ 509.864 billion	**Import** (2016): US$ 1.95 trillion

USA/ CANADA/ MEXICO
Automotive
Services

AIR PRODUCTS

EU
Energy
Services

electrowinds
MSC Logistics

EU
Services
Automotive
Energy

Antolin
itpsa
HIMOINSA

EU
Services
Automotive

BENTELER Automotive
HELLA
REHAU

EU
Automotive
Chemicals
Energy

DEDISA PEAKING POWER
faurecia
ID LOGISTICS

INDIA & SE ASIA
Services
Metals

AGNI STEELS SA
WNS

JAPAN
Automotive

ISUZU

FAR EAST
Electrotechnical
Automotive

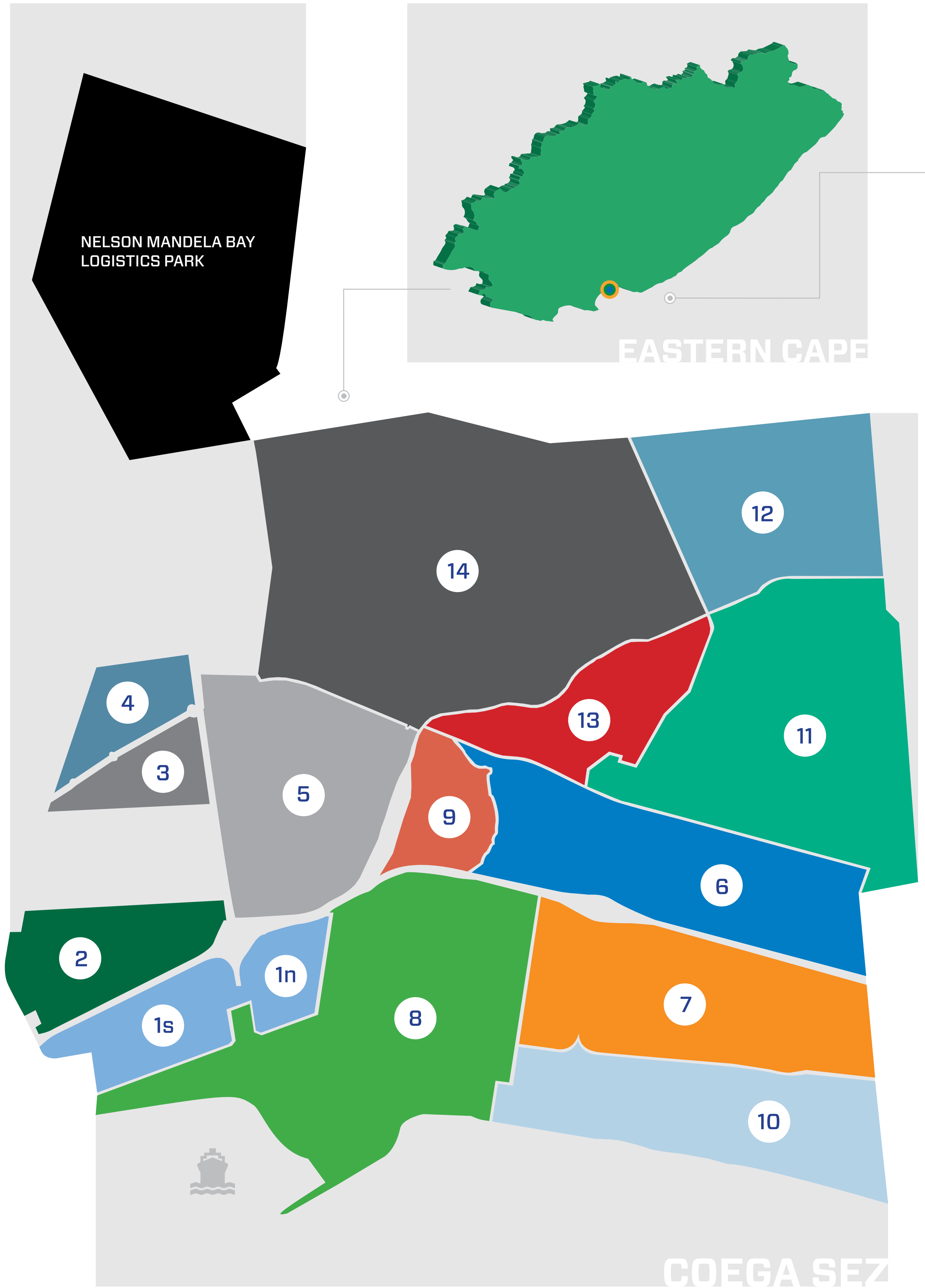
FAW
BAIC

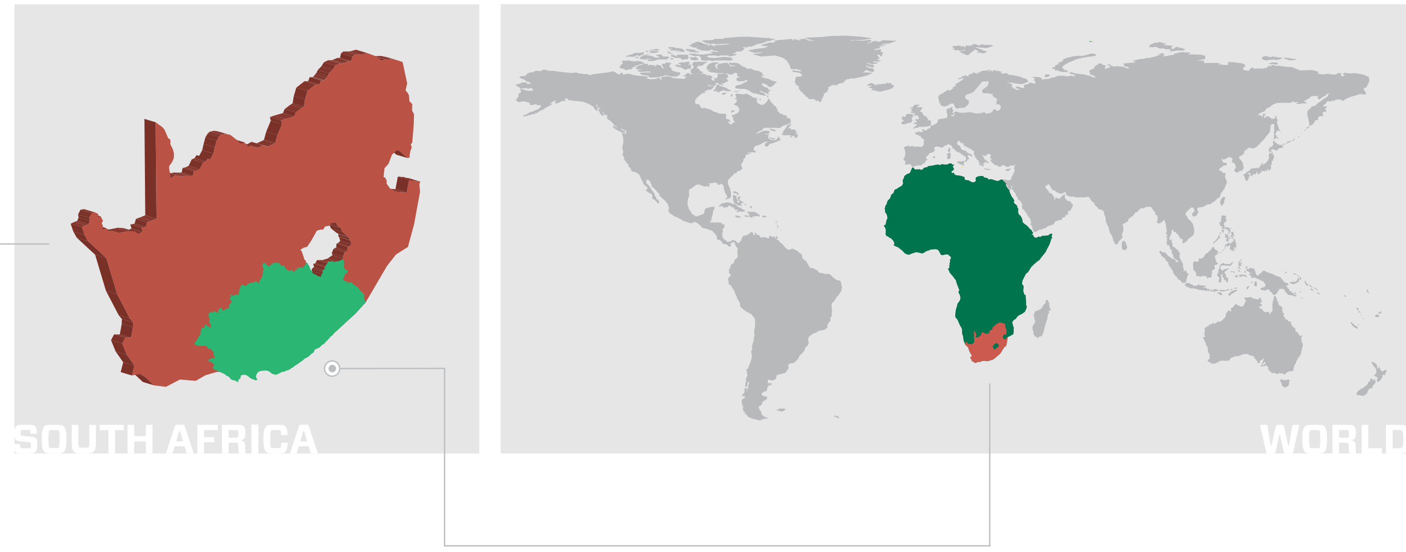
SADC
Export-oriented Manufacturing
Services
Heavy Industry
Logistics
Agro-processing
Chemicals & Allied Industries

DSV
QPlas
COEGA FRUIT TERMINALS
CM CORRO MASTER
CFR
Crebos
Digistics
BOSUN
DCD WIND TOWERS
COEGA DAIRY
DC Dynamic Commodities
COEGA CONCENTRATE
NATIONAL SHIP CHANDLERS
AMBASAAM
LENSION SA
MICB
KENAKO concrete
famous brands
vector
PE COLD STORAGE (PTY) LTD
Crebos
enel
APM TERMINALS
AFROX
Discovery
Schnellecke
Sanitech

R9.53 billion in Foreign Direct Investment

AREA PROFILE





COEGA SEZ CLUSTER ZONES

ZONE 1N
Commercial Cluster – Coega Business Centre

ZONE 1S
Logistics Cluster – Digistics, Famous Brands, APM Terminals, PE Cold Storage, ISUZU, ID Logistics, Vector Logistics, DSV, National Ship Chandlers, BAIC Group

ZONE 2
Automotive Cluster – FAW, CFR/Zacpack Logistics

ZONE 3
General Industries Cluster – Afrox, Air Products, Dynamic Commodities, Coega Dairy, Coega Cheese, DCD Wind Tower, Himoinsa, OLM Engineering, Coega Concentrate, Corro Master

ZONE 4
Training & Academic Cluster – Human Capital Solutions, Skills Development Centre, BPO Park: Discovery, SBFS, WNS, Ambasaam

ZONE 5
Metallurgical Cluster – Bosun Brick, Ke Nako Concrete, Sanitech, CEMZA

ZONE 6
Ferrous Metals Cluster – Agni Steels SA, Electrawinds

ZONE 7
Chemicals Cluster – Cerebos, Lension SA

ZONE 8
Port Area

ZONE 9
Materials Handling Cluster

ZONE 10
Mariculture & Aquaculture Cluster

ZONE 11
Petrochemical Cluster

ZONE 12
Advanced Manufacturing Cluster

ZONE 13
Energy Cluster – DEDISA Substation and Peaking Plant, Enel Green Power

ZONE 14
Advanced Manufacturing: Aeronautical and Aerospace Cluster

NMBLP
Nelson Mandela Bay Logistics Park – MSC, Grupo Antolin, Benteler, Rehau, Faurecia, HELLA, ITPSA, Q-Plas, MICB

OWNERSHIP & CONTROL

Mr. Mlungisi Gerald Mvoko
MEC: Finance, Economic Development, Environmental Affairs and Tourism

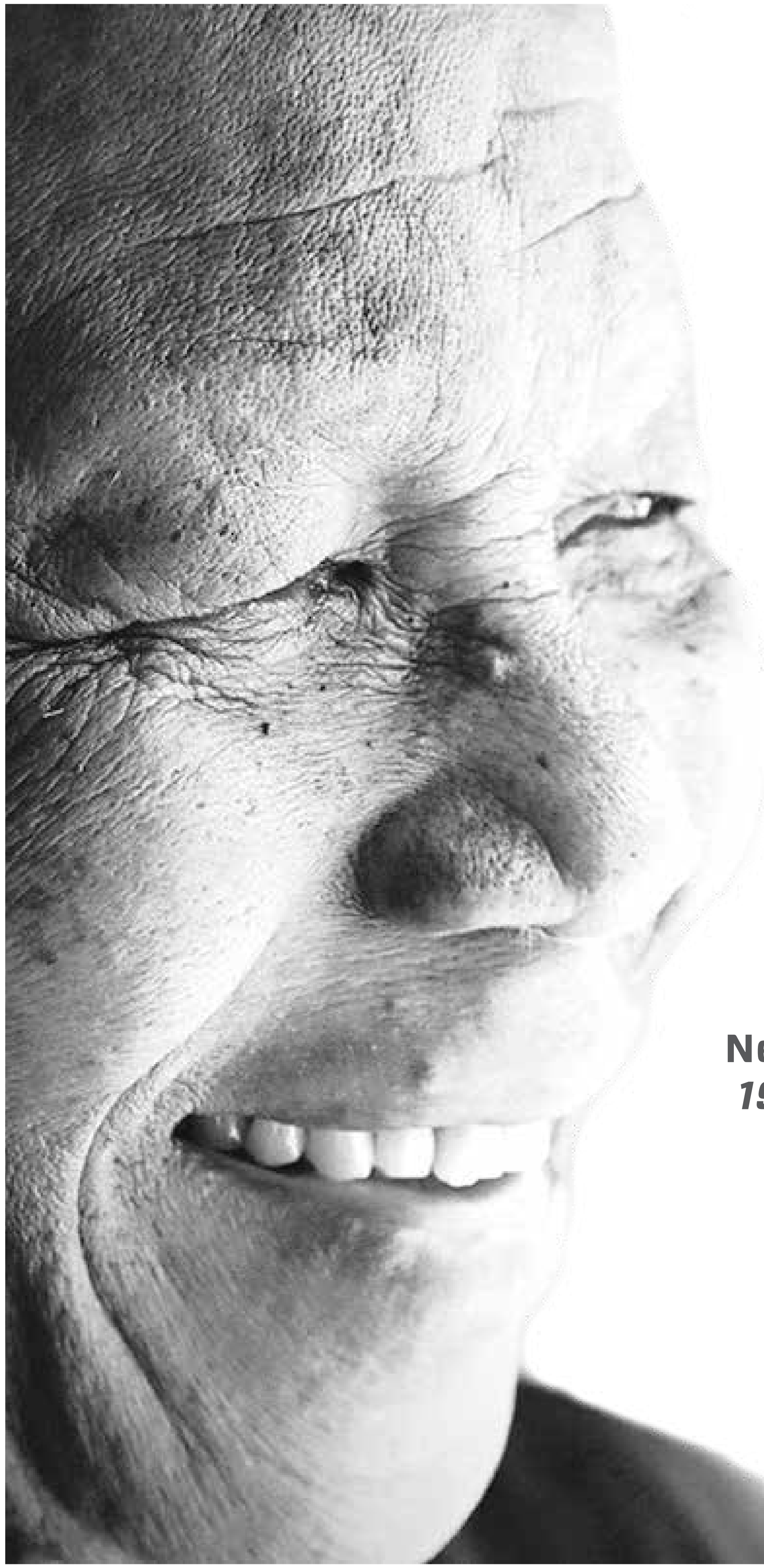
Province of the
EASTERN CAPE
REPUBLIC OF SOUTH AFRICA

The CDC is mandated to develop and operate the 9 003ha Coega SEZ, adjacent to the modern deep-water Port of Ngqura (Depth - 18m Chart Datum (port)), which is owned by the Transnet National Ports Authority (TNPA). As a State-Owned Entity (SoE), the CDC is wholly owned by the Eastern Cape Provincial Government in South Africa. The MEC for Finance, Economic Development, Environmental Affairs and Tourism (DEDEAT), Honourable Mvoko, represents the Eastern Cape Provincial Government as the 100% Shareholder and Executive Authority of the CDC. DEDEAT's focus is to promote sustainable and shared economic growth and development while ensuring integrated economy and trade and industry development.

The Coega SEZ is a flagship of the South African SEZs, said the Minister of Trade and Industry, Dr. Rob Davies, at the 2019 inaugural SEZ conference in Durban and after Coega received the dti's Investor of the Year award in March 2019. The Department of Trade and Industry (the dti) is the custodian of the Special Economic Zone policy in South Africa in terms of the Special Economic Zone (SEZ) Act, 2014 (Act No. 16 of 2014). Such an Act provides a clear framework for the development, operation and management of SEZs in the country.

The Special Economic Zone Act, Act No 16 of 2014 came into operation on 9 February 2016, having been signed into law in May 2014. However, as required by the Act, the re-designation of the IDZs into special economic zones (SEZs) took place through a government gazette on 2 June 2017. The legislation aims to boost private investment (domestic and foreign) in labour-intensive areas in order to stimulate job creation, competitiveness, skills and technology transfer as well as increasing exports of beneficiated products through the establishment of SEZs.

COEGA DEVELOPMENT CORPORATION HEADQUARTERS AND DEEP WATER PORT OF NGQURA: A leading catalyst for the championing of socio-economic development.



"For to be free is not merely to cast off one's chains, but to live in a way that respects and enhances the freedom of others."

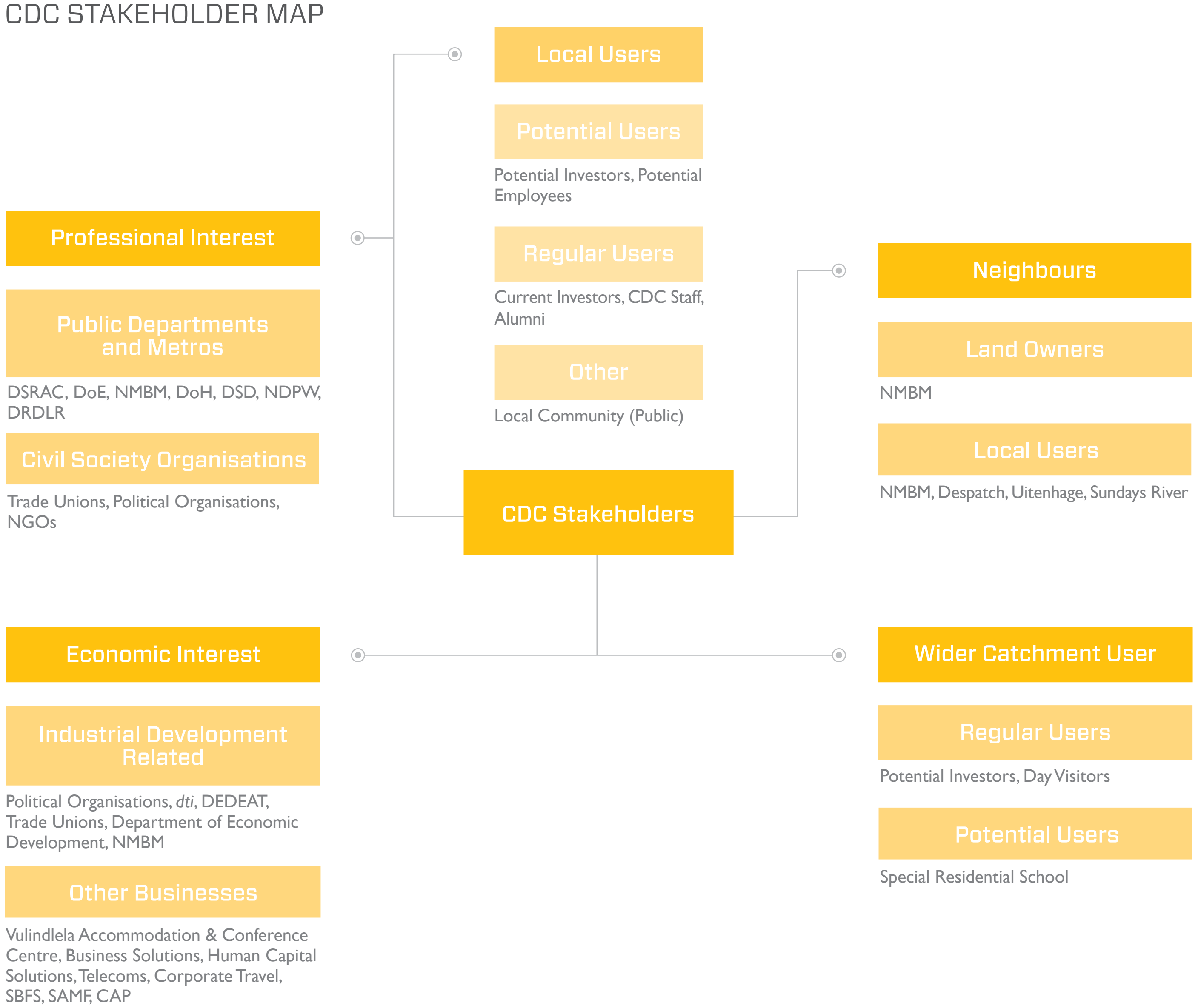
Nelson Mandela,
1918-2013

PHOTO: Nelson Mandela Foundation/Matthew Willman

"Education is the most powerful weapon which you can use to change the world." Nelson Mandela

HOME OF LEGENDS

CDC STAKEHOLDER MAP



STAKEHOLDERS

Stakeholders are all those individuals, groups or institutions which affect or influence – or are affected by or impacted upon – the CDC's operations, services, products and performance. As an agent of socio-economic transformation and development, the CDC relies on a complex network of stakeholders for its success in creating value as well as achieving its mission and strategic goals. At the same time, the organisation takes comprehensive measures to maintain consistent mindfulness of its impact on stakeholders, in terms of job creation, skills development, economic empowerment and improved quality of life, manifested through its activities in investment promotion, infrastructure projects and community development.

The organisation views positive stakeholder relationships as being founded on acknowledgement of mutual needs and interests, and strives to maintain open, two-way communication and effective strategic relationship management.

The CDC believes that successful stakeholder management requires a commitment to actively engage with stakeholders, listen to them, build a relationship with them and then respond to their concerns in a mutually beneficial way. Engagement is not an end in itself but a means to help build better relationships with the societies in which we operate, ultimately resulting in improved business planning and performance.

Objectives of CDC's Stakeholder Relations

The following main objectives were met during the year under review:

- Implemented coherent guiding principles that outlines and defines the route towards better stakeholder engagement;
- Implemented a strategy and plan that adequately acknowledges the role, influence and impact of stakeholders;
- Engaged stakeholders in order to meet and where possible, exceed their expectations;
- Contributed to sustainable business growth and sustainable development of the CDC;
- Lobbied and communicated with key decision-makers and stakeholders to facilitate buy-in and support for the CDC's activities in areas where we operate;
- Kept decision-makers, role-players and stakeholders constantly informed of the CDC's projects and developments;
- Measured the impact of stakeholder activities through stakeholder satisfaction surveys;
- Established a favourable environment and conditions for successful implementation of the overarching goals of the CDC;
- Ensured high quality, simple and targeted communication was maintained for all users, internally and externally;
- Undertook to deliver the right information, to the right people, at the right time;
- Implemented a pro-active communication strategy as well as effectively responded to queries from either the media or other stakeholders within the agreed time-frames;
- Empowered stakeholders by providing a central point of contact for all queries about the CDC projects for information purposes; and
- Involved all stakeholders in the communication process in order to build maximum trust and cooperation.

Key Stakeholder Communication Principles

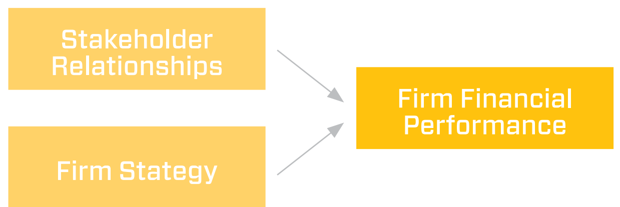
The following communication principles were adhered to during stakeholder engagements in the year under review:

- **Open and Honest**
  Open and honest communications will ensure that all stakeholders share a single consistent message and that rumours and speculation are kept to a minimum. In addition, the reputation and credibility of all parties will be protected.
- **Face to Face**
  Changes that directly impact a particular group of stakeholders should be communicated face-to-face. This gives the stakeholders the opportunity to provide immediate feedback. Listening to stakeholders is an important communication skill.
- **Clear, Concise and Consistent**
  It is important to ensure that there is no confusion or misunderstanding of the messages received. Information shared must focus on facts and not on emotions or personalities.
- **Timely**
  As it happens, when it happens. Information should be provided as soon as it becomes available. Reducing delays to a minimum will decrease the risk of uncertainty, rumours and unauthorised leaks. We will tell employees what we know when we know it; we will tell them what we don't know and when we expect to know it.
- **Frequent**
  Stakeholders must be kept involved in the process by regularly engaging them through various communication channels.
- **Use Established Communication Channels**
  Tried and tested communication channels should be used to avoid the risk of ineffective message transfer through unfamiliar media. Social media should not be utilised to disseminate important stakeholder information unless the message is generic and targeted to a large audience throughout the Province or South Africa.

STAKEHOLDER RELATIONS APPROACH

During the year under review, the CDC's Stakeholder Relations Strategy, based on the instrumental value model, was implemented. As a result, the relationship CDC developed with its stakeholders, i.e. shareholders, employees, investors, communities, organised businesses, SMMEs, Youth organisations, NGOs, academia, and other stakeholders, has had a significant positive impact on the sustainability and growth of the organisation as reported elsewhere in this Integrated Report (IR).

Despite some challenges identified during the year under review, especially involving small businesses seeking opportunities from the CDC, disrupting investor projects (i.e. BAIC SA), stakeholder engagement remained effective. Engagements were based on transparent and effective communication with stakeholders as this is essential for building and maintaining their trust and confidence. Complete, timely, relevant, accurate, honest and accessible information was provided by the CDC to its stakeholders whilst having regard to legal and strategic considerations.



CDC is an integral part of society and therefore has accountability towards current and future stakeholders. Stakeholder Activities for the year: **141**

In addition, the CDC's approach to stakeholder engagement is based on a recognised framework designed to assist the organisation select the appropriate level of participation required for different stakeholder groups. There is a range of flexible approaches and tools depending on the goals, time-frames and resources available and the interest of other parties. It recognises that different projects can require different approaches and that stakeholder needs can change overtime. Therefore, during the year under review, the following guided CDC's stakeholder engagement:

Stakeholder Engagement Methodology

	INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
Stakeholder Engagement Goals	To provide balanced, objective, accurate and consistent information to assist stakeholders to understand the problem, alternatives, opportunities and/ or solutions.	To obtain feedback from stakeholders on analysis, alternatives and/ or outcomes.	To work directly with stakeholders throughout the process to ensure that their concerns and needs are understood and considered.	To partner with stakeholders in developing where necessary alternatives and the identification of positive solutions.	To place final decision-making in the hands of the stakeholder. Stakeholders are enabled/equipped to actively contribute to the achievement of outcomes.
Promise to Stakeholders	The CDC's information on projects would be relevant, current, timely, and address stakeholder needs and expectations.	The CDC will keep stakeholders informed, listen to and acknowledge their concerns and aspirations, and provide feedback on how stakeholder input influenced the outcome.	The CDC will involve/ work with stakeholders to ensure concerns, needs, and aspirations are directly reflected in the alternatives developed, and will provide feedback on how stakeholder input influenced the outcome.	Where possible, the CDC will look to stakeholders for advice, guidance, and innovation in formulating solutions and incorporate stakeholder advice and recommendations into the outcomes to the maximum extent possible.	The CDC will work closely with key stakeholder to implement programmes/ activities that deliver high impact to address the triple challenge of unemployment, inequality and poverty.
Methods of Engagement	Fact sheets Open days Roadshows Forums Newsletters Information packs Media External sources Websites Social Media Other relevant tools - and in collaboration with other agencies where feasible	Public comments Focus groups Surveys Public meetings Internet Social Media tools	Workshops Forums Social Media tools	Reference groups Facilitated consensus building forums for deliberations and decision-making. Experimental projects	Dialogue sessions Joint planning Forums Competitions Shared projects Capacity building

In compliance with King IV, Principle 16, in the execution of its governance role and responsibilities, the CDC adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. The governing body of the CDC assumes the responsibility for the governance of stakeholder relationships by setting the direction for how stakeholder relationships should be approached and conducted in the organisation. The Social & Ethics Committee assist the governing body of the CDC in discharging its duties, as set out in the approved committee mandates and terms of references.

Specific Stakeholders Key to the CDC

GOVERNMENT	BUSINESS	COMMUNITIES	INTERNAL
Department of Trade and Industry	Current Investors	Communities impacted by CDC's programmes in SA	CDC Employees
Parliamentary portfolio committees on Trade and Industry & EC Economic Development	Potential Investors	Community Forums and Associations	CDC Executive Management
National Treasury, EC Provincial Treasury, Auditor-General, and SCOPA		Civil Societies and Non-Governmental Organisations (NGOs)	CDC Board of Directors
EC Provincial Government, which includes the Office of the Premier and other provincial departments such as DEDEAT	Media, Influencers and Thought Leaders	Community representatives	CDC Operational and Projects Management Structures
Nelson Mandela Bay Municipality & Municipalities in areas of operation	Education and Training Institutions including Research Institutes, TVET Colleges and Universities	Political Parties and Local Ward Councillors	
Key infrastructure project government stakeholders - EC DRPW, KZN & EC DoE, DSRAC, NDPW, COGTA, DSD, EC DoH, DRDLR, Mpumalanga and Northern Cape Provincial government	Organised Businesses (NAFCOC, BMF, Nedlac, etc.), SMME Forums, Local Business Agencies, Business Associations and Business Chambers, such as NMB Business Chamber	Youth Organisations in the NMBM and throughout the EC Province	
	Service Providers (SEZ)		
Various oversight committees of government, nationally and provincially	Service Providers (PMS)		

During the year under review, the annual external stakeholder satisfaction survey was conducted. The overall score achieved by the CDC was 3.8/5 or 76%. These results were made up of customers (3.7), service providers (3.8), and other stakeholders (3.9). The internal staff satisfaction survey was also conducted, and the overall score achieved was 3.4.

CDC promoted the Coega SEZ to members of the Nelson Mandela Bay Business Chamber during a tour.

MATERIAL ISSUES RISKS & OPPORTUNITIES

The risk management processes in the CDC are guided by:

- ISO 31000 Guidelines;
- National Treasury Framework; and
- The CDC's Policy Framework.

Risk management is central to the CDC's management processes. It is essential for the achievement of the organisation's objectives. Effective implementation of risk management is a critical characteristic of an efficient/ focused business enterprise, imposed by the PFMA and Treasury Regulations.

CDC classifies risks into the following broad categories:

- **Strategic risks:** These directly impact on the ability of the CDC to deliver on its mandate;
- **Operational risks:** These include financial, legal and compliance risks. They affect the systems, people and processes through which the CDC operates; and
- **Systematic risks:** These originate from macro-economic and national challenges affecting the National System Innovation and National and Provincial Government Business Enterprise space in which the CDC operates.

Once risks and opportunities have been identified and the likelihood and consequences of them occurring have been evaluated, appropriate policies and procedures are put in place to manage them, proportionate to the risk or opportunity involved.

The Board of Directors of the CDC assumes ultimate responsibility for the governance of risk by setting the direction and oversight on how risk should be managed and addressed in the organisation.

Similarly, the process of identifying strategic risks is carried out by the CDC's Executive Management Committee and thereafter approved by the Board.

Monitoring reports of the top risks are prepared and updated on a regular basis for the CDC's Executive Management Committee, the Audit and Risk Committee and the Board of Directors.

TOP RISKS AND ISSUE IDENTIFICATION

No.	STRATEGIC GOAL / OBJECTIVE / RISK AREA	RISK AND ISSUE IDENTIFICATION	MITIGATION
1	Financial Sustainability and Growth	Inability for product lines to make profit	1. Development of a credible process for (a) engaging new external clients/projects, (b) ensuring the viability of the project after major changes in its configuration. 2. Establish programmes project monitoring structure. 3. Establish a programme/project pricing model. 4. Implementation and monitoring of the developed processes. 5. Create a detecting mechanism for profitability of product lines. 6. Continue engaging DEDEAT and Provincial Treasury for funding support. 7. Enhance value proposition to attract new clients and new business. 8. Create allies through stakeholder engagement. 9. Redo DNA Report. 10. Review Targets to align with Sustainability. 11. Revise the Business and Operational Model. 12. Lobby Provincial government to give CDC 100% of Opex requirement. 13. To develop a strategy that will accelerate the contribution of SEZ to sustainability.

Top Risks and Issue Identification Continued...

No.	STRATEGIC GOAL / OBJECTIVE / RISK AREA	RISK AND ISSUE IDENTIFICATION	MITIGATION
2	Financial Sustainability and Growth	Inability to maintain clientele for External Programmes	1. Continuous positive information sharing with the client about CDC. 2. Extend stakeholder engagement to the region's ruling party. 3. Enhance value proposition for existing clients and within current projects. 4. Programme diversification to include Private Sector CSI e.g. Mining delivery of Charter promises to community. 5. EXMA Operational Executive line of sight to Directors to be strengthened. CDC needs to relook at reporting lines for programmes. 6. Increased visibility to current and prospective clients. 7. CDC policies must be flexible without being unlawful.
3	Internal Business Processes	Inadequate monitoring and control of portfolio may lead to project failure and CDC not meeting its objectives	1. Develop monitoring metrics. 2. EXMA and OPSMA to be given regular updates. 3. Ensure the dissemination of information to the rest of CDC. 4. Ensure ownership of metrics. 5. Develop standardised processes to monitor and control portfolio.
4	Advance socio-economic development	Failure to deliver on SMME objectives and policies	1. SMME Unit to review sub contract agreement for the new appointments between the contractor and the SMME. 2. To ensure main contractor adheres to CDC Mentorship Programme and disputes are dealt with contractually. 3. Renew the SMME database and review processes for selection. 4. Build capacity to deliver on the SMME objectives.
5	Internal Business Processes	Possible adverse impact to the availability, integrity and confidentiality of CDC information due to Cybercrime activities	1. Acquire Cyber Risk Monitoring tool. 2. Strengthen information security culture in organisation with continuing awareness. 3. Acquire End-point Protection Software. 4. Increase utilisation of ECM. 5. Funding needs to be made available for Information Security.
6	Organisational Capacity	Possibility of CDC losing its critical staff	1. Implement Staff Retention Strategy. 2. Address staff complaints and improve working condition 3. Analysis and corrective action plan to the staff satisfaction survey outcomes 4. Consistent monitoring and evaluation of performance. 5. Review of organisational culture. 6. Leadership development.
7	Stakeholder Management	Lack of political support	1. Implementation of the stakeholder management plan. 2. Ensure that lobbying is part of the stakeholder management plan 3. Excellence and responsiveness in delivery.
8	Preferred Investment Destination	Lack of clarity / uncertainty in the new SEZ Act	1. Continued engagement with all stakeholders. 2. Lobbying other SEZ's to engage the dti.
9	Internal Business Processes	Impaired Business continuity	1. Revamp the Business Continuity Plans. 2. Complete Business Continuity Management Project. 3. Annual Disaster Recovery Plan Testing. 4. Talent Management Strategy. 5. Accelerate Knowledge Management.
10	Internal Business Processes	Loss of Stakeholder Confidence	1. Increased visibility of CDC leadership. 2. Organisation wide stakeholder management plan. 3. Comprehensive review of stakeholder engagement.

"The biggest risk is not taking any risk. In a world that is changing really quickly, the only strategy that is guaranteed to fail, is not taking any risks." Mark Zuckerberg CEO of Facebook

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

A governance system that is beyond reproach is one of the commitments that the CDC has made to its shareholder and investors. As such, the CDC complies both with the legislation that is applicable to it as well as aligning itself to non-binding rules, codes and standards such as the King IV Report and governance protocol.

It is through ethical, effective corporate governance that public entities are controlled, managed and held to account. Corporate governance defines the distribution of rights and responsibilities among all the stakeholders and determines the rules and procedures for decision making. Most importantly, it defines where accountability lies.

In addition to legislative requirements based upon the CDC's enabling legislation and the Companies Act No.71 of 2008, corporate governance is applied through the precepts of the Public Finance Management Act No.1 of 1999 (PFMA), Treasury Regulations and in accordance with the principles contained in the King IV Report on Corporate Governance and the Protocol on Corporate Governance, 2002.

Company Secretary and Professional Advice

All directors have access to the service of the Company Secretary, who is responsible for ensuring that Board procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the Company and the Company's expense.

Report of the Audit & Risk Committee

The Audit and Risk Committee (ARC) has adopted formal terms of reference, which have been approved by the Board. In meeting its responsibilities as set out in the terms of reference, the ARC has reviewed the following:

- The functionality of the Risk Management internal control system;
- The functioning of the internal audit department;
- The risk areas of the entity's operations to be covered in the scope of the internal and external audits;
- Financial information provided by management;
- The accounting or auditing concerns identified as a result of the internal or external audits;
- The entity's compliance with legal and regulatory provisions; and
- The credibility, independence and objectivity of the external auditors as well as their audit reports.

The ARC is satisfied that internal controls and systems have been put in place and that these controls have generally functioned effectively during the year under review.

The ARC has evaluated the annual financial statements of the Coega Development Corporation Proprietary Limited for the year ended 31 March 2019 and has concluded that they comply, in all material respects, with the requirements of the Companies Act (Act 71 of 2008) and International Financial Reporting Standards (IFRS).

The ARC has:

- Reviewed the credibility, independence and objectivity of the external auditors;
- Reviewed significant adjustments resulting from the audit;
- Reviewed the external audit report and audit opinion; and
- Met with the external auditors to ensure that there are no unresolved issues.

The ARC agrees that the adoption of the going concern premise is appropriate in preparing the annual financial statements.

The ARC has therefore recommended the adoption of the annual financial statements by the Board of Directors.

Ayanda Mjekula
Chairperson: Audit and Risk Committee

CDC BOARD AND ARC COMMITTEE MEMBERS: (back from left) Xola Bomela, Sipho Zikode, Shabeer Khan, Dr. Paul Jourdan (Board Chairperson) and Adv. Thandi Norman SC. (middel from left) Babalwa Lobishe, Pumelele Ndoni and Ayanda Mjekula (ARC Chairperson), (front from left) Jan De Bruyn and Mninawe (Pepi) Silinga (Chief Executive).

The governing body promotes good governance and provides sustainable and solid business performance

GOVERNANCE STRUCTURE

Robust and effective governance is the cornerstone of the CDC's continued success in value creation – providing both investors and stakeholders with the assurance of stability and sustainability.

The CDC Board provides the organisation's vision and strategic direction, playing an active role in defining and monitoring the organisation's annual performance objectives and targets, which map the road towards achievement of the five-year strategy. The Board meets quarterly to review progress against performance objectives and to consider material issues in the context of the external environment and adjust course where necessary.

The diversity of backgrounds, networks and experience of the Board members ensures a well-rounded collective with significant insight into business and industry, economic affairs, politics and government, infrastructure development, finance, investment and sustainability. Members bring an appropriate mix of the range of specialist expertise required to guide the organisation in its diverse activities, and the Board benefits from the insight and institutional knowledge of its long-standing founder members.

Board members are carefully selected not only for their specialist expertise and knowledge, but their in-depth understanding of the socio-economic development challenges of the Eastern Cape and South Africa, and the complexity of managing mega-projects such as the Coega SEZ as a mechanism for responding to those challenges.

These qualities of the Board – specialist skills and knowledge, diversity of experience and networks, in-depth understanding of the organisation and its external environment – play a vital role in the organisation's ability to deliver value creation to its diverse stakeholders.

In addition, a strongly integrated and transparent governance system in line with best practice supports the work of the Board, with the Company Secretary as interface between the Board and the organisation, ensuring consistent application throughout all levels of the business and enabling the CDC to maintain its position as a leader in accountable corporate governance.

The three committees of the Board – Audit and Risk (ARC), Human Resources and Remuneration (HRRC) and Social and Ethics Committee (SEC) – meet quarterly to consider specific material, strategic and social issues pertinent to their terms of reference, which have been formalised and approved by the Board. Their smaller size and more frequent meetings enable key issues to be swiftly addressed.

The CEO and Executive Management Committee (EXMA) are responsible for overseeing the operational execution of the corporate strategy and implementing decisions of the Board. Day-to-day operational responsibilities are delegated by the CEO to the Executive Managers, and the CEO regularly reports to and engages with the Board and Board Committees, ensuring a free and transparent flow of information to support informed and integrated decision-making at all levels.

ATTENDANCE SCHEDULE OF BOARD & SUB-COMMITTEE MEETINGS

2018/19 FY AUDIT & RISK COMMITTEE ATTENDANCE SCHEDULE

MEMBERS	MEETING 24 MAY 2018	MEETING 18 JULY 2018	MEETING 18 OCTOBER 2018	MEETING 22 FEBRUARY 2019
Mr A Mjekula	√	√	√	√
Mr J de Bruyn	√	√	√	√
Mr T Zakuza	√	√	√	√
Ms N Qangule	√	√	√	√
Ms N Bam	–	–	–	√

2018/19 FY HUMAN RESOURCES & REMUNERATION COMMITTEE ATTENDANCE SCHEDULE

MEMBERS	MEETING 24 MAY 2018	MEETING 24 OCTOBER 2018
Mr J de Bruyn	√	√
Dr P Jourdan	√	√
Ms N Maliza	–	Apology
Mr G Zamisa	–	–

2018/19 FY SOCIAL AND ETHICS COMMITTEE ATTENDANCE SCHEDULE

MEMBERS	MEETING 24 MAY 2018	MEETING 24 OCTOBER 2018
Mr J de Bruyn	√	√
Dr P Jourdan	√	√
Ms N Maliza	–	Apology
Mr G Zamisa	–	–

2018/19 FY BOARD MEETING ATTENDANCE SCHEDULE

MEMBERS	MEETING 29 MAY 2018	MEETING 30 JULY 2018	MEETING 25 OCTOBER 2018	MEETING 28 FEBRUARY 2019
Dr P Jourdan	√	√	√	√
Mr J de Bruyn	√	√	√	√
Mr S Zikode	Apology	Apology	Apology	√
Mr A Mjekula	√	√	√	√
Mr P Silinga	√	√	Apology	√
Mr P Ndoni	√	Apology	Apology	Apology
Mr X Bomela	√	√	√	Apology
Cllr B Lobishe	√	√	Apology	√
Mr S Khan	√	√	Apology	√

DR. PAUL JOURDAN: CHAIRPERSON

Appointed: 1999

Dr. Paul Jourdan is an independent consultant on resource-based and spatial development strategies, working across several African states as well as for SADC, the AU and UNECA. As Deputy Director-General in charge of Special Projects at the *dti*, Jourdan was responsible for the establishment of the IDZ programme, with the Coega IDZ and CDC as pioneer projects. Later, as CEO of Mintek, he contributed to minerals beneficiation growth strategies, including the planning of the metallurgical cluster at Coega.

He is also on the Board of the GGDA (Gauteng Growth and Development Agency), the CEO of MEMSA (Mining Equipment Manufacturers of South Africa) and a visiting Professor at Wits (SEBS; Development Economics).

Dr. Jourdan holds a BSc in Geology and a BA in African Government from UCT; a Postgraduate Diploma in Exploration Geophysics from ITC (in the Netherlands) in Delft; an MSc in Mineral Economics and MSc in Mineral Policy from Wits University; and a PhD in Politics from Leeds University.

JAN DE BRUYN

Appointed: 1999

Jan de Bruyn was Chair of the Manufacturing Development Board of the *dti* since inception in 1993 until it closed down in 2017.

De Bruyn has served on, and in many cases chaired, the boards of leading South African corporates, including Algorax, Gencor, Hulett Aluminium and Saldanha Steel, as well as the Small Business Development Corporation (now Business Partners), the Council of the Technikon Witwatersrand (now part of the University of Johannesburg and the executive of the Afrikaans Handelsinstituut (AHI). He is also a trustee of the Asbesrus Relief Trust.

MNINAWE (PEPI) SILINGA: CHIEF EXECUTIVE OFFICER

Appointed: 1999

Mninawe (Pepi) Silinga is the founding CEO of the CDC, appointed on the establishment of CDC in 1999.

Silinga is a professionally registered Civil Engineer (Pr. Eng), Project Manager (PMP), Chartered Director (C.Dir) and a fellow of the South African Academy of Engineers (SAAE). He holds a BSc (Eng) from the University of KwaZulu-Natal, MSc (Eng) (Wits) and an MBA from Heriot-Watt University in the UK, and has participated in management programmes with Unisa (MDP), Stellenbosch (CMP), Oxford and INSEAD (AMP).

Silinga's distinguished service and outstanding contribution to socio-economic development in the Eastern Cape through bringing the vision for the Coega SEZ to life was recognised in late 2014 with the Prestige Award of the NMMU Council.

AYANDA MJEKULA: CHAIRMAN

Appointed: 2018 (Board)

Ayanda Mjekula, is a member of the Institute of Directors of S.A. He currently holds positions on various boards, including Safika Holdings. He has held board positions at CEF SOC, UBank Limited and the World Petroleum Congress. He is also currently the chairperson of the National Arts Festival-Grahamstown and deputy Chairperson of the council of the University of Fort Hare.

Mjekula has extensive banking experience, having held executive management positions at Nedbank and Standard Bank, over a period of twenty-four years. He was the first black person to be appointed in an executive management position in any bank in South Africa. In 1989, he was honoured with the Black Management Forum/ Kellogs's manager of the year award, in recognition of his managerial achievements.

As Chief Executive of the South Africa Supplier Development Agency, Mjekula gained extensive experience in enterprise and supplier development. He has played a major role in the energy sector, particularly in the liquid fuels industry. He holds a BA degree in English from the University of Fort Hare and an MBA in Financial Accounting from Western Michigan University.

PUMELELE NDONI

Appointed: 2007

Pumelele 'Bicks' Ndoni has played a leading role in local government since 1996 when he was elected as a councillor on the Uitenhage Transitional Local Council. He served as Mayor of Uitenhage from 1999 to 2000. When the Nelson Mandela Metropole was formed to include Port Elizabeth, Uitenhage and Despatch, he served as Portfolio Councillor for Infrastructure, Engineering and Energy in that structure until 2001 and was appointed the first Deputy Executive Mayor of Nelson Mandela Bay in 2002, serving in that position until 2009.

Ndoni previously worked at Goodyear in Uitenhage and holds a BA degree from Vista University.

SIPHO ZIKODE

Appointed: 2007

Sipho Zikode is the Deputy Director General of the Special Economic Zones and Economic Transformation (SEZ & ET) at the South African Department of Trade and Industry (the *dti*).

He has a B.Comm (Economics) degree from the University of the Witwatersrand along with a Post Graduate diploma in Marketing Management from the University of South Africa, and a National diploma in Chemical Engineering from Mangosuthu Technikon. He also has an MBA from the University of Pretoria and was also awarded a Certificate for Technology Innovation. In 2017, he obtained an MSC in Finance from the University of London.

In 1999, he rose from Deputy Director Defence Portfolio to the position of Chief Director Industrial Participation in 2003 later taking up the DDG position for BPD. In January 2014 to August 2015, he was appointed as the Acting CEO at SEDA and he is currently serving as a board member of the Coega Development Corporation and the National Empowerment Fund (NEF).

The governing body promotes good corporate governance, which includes ethical culture, performance and value creation, adequate and effective control and trust, good reputation and legitimacy

ADV. THANDI NORMAN SC

Appointed: 2014 (Resigned: 2018)

Advocate Thandi Norman SC was admitted as an advocate in Bhisho in 1992 and to the Bhisho Bar in 1997. She took silk in 2011. She brought valuable expertise to the CDC Board through her preferred areas of practice in shipping, competition, constitutional and administrative law.

She has appeared in the Constitutional Court, the Supreme Court of Appeal, in various High Courts, the Land Claims Court and Labour Court. Adv. Norman SC chaired the RTI Commission (February 2013 to March 2014) and acted as evidence leader in the Zondo Commission (2018), Pillay Commission (2005) and the Goldstone Commission (1995) in the Eastern Cape. She was also a Presiding Officer at the country's first democratic elections and has acted as a judge from time to time since June 2002 in the Eastern Cape and KwaZulu-Natal.

Adv. Norman SC holds a BJuris LLB degree and a Certificate in Shipping from the Chartered Institute of Shipping.

SHABEER KHAN

Appointed: 2014

Shabeer Khan is the Chief Financial Officer of the *dti*, leading the Financial Management Services team. Khan is responsible for driving the strategic objectives of the department and aligning its priorities with the necessary funding to ensure the *dti* achieves its objectives. He is a member of the *dti's* Executive Board as well as the Bid, Risk and Ethics committees. He is also a member of the South African Bureau of Standards (SABS) audit committee.

Khan holds a BCom Honours degree and is a registered Chartered Accountant. He joined the *dti* in 2013, having previously worked for the Auditor-General of South Africa where he was responsible for managing numerous audit portfolios and taking the lead in many United Nations audit assignments.

BABALWA LOBISHE

Appointed: 2014

Babalwa Lobishe has a BCom degree from Vista University in Port Elizabeth and is currently studying towards her Master's in Public Administration at the University of Fort Hare.

Lobishe formerly held the portfolio of Economic Development, Tourism and Agriculture (EDTA) on the mayoral executive committee of the NMBM and was the MMC for Roads and Transport Portfolio Committee. She was deployed to the mayoral committee in the Sports, Arts and Culture portfolio in 2011 and moved to EDTA in 2013 and was further deployed to start a new portfolio of Transport in 2015. She currently serves as the EC MPL and the Chairperson: Safety and Liaison Committee.

She joined the ANC in 1999 and assisted in community mobilisation and development. She was elected as a branch secretary for the South African Student Congress in 2000 and served on the provincial executive of the ANCYL from 2008 to 2010. From 2008 until recently, Lobishe has been an ANC regional leader on the Sports and Economic Development desk.

She is currently operating a small business within the construction sector doing social facilitation, civil works, renovations, landscaping and is also part of a cooperative that does sewing and fish farming.

XOLA BOMELA

Appointed: 2018

Xola Bomela is the independent consultant in the water sector, focusing on economics of water value chain mainly focusing on water infrastructure development and water revenue and billing management solutions. Through his interest in the economics of water, he concluded a research dissertation on Economics of Raw Water Pricing in the Mzimvubu-Tsitsikamma Water Management Area. With this dissertation he graduated with an MBA at UCT Graduate School of Business.

For nine years he was the Director of Operations at Amatola Water Board. He pioneered the expansion of market footprint of the Water Board to cover the entire Eastern Cape Province. During his time at the Water Board, his division was awarded with a series of high performance and excellence accolades such as the Blue Drop Accreditations.

Before this time, he held Electrical Engineer and Senior Management positions, respectively, at Denel and Barloworld.

Bomela is a professionally registered Engineer (Pr. Eng.); a Member of South African Institute of Electrical Engineers (SAIEE) and Water Institute for Southern Africa (WISA).

Besides the MBA, he holds a BSc (Mathematics & Applied Mathematics) from the University of Fort Hare, Higher Diploma in Education (Post. Grad. HDE) through UCT, BSc (Eng) (Electrical) from UCT and an MSc (Eng) (Electrical) from the University of Stellenbosch. Bomela further completed an Executive Leadership Programme through UNISA Graduate School of Business Leadership.

AUDIT & RISK COMMITTEE

In order to ensure independent oversight of the organisation's response to material issues via financial controls and risk management, the membership of the ARC is weighted towards independent, external members.

AYANDA MJEKULA: CHAIRMAN

Appointed: 2002 (ARC Member); 2010 (ARC Chairperson)

See Ayanda Mjekula's profile under Board Member profile.

NOMFUNDO QANGULE

Appointed: 2010

Nomfundo Qangule is a Chartered Accountant CA(SA) with extensive board and audit committee experience. Qangule currently serves on a number of Boards and Audit Committees including Afrox Ltd, Nozala Investments, Hans Merensky Holdings and Rebosis Ltd, to name a few.

Qangule was previously the CFO of Harmony Gold Ltd and served on various other boards including Afrocentric Health Ltd. She has a strong banking background and worked for Nedbank Corporate and its International division.

JAN DE BRUYN

Appointed: 2007

See Jan de Bruyn's profile under Board Member profile.

TEMBA ZAKUZA

Appointed: 2010

Temba Zakuza is an audit partner at Nkonki Inc. Chartered Accountants and has extensive experience in public sector governance. He was previously the head of the Department of Accounting at the University of Fort Hare; IRBA Board member and chaired the education, training and professional development committee of the Independent Regulatory Board for Auditors (IRBA).

Zakuza chaired the audit and risk committees of the South African Local Government Association (SALGA), and Centlec and currently, Walter Sisulu University and Mbizana Local Municipality.

Zakuza has a BCom degree from the University of Limpopo and postgraduate accounting diplomas from UCT. He qualified as a Chartered Accountant (CA (SA)) in 1999 and as a Certified Internal Auditor in 2000.

NOLUNTU BAM

Appointed: 2019

Noluntu Bam has 15 years' experience in financial services regulation and was part of a leadership cohort at the FAIS Ombud that resolved disputes between members of the public and financial services providers. She was the head of the FAIS Ombud institution during the last eight years of her employment.

Her role demanded an in-depth understanding of the way government works, deep understanding of government policy, policy formulation, government programmes and enhanced appreciation of the interconnectedness of the various limbs of government and how these should co-operate with one another.

Bam has an MBA from Wits Business School and a Post Graduate Diploma in Financial Planning Law from the University of the Free State. She also holds a LLM (with specialisation in Income Tax Law) from UNISA, LLB from the University of KwaZulu Natal and B.Proc from Walter Sisulu University.

Bam is a professionally registered member of the Financial Planning Institute South Africa and an Admitted Attorney of the High Court of South Africa since 1998.

CDC maintained an excellent pace of unqualified audit opinion since inception in 1999

HUMAN RESOURCES & REMUNERATION COMMITTEE

The committee makes recommendations to the Board on matters including general staff policy, remuneration, bonuses, Directors' fees, services contracts and other employee benefits.

DR. PAUL JOURDAN

Appointed: 2000

See Dr. Paul Jourdan's profile under Board Member profile.

ADV. THANDI NORMAN SC

Appointed: 2015
(Resigned: 2018)

See Adv. Thandi Norman SC's profile under Board Member profile.

JAN DE BRUYN

Appointed: 2000

See Jan de Bruyn's profile under Board Member profile.

NONKQUBELA MALIZA

Appointed: 2018

Nonkqubela Maliza has been a senior executive for over 16 years, with work experience in the private and public sectors, including substantial international exposure.

Maliza has been an Executive Director in the automotive sector for a global automaker for 12 years, with work experience in financial services, mining and manufacturing sectors in both South Africa, Africa and internationally. She is passionate about sustainable socio- economic development in South Africa.

She holds an MBA from the University of Cape Town, a BA Honours (Economics) and a BA (Economics & Psychology) both from Rhodes University.

SOCIAL & ETHICS COMMITTEE

The role of the social and ethics committee is to monitor the activities of the CDC and its subsidiaries, as a corporate citizen, taking into consideration the relevant legislation and any other legal requirements or prevailing codes of best practice.

DR. PAUL JOURDAN

Appointed: 2000

See Dr. Paul Jourdan's profile under Board Member profile.

NONKQUBELA MALIZA

Appointed: 2018

See Nonkqubela Maliza's profile under HRRC profile.

JAN DE BRUYN

Appointed: 2000

See Jan de Bruyn's profile under Board Member profile.

ADV. THANDI NORMAN SC

Appointed: 2015
(Resigned: 2018)

See Adv. Thandi Norman SC's profile under Board Member profile.

Management's approach to good corporate governance is based on a holistic and interrelated set of arrangements being implemented in an integrated manner

EXECUTIVE MANAGEMENT (EXMA)

The Executive Management Committee (EXMA) is the CDC's highest operational decision-making body. Convened by the CEO and with all Executive Managers as members, it is a key structure in ensuring combined assurance and enabling integrated thinking and reporting by the organisation.

With specific authority delegated to it by the CEO in order to facilitate effective, collective decision-making, EXMA considers strategic matters relating to the CDC, as well as operational matters arising from the various business units, and acts to facilitate coordination of the activities of these business units.

MNINAWE (PEPI) SILINGA: CHIEF EXECUTIVE OFFICER

Areas of expertise:
Engineering; Project Management; Leadership; and Economics.

MONDE MAWASHA (PROGRAMME DIRECTOR: ICT, RESEARCH & STRATEGY)

Areas of expertise:
Engineering; Management; Project Management; and Economics.

CHRISTOPHER MASHIGO (BUSINESS DEVELOPMENT)

Areas of expertise:
Business Development Management; Strategy; and Engineering.

BONGINKOSI MTHEMBU (CORPORATE SERVICES)

Areas of expertise:
People Management; Leadership and Corporate Governance.

FEZILE NDEMA (ACTING OPERATIONS)

Areas of expertise:
Facilities and Operations Management; and Sustainable Development.

LIONEL BILLINGS (CHIEF FINANCIAL OFFICER)

Areas of expertise:
Finance and Supply Chain Management.

KELLY BYRNE (TECHNICAL SUPPORT FOR PROGRAMMES)

Areas of expertise:
Multidisciplinary Project Engineering; Engineering Economics; Portfolio Management; Programme Management; and Project Management.

CHUMA MBANDE (BUSINESS DEVELOPMENT - EXTERNAL PROJECTS)

Areas of expertise:
Engineering; Project Management; and Finance.

RICCARDO TEMMERS (CENTRE OF EXCELLENCE)

Areas of expertise:
Programme and Project Management; Strategic Project Management; and Engineering: Built Environment.

PROGRAMME DIRECTORS

Programme Directors are responsible for the CDC's infrastructure programmes under the External Services Unit, a growing component of the organisation's business model as it brings its expertise in managing complex and mega infrastructure projects to assist with capacity building and in resolving government's service delivery challenges. Clients include the Eastern Cape Provincial Departments of Health; Education; Roads and Public Works; Sports, Recreation, Arts and Culture; Rural Development and Land Reform; and Economic Development, Environmental Affairs and Tourism. Other clients can be found in other provinces, including KwaZulu-Natal Provincial Department of Education; Northern Cape Provincial Government (and NCEDA); Mpumalanga Provincial Government (and MEGA) and National Department of Public Works (NDPW), to mention but a few.

ZINE MTANDA

Programme Director: Technical Procurement Support

THEMBA KOZA

Programme Director: National Department of Public Works (Cape Town)

THEMBEKA POSWA

Programme Director: EC-Department of Education

NOLUNDI KETI

Programme Director: KZN Programme

ZAKHELE KUNENE

Programme Director: MEGA Programme

HENNIE VAN DER KOLF

Programme Director: Department of Health Programme

TANDILE NGXEKANA

Programme Director: National Department of Public Works (Mthatha)

DAVID LEFUTSO

Programme Director: Wild Coast SEZ

ZUKO MQHATHU

Programme Director: SEZ Property Development and Management

DR. SIYABONGA SIMAYI

Programme Director: Northern Cape

MARIA VAN ZYL

Programme Director: SEZ Infrastructure

COEGA BRAND ARCHITECTURE

MOTHER BRAND

Monolithic Brand

COEGA DEVELOPMENT CORPORATION

Vision
To be the leading catalyst for the championing of socio-economic development.

Mission
To provide a competitive investment location, facilitate holistic infrastructure and value-adding commercial business solutions.

BRAND VALUES & PILLARS

Brand Values
- Integrity
- Innovation
- Partnership
- Service Excellence
- Sustainability

Brand Pillars
- Transparent Practices
- Customised Solutions
- Efficiency through Expertise
- Sustainable Socio-Economic Development

Brand Personality
- Progressive
- Trustworthy
- Intelligent

Positioning: Right Place, Right Time, Right Choice

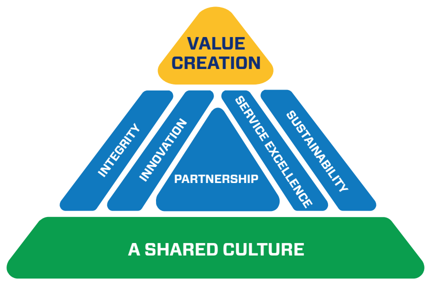
MAIN BRANDS

Special Economic Zone | Commercial Services | Project Management Services

SUB-BRANDS

- Special Economic Zone → Nelson Mandela Bay Logistics Park
- Vulindlela Accommodation & Conference Centre
- Corporate Travel
- Human Capital Solutions
- Business Solutions
- Telecoms
- Infrastructure Development Services → Africa Programme
- Facilities Management Services

SHARED VALUE



BEING COEGA

FOCUSED ON CREATING VALUE FOR SHAREHOLDERS, EMPLOYEES, CUSTOMERS AND SUPPLIERS

- **CREATING FINANCIAL VALUE** FOR OUR SHAREHOLDERS
- **CREATING SOCIAL VALUE** FOR OUR COMMUNITIES
- **CREATING ECONOMIC VALUE** FOR OUR EMPLOYEES
- **CREATING SHARED VALUE** FOR OUR STAKEHOLDERS

The Coega brand strategy is based on a monolithic brand approach. The mother brand is Coega and the pay-off line is Right Place, Right Time, Right Choice. There are three main brands, namely: SEZ, Commercial Services, and Project Management Services (External Services Programmes). The Coega sub-brands are as follows: NMBLP, Vulindlela Accommodation & Conference Centre, Corporate Travel, Human Capital Solutions, Business Solutions, Telecoms, Infrastructure Development, Africa Programme, and Facilities Management.

Independent Brands: SBFS Small Business Finance & Support – Financing Sustainable Small Business; Coega Development Foundation – Empowering Growth for All; SAMF South African Marine Fuels

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In keeping with its vision and in compliance to the King IV code on corporate governance and international best practice, the CDC aims to create value and make long term and sustainable investments in communities. Therefore, Coega's sustainability focus ensures that corporate social responsibility (CSR) permeates through the organisation in cross-functional areas in job creation such as the internship programme, environmental protection, heritage and culture alignment, training and skills development, business partnerships, enterprise development and engagement with communities.

Coega's social responsibility programmes focus on skills, training, and human development; they are designed to fill the shortfalls and needs that have been identified in the Eastern Cape. The sustainability of the CSR programmes is ensured by high impact and long-lasting initiatives, rather than just short-term charitable donations.

The decision to equip communities with long term skills rather than focusing on philanthropic or short-term donations was taken during the 2016 financial year and saw a reassessment of the way in which the CDC profits are disbursed. It was recognised that building skills ultimately stimulates the economic development of the region as a whole and thus contributes to the core mandate of the CDC.

The investment in communities during the year under review allowed for the continuation of the CSR programme to include a successful maths and science programme and the driver training programme. However, due to budget constraints, the driver training programme model has been changed from a free programme to a contracted programme (revenue generating). The focus on skills development for people with disabilities, as well as the other skills development initiatives, filter throughout the organisation. Long term and life changing work opportunities are made available through the successful CDC's internship programme.

Making a difference through Maths & Science

The Maths and Science Programme (MSP) established in 2013 is one of the CDC's CSR flagship programmes, largely contributing to the community in terms of education and skills development in Maths, Science, Engineering and Technology. Since inception, 322 learners have benefited from the programme.

Good results in Maths and Science further enables students to pursue other career streams, such as Accounting, Actuarial and related studies.

The programme is yielding the desired results, especially the Maths and Science Centre, which caters for Grade 12 learners wishing to improve their Maths and Science results in order to gain university entrance in Science, Engineering and Technology studies.

In 2017, the CDC signed a Memorandum of Agreement with the Council for the Built Environment (CBE) to increase the enrolment of students. As a result, during the year under review, the grant received from the CBE has enabled the CDC to increase the intake of learners in the MSP from 48 to 85 learners in 2018. The success of the MSP can be best described by the student's testimonial, below.

In addition, the 85 learners successfully completed the programme. The pass rate at the end of 2018 was 100% in mathematics and physical science, respectively. All learners were from the Eastern Cape, including rural areas; and 65% were females. The top 10 students are all currently enrolled at various universities throughout the country, while 80% are registered to study Engineering. The highlight was the top student who joined the programme with a 37% in mathematics and 47% in physical science, at the end of the year, the learner passed his subjects for Grade 12 with 77% in mathematics and 87% in physical science. Of the learners who passed the final examination, 67% are pursuing studies in various institutions of higher learning, after improving their Maths and Science results through the CDC Maths and Science Programme.

Student Testimonial

> *"I want you to understand that this email is addressed to you because you inspired me to my best at all time. Thank you for making me feel like I deserve the best. Your faith in me has given me faith in myself, and for that I am grateful. Thank you for giving me someone to run to instead of someone to run from. Thank you for your open door-policy, and you made me talk to you about anything. Thank you for making class entertaining. Not every student enjoyed the subject you taught, not everyone enjoyed your presence in class but every student enjoyed your motivational talks in class. Finally, and most importantly thank you for not just teaching me to pass Science and Maths but teaching me to succeed in life. Not only did you give me tools I needed to do well in your class, but you gave me all the tools I needed to do well in university and beyond." Sinuka.*

Driver Training Programme

The Driver Training Programme provides an opportunity for graduates and unemployed youth to obtain a driver's licence, which enhances their capacity to find employment. The programme is unquestionably one of the most significant CSR interventions for unemployed youth in the EC and beyond. However, implementing the programme requires funding; as a result of the CDC's financial constraints only self-funding projects were implemented during the year for various clients, including in the Northern Cape Province for the Northern Cape Economic Development Agency (NCEDA), where CDC is an Implementing Agent (IA). During the year under review a total of 655 people benefited from this Programme, albeit funded by third parties.

Skills Training Programme (STP)

The CDC views skills development as a panacea for socio-economic development and as such a fight against the unemployment scourge and indeed its two counterparts, poverty and inequality, the so called "three evils" plaguing South Africa.

Skills as a panacea for socio-economic development, particularly employment creation is best illustrated by the orientation of investors. Investors' consideration before choosing an investment destination is the availability of requisite skills. It is this recognition that impelled the CDC to establish a Skills Development Centre (SDC), an engineering training facility that offers accredited training programmes that culminates into credentialed qualifications ranging from part qualifications, national certificates at various National Qualifications Framework (NQF) levels to artisanship in the civil and built environments, electrical and mechanical fields. These learning programmes are accredited by the Construction Education and Training Authority (CETA), Mechanical Engineering and Related Education and Training Authority (MERSETA) and the Quality Council for Trade and Occupations (QCTO).

Over the five years of its existence the SDC has developed into a versatile training service provider that utilises a two-pronged service delivery approach, onsite and offsite training. The onsite training is undertaken at clients' premises using purpose-built mobile training platforms and offsite training is conducted from state of the art workshops at the Centre's premises on the Coega SEZ in Port Elizabeth. The former is mostly confined to short courses or part qualifications, whereas the latter offers full qualifications through training learning pathways that encompass Learnerships and National Occupational Certificates.

PERFORMANCE OVERVIEW

The 2018/19 financial year was a difficult year for the SDC with an achievement of only 56% (827 against a target of 1 472) and 38% on core funding/partner contributions (R5 142 445 against a target of R13 380 000). The underperformance is largely ascribed to the country's difficult economic conditions during this period that resulted in scaling down on people development related activities across most economic sectors. The economic conditions in the 2018/19 financial year were so unfavourable that, had the SDC not pushed its partnerships beyond the traditional base it would have even fallen far below these targets.

Although the SDC could not realise the targeted training numbers due to mainly funding challenges, the CDC surpassed its target for this deliverable, achieving 102% (6 769 against an overall corporate target 6 614). This entails numbers attained from SDC activities and other initiatives, driven mainly by CDC's Human Capital Solutions (HCS) whose aspect of training is focused on Life Skills that includes but not limited to Career Guidance, Personal Finance, HIV and Aids, Health and Safety, Time Management and Communication. The CDC also facilitate training in credentialed learning programmes that do not fall within the SDC's domain.

While the SDC fell short on training numbers and core funding targets as already mentioned, it made giant leaps during the year under review in the expansion of its portfolio of accredited learning programmes and delivery infrastructure.

On the expansion of the portfolio of learning programmes, the SDC had a bumper harvest of 21 new training programmes, comprised of 13 skills programmes and six full qualifications that included six National Occupational Certificate qualifications. Accreditation on the former was conferred by the CETA and MERSETA and on the latter by the QCTO. Achievement of accreditation for 6 National Occupational Certificate qualifications comes with some prestige as it makes the SDC one of the few in the country to pass the excruciating scrutiny of the QCTO. The qualifications carry a minimum of 360 credits, which equates to diplomas offered by the country's institutions of higher learning and articulates quite well with related learning programmes offered at this level. This achievement places the SDC ahead of most Technical and Vocational Education Training (TVETs) providers in the country.

Extension of accreditation meant that the SDC had to also expand its delivery infrastructure to accommodate the resultant anticipated increase in learner intake going into the future. To this effect a total of R14 million was invested in the construction of two training workshops, acquisition of additional training equipment and two customised 8-ton trucks, the latter, specifically to enhance mobile training infrastructure. Since its establishment, the SDC's services have largely been focused on contractors on the Coega SEZ and CDC-implemented public infrastructure projects across the Province. The 2018/19 financial year saw a significant shift in focus to encompassing partnerships with Sector Education and Training Authorities (SETAs), particularly the CETA and the Chemical Education and Training Authority (CHIETA), Local Government (District Municipalities in particular) and non-construction companies. The shift has largely been necessitated by the quest to maximise contribution in the alleviation of the skills dearth and ultimately unemployment in the province and beyond.

One of SDC's shortcomings had been its inability to provide canteen facilities for learners. This had a negative impact on its activities to some extent as learners had to walk for about 2km to the nearest food outlets, which also was exposing them to risks of being mugged on the way. Further, this resulted

Total number of people trained by CDC is **7 406** in extended meal breaks that encroached on training time. To resolve this challenge and at the same time further expanding its offerings, the SDC established an integrated facility that incorporates a Hospitality Training Kitchen and a Canteen. The former is in the process of being accredited to offer a variety of learning programmes in the food services industry and the latter opened its doors at the beginning of 2018/19. The Canteen is also geared at offering affordable meals to job seekers that visits the CDC's Recruitment Centre in large numbers on a daily basis.

Partnerships

The SDC is cognizant of the fact that making a marked dent on the "triple evils" requires acquiesce of multiple stakeholders that leads to cooperation. Consequently, the SDC has consciously forged relations with stakeholders presented in the table below:

Stakeholder Categories	Claims/Interest	Magnitude of Claim/Interest
Sector Education and Training Authorities	Accreditation, quality assurance on skills programmes, learnerships and certain certificate courses and subsequent certification	High
National Artisan Moderation Body (NAMB) and Quality Council for Trades and Occupation (QCTO)	Accreditation, quality assurance on apprenticeships and occupational certificates and subsequent certification	High
Learners	Quality transferable skills with universal acceptance	High
Host Employers	Disciplined learners with basic applicable skills	Medium
Youth Development Agencies	Access to services by its constituencies	Medium
Some Government Departments e.g. Department of Social Development, Department of Small Business Development and the Department of Women and Children	Access to services by its constituencies	Low
Eastern Cape Department of Economic Development Environmental Affairs and Tourism	Achievement of quarterly targets culminating to the annual target	High
Coega Development Corporation's Business Development Unit	Availability of skilled local workforce as an aspect of value add offered to potential investors	High
The Donor Community	Accountability on donated resources	High

Disability Affirmation Programme (DAP)

The DAP is directed at the restoration of the dignity of people living with disabilities by providing them with skills that enhances their chances to secure employment. The Programme is intended to facilitate their integration into the mainstream economy. This is meant to enable them to earn their living with less dependence on the Government grants or welfare interventions.

The Programme is also geared at assisting people living with disabilities with tools and or equipment that is a prerequisite for optimally functioning both at work and home and these includes but not limited to wheel chairs, including motorised ones where necessary, crutches and foot wear.

Under this Programme the CDC also provides transport from their places of residence to work for people living with disabilities that are its employ. In terms of the CDC's Employment Equity Plan, the CDC has an annual target of 5% employees living with disabilities. At the close of the financial year under review CDC had 16 (4%) of people living with disabilities in its employ placed across the entire organisation.

LOOKING AHEAD

The CDC moves into 2019/20 FY with a concerted effort to up the stakes as a role player in the CSR arena. Its sustainable development, empowerment and transformation efforts would be predominantly driven by a newly formed entity, the Coega Development Foundation (CDF). The Entity that has been registered as a Non-Profit Company (NPC) and is wholly owned by the CDC is geared at sharpening the latter's focus in the delivery of high impact CSR initiatives as well as keeping the CSR agenda alive throughout the CDC.

The CDF's strategy is geared towards high impact service provisioning, more visibility in rural areas and long-term sustainability of CDC's CSR initiatives. Among the high impact provisions would be:

- The delivery of practical skills, including driving skills, that beneficiaries could productively use in employment and/or entrepreneurship;
- Expansion of the Maths and Science programme to reach more beneficiaries including in the rural areas;
- Increased rural oriented interventions supported by mobile training infrastructure complemented by rural satellites;
- Incorporation of an Early Childhood Development (ECD) programme with a rural bias, particularly upgrading ECD infrastructure and building capacity of requisite human resources. This is informed by CDF's belief in the crucial long-term effects of early childhood stimulation and nurturing, particularly during their formative years, prior to their formal schooling age. Such interventions are minimal or of substandard in rural areas, informal settlements and townships hence the CDF's intended focus;
- Alignment of CDF interventions with District Municipalities' IDP priorities;
- Long term sustainability hinged on diversified and expanded partnerships and in the long run establishment of an investment wing of the Foundation whose proceeds would be used to solely fund the activities of the Foundation;
- Provision of Implementing Agency services for CSR initiatives funded by companies on the Coega SEZ through pooling together financial contributions to CSR initiatives and applying them in accordance to their areas of interests e.g. Health, Education, Environment Sustainability and Enterprise Development, to name a few; and
- Establishment of operating a Thematic Interpretive Centre within the Coega SEZ.

While the CDF would be pivotal in the implementation CDC's CSR initiatives there are specialised interventions, namely, SMME Development; Environmental Protection, Heritage and Culture alignment and Community Engagement that would remain the responsibilities of CDC's specialised respective functions.

MAKING A DIFFERENCE THROUGH MATHS & SCIENCE: 100% pass rate in mathematics and physical science.

COEGA SEZ PROJECTS TIMELINE

1997 - 2012

- A feasibility study established that the Coega Project was viable and well-suited to the establishment of the deep-water port
- The Coega Development Corporation Pty (Ltd) is established
- Coega becomes the first declared South African IDZ
- Dynamic Commodities becomes the first investor to operate in the Coega IDZ
- The CDC signs a long-term lease agreement with the Nelson Mandela Bay Municipality (NMBM) to take over the management of the NMBLP
- CDC portfolio of projects increases to R40 billion within four years of an intensive marketing drive
- Trial operations at Port of Ngqura confirm readiness for operations
- President Jacob Zuma officially opens the Port of Ngqura
- The Port of Ngqura surpasses the Port Elizabeth Port to become the third busiest container port in South Africa
- CDC reaches a Broad-Based Black Economic Empowerment (B-BBEE) level 2
- CDC signs industrial gas company Air Products for R300 million investment
- Famous Brands signs lease agreement for the establishment of a R25 million cold storage distribution unit and partners with neighbouring investor, Coega Dairy, to produce cheese for its fast food outlets across the Eastern Cape
- Discovery's BPO call centre breaks the mark of 450 people employed

2013

- DCD Wind Towers begins construction on its Zone 3 wind tower manufacturing plant in March; Air Products South Africa begins construction on its air separation unit in May, the first in the Eastern Cape
- CDC wins Top Performing Parastatal/Agency of the Year at National Business Awards in November
- CDC wins Best Provider of Services to Exporters in the Eastern Cape Award from the EC Exporters Club
- CDC wins the Best Company in Promoting and Enhancing Sustainable Development in the Eastern Cape
- Afrox, a leading South African gas company, is signed as a new investor in November
- Coega Cheese starts producing thousands of tons of cheese a month for Famous Brands
- Construction of FAW's truck assembly plant is completed
- Famous Brands starts operating from Zone 1 of the Coega IDZ
- Agni Steels fires up its machines to start producing steel billets

2014

- CDC's pipeline is valued at R140 billion (private sector investments only in terms of capital expenditure with no revenues accruing to the CDC)
- Afrox starts construction of its air separation unit in Zone 3 of the IDZ in February
- FAW, DCD Wind Towers and Agni Steels SA reach commissioning phase and start production in March
- First wind turbine tube rolls off the DCD Wind Towers production line in March
- Operational investors move from 22 to 28
- Afrox and Air Products launch their air separation units
- CDC signs record number of ten new investors
- CDC awarded Top Employers South Africa 2014-2015 Award
- CDC awarded Best Provider of Services to Exporters 2014
- CDC, in partnership with JA Solar, initiates a 48 KW solar panel project to assist electricity generation within the IDZ, initially supplying power to the CDC headquarters

2015

- CDC nominated for finalist in the Top Empowered Public Service Award category at 14th Annual Oliver Empowerment Awards
- CDC appointed implementing agent on behalf of KwaZulu-Natal Co-operative Governance and Traditional Affairs (COGTA) on two projects
- UTi moves into a new IDZ facility
- Air Products becomes operational
- Afrox becomes operational
- 31 operating investors with an investment value in excess of R6,44 billion
- 19 new investors signed in the Coega IDZ valued at R1,889 billion
- Implementation of Phase 1 of the Multi-user facility in Zone 3
- River Edge, a food processing company, the first investor to take occupation in the Multi-user facility
- Commissioning of the R3,5 billion Dedisa Peaking Power Plant
- WNS – call centre operational at BPO
- Project Maturity 3.34
- Knowledge Management Level 2

2016

- 17 new investors signed with an investment value of R26,99 billion
- 36 Operational investors
- 11 774 jobs created
- 37,2% SMME Procurement
- 9 500 m² Coega Cheese and Coega Dairy Expansion
- Job Creation Award (Oliver Empowerment Award)
- Top Employer Award 2016
- Implementation of five year sustainable growth strategy (SGS) commences
- ISO Attainment 100%
- Certified in ISO 9001:2015 (Quality Assurance), OHSAS 18001 (Occupational Health and Safety), and ISO 14001:2015 (Environmental Management)
- 174 people were placed successfully with Aspen Pharmaceuticals in general assistant positions
- 50 learners successfully trained in the following skills programmes:
  - Boiler making - 15 Learners placed in host companies
  - Welding - 14 Learners placed in host companies, with one undergoing training
  - Fitting and Turning - 12 Learners placed in host companies
  - Joinery - eight Learners undergoing training
- CDC facilitated accredited training for 218 small businesses throughout the Eastern Cape

2017

- 16 new investors signed with an investment value R11,685 billion
- 40 Operational investors
- 9 626 Construction jobs created
- 7 243 Cumulative operational jobs
- 38% SMME Procurement
- 54.6ha BAIC investment secured
- R6.996 billion private sector investment
- B-BBEE Level 3 certification
- Qualified as a value-adding supplier
- Received eight awards: Top Performing Public Service Company: Job Creation; 2030 Vision; Legends of Empowerment & Transformation; Top Employer in SA: Public Sector; Top 50 companies in the Nelson Mandela Bay (NMB); Best Established Black Business Awards; Winner of Infrastructure Development at Vision 2030 Awards; and Best International Trade Marketing Specialist at the sub-Saharan Enterprise Awards 2017 (international recognition).
- Certified in ISO 15 498: Records Management, SANS 16 001: HIV & AIDS, OHSAS 18 001: Occupation Health & Safety, ISO 20 000: IT Service Management, ISO 27 000: Information Management, ISO 31 000: Risk Management
- 6 697 people trained

2018

- 14 new investors signed with an investment value R860,731,255
- 43 Operational investors with an accumulative investment value of R7,079 billion
- 9 557 Construction jobs created
- 8 210 Cumulative operational jobs
- 36% SMME Procurement spend on SMMEs
- 6 674 people trained
- R507,087,388 revenue generated
- Investors operationalised: Corro Master (commenced April 2017); National Ship Chandlers (commenced May 2017); Sanitech (commenced in July 2017); Finecorp Trading (commenced in September 2017); Ke Nako Concrete (commenced in September 2017); Lension SA (commenced in November 2017); Cerebos Zone 3 Multi-User warehouse space (commenced in November 2017)
- EIA approval received for a 440 hectare land based aquaculture development zone (ADZ); and
- EIA approval was also granted for a desalination plant in Zone 10

2019

- 18 new investors signed with an investment value R2.06 bn
- 45 Operational investors with an accumulative FDI of R9.53 bn
- 8 016 Construction jobs created
- 7 815 Cumulative operational jobs
- 33% SMME Procurement spend on SMMEs
- 7 406 people trained
- Won prestigious awards:
  - 2018 Top Performing Public Sector Organisation award;
  - 2019 Investor of the year award at the SA Premier Business Awards organised by the Department of Trade and Industry in partnership with Brand South Africa and Proudly South African;
  - As the employer of choice, the organisation received the 2018 and recently the 2019 Top Employer Certificate from the Top Employer Institute South Africa; and
  - Received the 2019 Best Regional International Trade & Development Organisation in South Africa.
- Investors operationalised include HELLA (R50m); Cemza Cement (R600m); and Kenako Concrete Mix Plant (R105m) and others such as Cerebos expansion and Ocean Legacy Marine Engineering
- Achieved BBBEE level 4
- Revenue generated from operations is R523.8 million

Deepwater Port of Ngqura and Port of Port Elizabeth with estimated **2.6 million** TEU capacity, making Coega an ideal Transhipment hub and investment location

THE COEGA SEZ HAD **45 OPERATIONAL INVESTORS** AT THE END OF THE 2018/19 FY, **AMOUNTING TO R9,53 BILLION**

45

COEGA
FOCUSING ON SUSTAINABILITY

PERFORMANCE INFORMATION 02

2018/2019 CORPORATE PERFORMANCE

CORPORATE PERFORMANCE OVERVIEW

The CDC has concluded its penultimate year of its 5-year Strategic Plan ending 2019/20. Sustainability is a key driver for the CDC. The goals and objectives are aimed at achieving a breakeven status by the end of the fifth year of the strategic period. The SWOT and PESTLE analyses conducted in preparation of the Strategic Plan presented three options to pursue in order to achieve the level of sustainability of the CDC. The High Road was premised on one hundred percent operational and capital expenditure funding being made available from the Executive Authority, and less dependencies on CDC's External Programmes. The Medium Road considered an eighty percent operational expenditure funding, and one hundred percent capital expenditure funding with medium dependencies on external services.

The Low Road is premised on fifty percent operational expenditure funding, one hundred percent capital expenditure funding and a major dependency on external services for sustainability.

Equally, the target/s for each objective is aligned to the funding availability. Funding is a key enabler for the achievement of the goals of the CDC.

The strategy considers the CDC's need to contribute to the socio-economic factors which are mandatory deliverables and are therefore included as part of the objectives of the CDC. The SEZ Act defines the purpose of the Special Economic Zones, and the strategy aligns itself to achieve on the objectives of the act.

The table below describes the three Strategic Goals and the Strategic Objectives of the CDC.

The objectives of each programme are also aligned to the purposes of the SEZ Act and are described in the Objectives per Programme section.

CDC Strategic Goals and Objectives

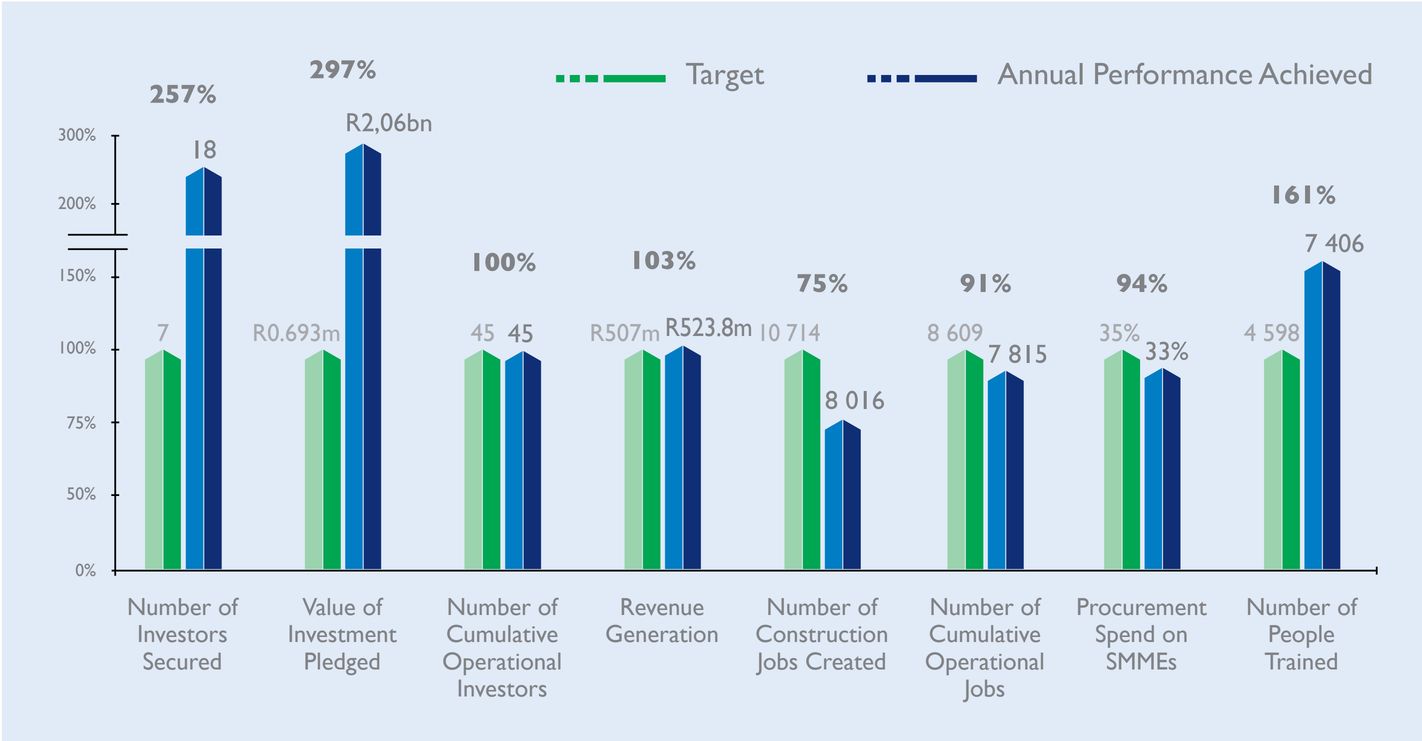
	Strategic Goal	Goal Statement	Strategic Objectives
GOAL 1	PREFERRED INVESTMENT DESTINATION	Facilitating the creation of the Special Economic Zone, having strategic national economic advantage for targeted investments and industries.	Secure 54 investors** valued at R10.28 billion by 2019/20
			Sustain Tenant Industries to realise 50 operational investors by 2019/20
GOAL 2	FINANCIAL SUSTAINABILITY AND GROWTH	Develop and sustain strategic partnerships to achieve financial sustainability.	Diversify and grow the CDC income streams to a sum of R2.47 billion by 2019/20
GOAL 3	ADVANCE SOCIO-ECONOMIC DEVELOPMENT	Creating 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.	Realise 61,772 Jobs from all spheres of CDC operations by 2019/20
			Realise 29,227 people trained by 2019/20
			Achieve 40% of procurement spend on the SMMEs by 2019/20

*** Note: Number of Investors Secured recognises Irrevocable Letter of Intent/Term Sheets and signed Lease Agreements*

ORGANISATIONAL PERFORMANCE OVERVIEW 2018/19

The CDC has in some instances achieved and exceeded on its Key Performance Indicators.

Performance Achieved against Annual Targets 2018/19



NELSON MANDELA BAY BUSINESS CHAMBER VISIT TO COEGA SEZ.

The following provides the Overall Organisational Performance for the 2018/19 FY:

Key performance area	KPI (measure)	Measured	Baseline	Target 2018/19	Annual Performance 2018/19	Performance Achieved	Variance
Strategic objectives to Goal 1: PREFERRED INVESTMENT DESTINATION							
Secure 54 investors valued at R10.28 billion by 2019/20	Number of Investors Secured *	Quarterly	14	7	18	257%	157%
	Value of Investment Pledged	Quarterly	R860.7m	R693k	R2.06bn	297%	197%
Sustain Tenant Industries to realise 50 operational investors by 2019/20	Number of Cumulative Operational Investors	Annually	43	45	45	100%	0%
Strategic objectives to Goal 2: FINANCIAL SUSTAINABILITY AND GROWTH							
Diversify and grow the CDC income streams to a sum of R2.47 billion by 2019/20	Revenue Generation	Quarterly	R507m	R507m	R523.8m	103%	3%
Strategic objectives to Goal 3: ADVANCE SOCIO- ECONOMIC DEVELOPMENT							
Realise 61,772 Jobs from all spheres of CDC operations by 2019/20	Number of Construction Jobs	Quarterly	9 557	10 714	8 016	75%	-25%
	Number of Cumulative Operational Jobs	Quarterly	8 210	8 609	7 815	91%	-9%
Target 40 % of procurement spend on SMMEs by 2019/20	Procurement Spend on SMMEs	Annually	36%	35%	33%	94%	-6%
Realise 29,227 people trained by 2019/20	Number of People Trained	Quarterly	6 674	4 598	7 406	161%	61%

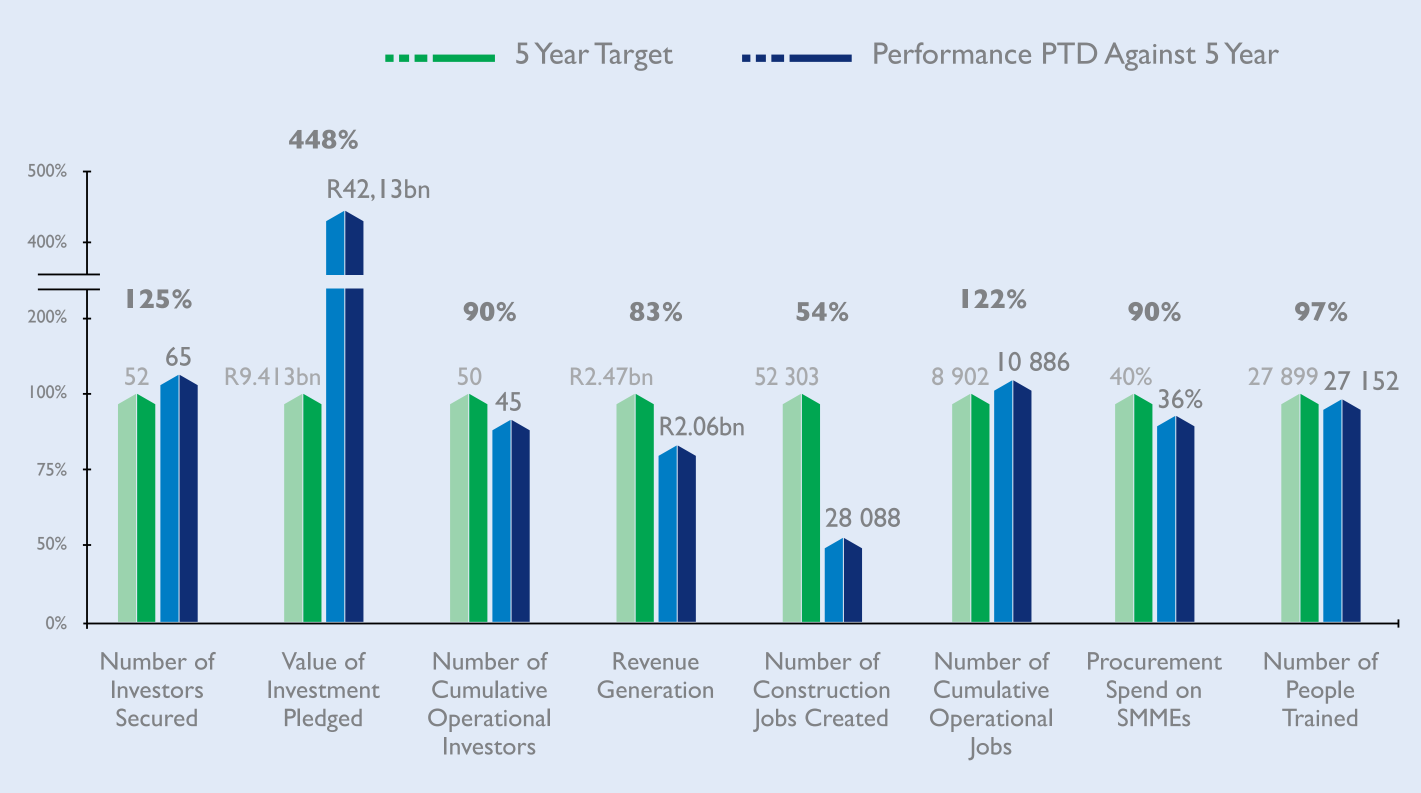
ORGANISATIONAL PERFORMANCE OVERVIEW AGAINST 5-YEAR TARGET

The CDC is embarking on achieving and exceeding the 5-year targets set out in the 2015-2020 Strategic Plan. The organisation has concluded its penultimate year of its 5 year strategic plan and has noted positive achievements in most areas. KPI's that are driven by funding such as Procurement Spend on SMME's have not yielded the desired results for the CDC, however the CDC continues to venture various avenues to be successful in this area.

5 Year Annual Performance against set Targets

Key Performance Area	KPI (measure)	Measured	Actual Performance 2015/16 to 2018/19	5yr Target (ADJ)	Performance Achieved as at 2015/16 to 2018/19 against 5yr 2019/20
Strategic objectives to Goal 1: PREFERRED INVESTMENT DESTINATION					
Secure 54 investors valued at R10,28 billion by 2019/20	Number of Investors Secured *	Quarterly	65	52	125%
	Value of Investment Pledged	Quarterly	R42.13bn	R9,413bn	448%
Sustain Tenant Industries to realise 50 operational investors by 2019/20	Number of Cumulative Operational Investors	Annually	45	50	90%
Strategic objectives to Goal 2: FINANCIAL SUSTAINABILITY AND GROWTH					
Diversify and grow the CDC income streams to a sum of R2.47 billion by 2019/20	Revenue Generation	Quarterly	R2.06bn	R2.47bn	83%
Strategic objectives to Goal 3: ADVANCE SOCIO- ECONOMIC DEVELOPMENT					
Realise 61,772 Jobs from all spheres of CDC operations by 2019/20	Number of Construction Jobs	Quarterly	28 088	52 303	54%
	Number of Cumulative Operational Jobs	Annually	10 886	8 902	122%
Target 40% of procurement spend on SMMEs by 2019/20	Procurement Spend on SMMEs	Annually	36%	40%	90%
Realize 29,227 people trained by 2019/20	Number of People Trained	Quarterly	27 152	27 899	97%

Actual Performance PTD (2014/15 - 2018/19) against 5 Year Targets 2019/20



PROGRAMME PERFORMANCE

The CDC's strategy is developed in a manner that enhances a synergistic approach to performance management whereby various Business Units contribute to a Key Performance Indicator. This approach enhances drivers across the organisation in pursuit of a common goal.

However, to satisfy compliance requirements the organisation must segregate the indicators into Programmes in order to depict a Budget-Per-Programme methodology. For this reason, the Indicators have been aligned to the Three Programmes.

The graphics below shows the contributing programmes to the cross cutting KPIs. However, the KPI's are reported under a single responsible programme for purpose of accountability.

Key Performance Indicator Contributors

Job Creation

KPI Responsibility:
EXTERNAL SERVICES

Revenue

KPI Responsibility:
CENTRAL SUPPORT SERVICES

The absence of OPEX funding had a direct impact on the complete achievement of all targets. However, it should be noted that despite the funding challenges, the CDC SEZ Business Units managed to achieve, where possible, their overall annual targets.

Programme 1: SEZ Investment Services

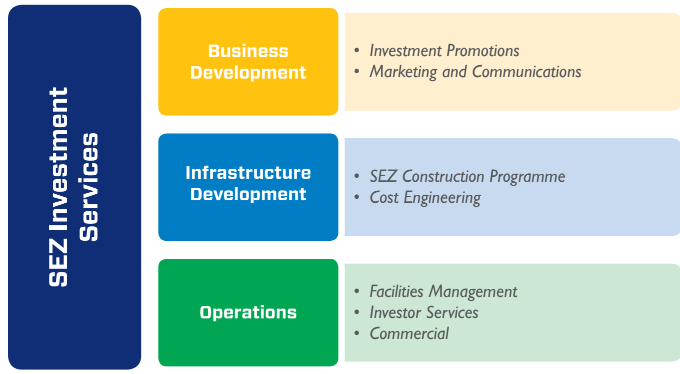
Programme Purpose

The SEZ Investment Services programme is enabled to achieve on the CDC's Strategic Objectives and which are aligned to the SEZ Act Objectives to achieve on the mandate as described below:

- Facilitating the creation of an industrial complex, having strategic national economic advantage for targeted investments and industries in the manufacturing sector and tradable services;
- Developing infrastructure required to support the development of targeted industrial activities;
- Attracting foreign and domestic direct investment;
- Providing the location for the establishment of targeted investments;
- Enabling the beneficiation of mineral and natural resources; and
- Taking advantage of existing industrial and technological capacity, promoting integration with local industry and increasing value-added production.

The SEZ Investment Services Programme is therefore comprised of Business Development, SEZ Infrastructure and Zone Operations. Together, the sub-programmes take a synergistic approach to achieve on the overarching core mandates of the CDC.

SEZ Investment Programme Structure



Sub-Programme: Business Development

The role of the Business Development (BD) business unit in attracting and retaining investment in the SEZ and NMBLP is thus central to the CDC's ability to create and sustain value. Investment promotion is the point of initiation from which the CDC is able to develop the diversified industrial base critical to the Eastern Cape's future growth, in turn contributing to poverty alleviation through job creation, skills training and the empowerment of SMMEs. The strong, multi-disciplinary Business Development team is the first point of contact for prospective investors. The CDC's integrated business approach thus crucially ensures that, from this first contact point, investors are assisted seamlessly in progressing projects from concept to completion. The CDC's successful track record in executing complex enabling projects requiring the participation of multiple stakeholders – including government, regulatory bodies, development finance institutions, investors' technical teams, and many other parties – comprises the cornerstone of the value proposition presented by Investment Services to prospective clients. The benefits of clustering for optimisation of integrated synergies, operational alignment and strengthening of the value chain is at the core of the CDC's investment promotion strategy.

Multi-disciplinary sector experts, each focused on a particular cluster in the IDZ, have ensured the CDC's success in progressing from its initial anchor tenant approach to attracting a diverse mix of tenants in terms of size, sector and nationality, along with catalytic mega-projects such as the Dedisa Peaking Power Plant and PetroSA's Project Mthombo. Investment promotion takes place globally, with a particular focus on a "Look East" strategy, which has paid dividends in that at any one time; approximately 40% of the CDC's investment pipeline comprises investors with direct or indirect links to the Asian continent.

Sub-Programme: Operations

The Operations Business Unit (OBU) plays a key role in delivering on the Coega IDZ's value proposition to investors of excellent infrastructure, customised investment solutions, and supply chain integration, as well as making a substantial contribution to the CDC's strategic objective of financial sustainability through its revenue-generating activities. Operations creates value for tenants and investors – and in turn for the CDC – through provision of utilities and services; maintenance of buildings and equipment at the required levels of quality; mutually beneficial commercial agreements; and responsive IDZ security. The unit is committed to fostering positive investor relations through service excellence in terms of quality, dependable, on-time delivery and mutually beneficial partnerships. The value adding support services provided by the OBU ensure a stable environment for tenants and investors, enabling them to focus on their core business and supporting economic productivity and job creation. The OBU aims to support the CDC's key objective of providing an integrated, value-adding logistics and supply chain solution that maximises efficiency and minimises turnaround times, with an enabling environment that includes trade logistics, port and back-of-port operations, customs management and transport linkages.

OBU provides the following services:

- Facilities and asset management;
- Investor Services;
- Commercial Services;
- Customs, Logistics and Security Services; and
- Safety, Health, Environment and Quality (SHEQ) Management.

CDC SEZ Investment Programme Performance

Key Performance Area	2018/19 Target	Annual Performance 2018/19	Variance
Strategic Objectives to Goal 1: PREFERRED INVESTMENT DESTINATION			
Number of Investors Secured	7	18	+125%
Value of Investment Pledged	R693 million	R2.06 billion	297%
Number of Cumulative Operational Tenants	45	45	0%

Key Performance Area	2018/19 Target	Annual Performance 2018/19	Variance
Strategic Objectives to Goal 2: FINANCIAL SUSTAINABILITY AND GROWTH: Diversify and grow the CDC income streams to a sum of R2,47 billion by 2019/20			
Revenue Generation	R219.6 million	R280.9 million	+28%
Strategic Objectives to Goal 3: ADVANCE SOCIO-ECONOMIC DEVELOPMENT: Realise 61,772 Jobs from all spheres of CDC operations by 2019/20			
Number of Construction Jobs	2 270	2 681	+18%
Number of Cumulative Operational Jobs	8 609	7 815	-9%

EXPLANATION OF VARIANCES

a) Number of Investments Secured

The CDC is pleased to report the positive performance for the Number of Investments Secured.

The reasons are stated below by sector/project type with an emphasis on the projects where the conditions for recognition as secured investors were met earlier than expected and more so along with those that were expected resulting in the overachievement:

- Aquaculture (Freshwater): The CDC's focus during the 2018/19 FY was on shellfish species such as abalone where there are local skills and technology, boosted by the high value and increasing demand for the product. There is also a locational advantage to produce abalone in the Eastern Cape, which allows existing companies to diversify their risk as the majority of the production is concentrated in the Western Cape. The red tide (harmful algal blooms) is now too prevalent for comfort in the Western Cape while the frequency and toxicity is significantly lower in Algoa Bay. Development and Commercial Banks in SA tend to favour abalone projects due to the availability of technology and skills as well as the high revenue potential of abalone. It was therefore not expected that a freshwater aquaculture project would advance sufficiently to become a secured investor during the 2018/19 FY. However, during the latter part of the 2018/19 FY, as a result of advances in technology and focus on species other than Tilapia (low barriers to entry, limited local consumption and over supply), the promoters of a freshwater aquaculture project (Kinfedi Investments) secured funding and offtake from overseas, thus enabling the project to fulfil the conditions for a secured investor.
- Lension (from Malaysia) ceased to operate in Zone 7 of the SEZ due to difficult market conditions (biodegradable plastics are a luxury/expensive option in an environment where consumers make more cautious financial decisions) as well as difficulty in proof of concept with local offtake (potential clients in South Africa wanted proof of concept and one can't prove a bag biodegrades without the affordability of 18 months). The availability of the CDC-constructed building coincided with the Cerebos requirement for additional warehousing space. Being an immediate requirement, the next best option for Cerebos would be to lease a ready-to-occupy facility in the greater Nelson Mandela Bay Metro as the lead-times including procurement and construction for a new build would not be practical.
- Benefited from the Coega Special Economic Zone (SEZ) readiness and as a result of being readier than competitor sites for projects which require specific landside and marine infrastructure such as for aquaculture, as evidenced in the case of Kinfedi Investments (Pty) Ltd, which also has amongst the highest investment values by a single investor in the SEZ this year.
- Cooks Investments (Pty) Ltd and Zackpak (Pty) Ltd were both signed during Q3 but were only reported in Q4 due to the CDC shutdown period during which verification external to the BD Business Unit prior to reporting did not take place.
- Seraphim Photovoltaic SA (Pty) Ltd was initially expected to materialise in Quarter 3 but was affected by a long communication and decision chain which includes the parent company in China as well as the technical arm whose role was critical in the acceptance of the Coega SEZ Proposal, and
- The TEE project was mothballed after it did all the business plans, selection of technology, EIA's, required licenses, supply and off take agreements. It was mothballed due many delays mainly because of the unresolved issue between REDISA and The Minster of Environmental Affairs, which led to REDISA liquidation and court cases. iLive acquired the project and kept the name to ensure that the EIA can be reinstated. The company changed the technology to equipment they have developed and is currently operating. They also renewed the EIA's, offtake and supply agreements. They secured an international funder, Barak funder (R50 million) and are currently in discussion with NEF to dilute the Barak funders 49% share to participate in this project.

b) Value of Investment Pledged

As with number of investors, the investment value target was met and exceeded. The deviation on Investment Value was caused by the size of the companies signed. Aquaculture, Agro-Processing and Advanced Manufacturing sectors contributed to the high investment value.

The assembly of solar panels (lower investment value) was expected to precede the more advanced solar cell manufacturing by a few years. The environmental authorisation that was obtained for land-based aquaculture in Zone 10 of the SEZ in February 2019, has heightened investor interest in Coega as a potential site for aquaculture ventures in the period 01 April 2018 to 31 March 2019.

c) Number of Cumulative Operational Investors

The organisation is pleased to have realised the target.

d) Revenue and Expenditure

Revenue is favourable due to a number of additional tenants coming on stream and reservation fees paid by potential investors which was not budgeted for.

e) Number of Construction Jobs

SEZ Construction jobs, consist of jobs that are created and sustained on construction projects within the SEZ. The projects are split between Business Development (BD) projects which are investor funded projects and SEZ Infrastructure Programme (IIP) which are CDC funded projects. Out of 11 SEZ projects, which are being implemented, four (4) projects are at closeout phase and three (3) projects are at design phase one (1) cancelled, one (1) on hold and one (1) not started.

f) Number of Cumulative Operational Jobs

Operational jobs are from employment created and sustained by investors based in the Coega SEZ and NMB Logistics Park. The achievement in 2018/19 is 85% of the target. The negative performance is mainly due to the seasonal employment fluctuations in the agribusiness sector, for example, investors like Dynamic Commodities. Other reasons for the underperformance are as follow:

- There were delays on some investors' operational activities;
- One lease agreement was cancelled;
- One Investor experienced financial concerns and could not complete the project as per the initial plan;
- One project is on hold as the investor is still busy with financial closure.

g) Variances: Financial Information

2018/19 Expenditure – Budget vs Actual				
Programme Name	Annual Budget for 2018/19	Unaudited Actuals for 2018/19	Variances	Variance %
SEZ Investment Services	171,545	352,525	(180,980)	-106%
OPEX - CoE	73,923	63,098	10,825	15%
OPEX - Goods & Services	97,622	120,904	(23,282)	-24%
CAPEX	-	168,524	(168,524)	-100%

The availability of OPEX continues to be a major challenge, which encroaches on planned investment promotions. The unfavourable variance within SEZ Investment Services is due to additional payments to the municipality due to increases in rates and taxes and electricity. Repairs and maintenance also contributed towards to unfavourable variance.

The unfavourable variance for CAPEX is due to projects approved during the year which was not yet approved at the time of the budget. As approval was not a given from the dti's SEZ Fund at the time of the budget for projects, provision was not made during the preparation of the budget.

Challenges

Some of the challenges, which the SEZ faces, include:

Water: Environmental records of decisions (RoDs) require the use of return effluent for industrial purposes instead of potable water, the result being a requirement for investment into large-scale processing, reticulation and storage facilities within the SEZs and adjoining municipalities. Done effectively, this could well be the most potent weapon in our value proposition and competitiveness but the lack of progress on the return effluent scheme reduces the ability of the CDC to progress qualifying Mega Projects to signing and/or implementation.

ICT Networks: A strong ICT backbone is a prerequisite for success as SA SEZs attempt to find a balance between traditional industries and the fourth industrial revolution. The Coega SEZ requires capital funding to upgrade its legacy systems in line with new breakthrough technologies. The current underinvestment and/or limited ability to upgrade the ICT Networks, weakens the overall value proposition and may impede further development in the future. Increasingly, investors look at the "e-intelligence" of a location in much the same way that they look at utilities.

Electricity: While supply fears are no longer as pronounced, the predictability of costs into the future remain a concern and a deal-breaker for large energy intensive investment projects, amplified in part by the huge last mile/point of use installations for green-fields projects.

Incentives to curb deindustrialisation: A consequence of deglobalisation is deindustrialization, which also affects established SEZs – there is therefore a need for the State to be innovative and more interventionist in its approach to evade the threat of deindustrialization.

Legacy infrastructure: The SEZ Fund does not provide funding for maintenance and upgrade of physical infrastructure that has passed its useful life. This becomes a serious challenge, as older SEZs will have to contend with diverting investment promotion funds to upgrade and maintain ageing infrastructure.

Programme 2: Central Support Services

Central Support Services (CSS) is considered as the administrative function of the CDC; however, there are sub-programmes within the programme that contribute to other KPIs such as revenue.

The Sub-Programmes are:

- CEO's Office
- Corporate Services
- Finance
- Human Capital Solutions
- ICT, Research and Strategy
- Centre of Excellence
- SMME Development
- Technical Procurement Support
- Shared Services

The Central Support Services Programme provides services such as strategy development and monitoring, human resources management, legal services and corporate governance, financial management, skills development, SMME development, employment relations and social facilitation, research and ICT systems services to the Core Operating Programmes.

The indicators listed under the programme are reported here because of accountability of the programme. The targets are driven from the CSS but are contributed by both SEZ Investment Services and External Services.

CDC Central Support Services Programme Performance

Key Performance Area	2018/19 Target	Annual Performance 2018/19	Variance
Strategic Objectives to Goal 2: FINANCIAL SUSTAINABILITY AND GROWTH: *Diversify and grow the CDC income streams to a sum of R2,47 billion by 2019/20*			
Revenue Generation	R44,1 million	R89.2 million	102%
Strategic Objectives to Goal 3: ADVANCE SOCIO- ECONOMIC DEVELOPMENT: *Realise 29,227 people trained by 2019/20*			
Number of People Trained	4 598	7 406	+61%
Strategic Objectives to Goal 3: ADVANCE SOCIO- ECONOMIC DEVELOPMENT: *Target 40% of procurement spend on SMME's by 2019/20*			
Procurement Spend on SMMEs	35%	33%	-6%

EXPLANATION OF VARIANCES

a) *Revenue Generation*

Revenue includes the amounts from Coega Corporate Travel and Human Capital Solutions which was included during the budget as part of External Services. However, based on the fact that these units form part of Corporate Services and are re-categorised under Central Support the revenue has been restated.

b) *Procurement Spend on SMME*

In 2018/19, CDC EXMA approved the implementation of the SMME Model 2 on projects implemented by the Programmes. Model 2 is premised on transferring the responsibility of managing, reporting and monitoring of SMME involvement on-site to the appointed service provider, in an effort to reduce the costs of SMME development for the organisation. However the model poses challenges for the CDC SMME unit in receiving, capturing and validating the information.

A large number of SMME BBBEE certificates and BBBEE affidavits have expired and this has resulted in the SMME unit not achieving the required 35% target.

Delayed payments by client departments (DOE, DPW and DOH) to service providers who are hosting SMME contractors on site contributed to both poor performance and delayed payments to SMME's.

It remains important for CDC to invest in supplier development and training of SMMEs to understand BBBEE compliance requirements. And ensure that programmes are fully resourced and supported to implement the SMME Model 2.

c) *Number of People Trained*

The CDC far exceeded its overall target for number of people trained. However, the target for technical skills training were not achieved due to lack of funding, mainly due to changes in the funding model by the SETAs. The year under review realised a massive overachievement due the career guidance outreach programmes being over-subscribed, particularly in the OR Tambo District as well as other self-funding initiatives that aided the CDC in yielding positive results.

d) *Financial Information*

2018/19 Expenditure – Budget vs Actual				
Programme Name	Annual Budget for 2018/19	Unaudited Actuals for 2018/19	Variances	Variance %
Central Support Services	197,459	284,068	(86,609)	-42%
OPEX - CoE	129,650	138,535	(8,885)	-7%
OPEX - Goods & Services	63,804	109,119	(45,315)	-71%
CAPEX	4,005	36,414	(32,409)	-809%

The primary contributors to the unfavourable variance are third party travel and accommodation costs incurred by CCT which is recovered in the additional revenue generated. Also the budget was included in External Services during the initial planning/ budgeting process.

The unfavourable Capex variance has not been covered by funding from the dti SEZ Fund and was paid via own generated revenue. The capital expenditure was approved by the Board and was approved subject to cash availability. However, as the MTEF budget is approved based on known funds no provision was made in the MTEF budget for these expenditures.

Challenges

Number of people trained: The main challenge relates to the inability to secure funding for technical skills training, including apprenticeship, learnerships and other accredited training interventions. The CDC is entirely dependent on external funding to achieve its target for the number of people trained. In the past, the CDC was dependent on the inclusion of training for infrastructure projects, which becomes a challenge when projects and/or payments are delayed. Grant funding from SETAs has also been reduced due to other government priorities.

SMME Development: The CDC currently monitors procurement expenditure on SMMEs, however there is a need for a programme to support the development of SMMEs so that they can grow their businesses. Lack of funding is the major challenge in the development of SMMEs, and the CDC will be looking at collaborating with other organisations to assist SMMEs.

The Coega Development Foundation, is a Non Profit Company who contributes towards the alleviation of socio-economic challenges through skills development and ancillary services.

Programme 3: External Services

The External Services programme is made up of several revenue generating sub programmes that are aimed at creating and achieving organisational financial self-sustainability. The job creation indicator is the outcome of the various sub-programmes, which are the majority contributor to the KPI. This programme is a significant contributor to revenue generation aimed at organisational sustainability; however, the KPI on revenue is reported under the Central Support Services programme. Other outputs include skills development, job creation and contributions to project maturity.

The concept of the CDC strengthening its involvement and economic ties with the rest of African Continent as part of its medium-term strategy received CDC Board approval on May 2017 and Provincial Government endorsement in November of the same year. In the last quarter of 2018/19, the CDC has secured its first client outside of SA borders in Zimbabwe. The assignment entails development of two private SEZs in Norton Business Park which is 40 km from Harare and another Ecosoft, 20 km from Harare.

CDC External Services Programme Performance

Key Performance Area	2018/19 Target	Annual Performance 2018/19	Variance
Strategic Objectives to Goal 2: FINANCIAL SUSTAINABILITY AND GROWTH: Diversify and grow the CDC income streams to a sum of R2,47 billion by 2019/20			
Revenue Generation	R263.9 million	R153.6 million	-42%
Strategic Objectives to Goal 3: ADVANCE SOCIO- ECONOMIC DEVELOPMENT: Realise 61,772 jobs from all spheres of CDC operations by 2019/20			
Number of Construction Jobs	8 444	5 335	-37%

EXPLANATION OF VARIANCES

a) Revenue Generation

The primary reason for the significant unfavourable variance is due to the re-classification of Coega Corporate Travel and Human Capital Solution (HCS) as part of Central Support Services, whilst it was reflected as part of External Services before. Should this be restated the variance will be to -19%. The latter unfavourable variance percentage is due to reduced allocations from departments as well as projects deferred or cancelled due to general budget constraints within the client government departments.

b) Number of Construction Jobs

Programme 3 External Service/Programme construction jobs consist of jobs that are created and sustained on construction projects that are being implemented by the CDC on behalf of client departments outside the Coega SEZ/IDZ. It is noted that delays in client funded construction projects due to non-availability of funds to these clients, has resulted in a delay to the construction procurement process, which subsequently contributes to the construction job under-performance reported in this quarter. There is an expectation that the External Programme may continue to face difficulties in achieving its annual performance targets due the current scope reductions and budget cuts from the client departments.

c) Financial information

2018/19 Expenditure – Budget vs Actual				
Programme Name	Annual Budget for 2018/19	Unaudited Actuals for 2018/19	Variances	Variance %
External Services	195,808	117,957	77,851	40%
OPEX - CoE	134,007	95,983	38,024	28%
OPEX - Goods & Services	59,182	21,818	37,364	63%
CAPEX	2,619	156	2,463	94%

The favourable variances are due to the above reported reduction in project allocations and consequently cost saving, due to deferred or cancelled projects to the CDC as implementing agent. The expenditure of Coega Corporate Travel and Human Capital Solution is also shown under Central Support Services and this should also be factored into External Services. This will reduce the variance considerably, however the variance reported will still remain favourable.

Chinese Ambassador, Lin Songtian and delegates from Zhejiang Province visited the Coega SEZ in 2018.

Challenges

Despite the tough prevailing economic climate, the consistent funding challenges with both SEZ and reduced external programmes government funded construction projects; the organisation still managed to achieve the quarterly target and narrowly miss the annual target.

The organisation expected to continue with this positive trend in the 2018/19 FY.

External programmes continue to face the following challenges when implementing various infrastructure projects on behalf of the sponsoring client government departments that have appointed the organisation in the past as an Implementing Agent:

- Deferral of projects commencement;
- Delays in provision of project funding;
- Budget cuts from client departments;
- Cancellation of projects; and
- Delays in payment from clients that also negatively impacts the External Programme's cash flows.

A developing trend of government departments wishing to reduce their dependence and use of implementing agents and articulating a desire to implement their own programmes by employing their own professional service providers (PSPs). This in many cases is expected to have limited success and the CDC External Services is proactively and actively marketing itself as a value adding service.

New Initiatives to Address the Challenges

Various new initiatives are however being implemented to diversify the CDC External Service Offering including offering professional Principal Agent (PA) services and also tendering for government project management projects that are normally only addressed by the private sector. The CDC business model is also being reviewed aggressively to improve the CDC's competitive service offering to increase market share against other Programme Implementing Agents (PIA's).

The External Service Business Model is also under strategic review to improve the speed of throughput through the corporate structures to maximise project spend and consequently fee revenue in the 2019/20 FY. This may result in the need to separate some of the support functions from the SEZ structures to accelerate throughput.

STRATEGIC OVERVIEW

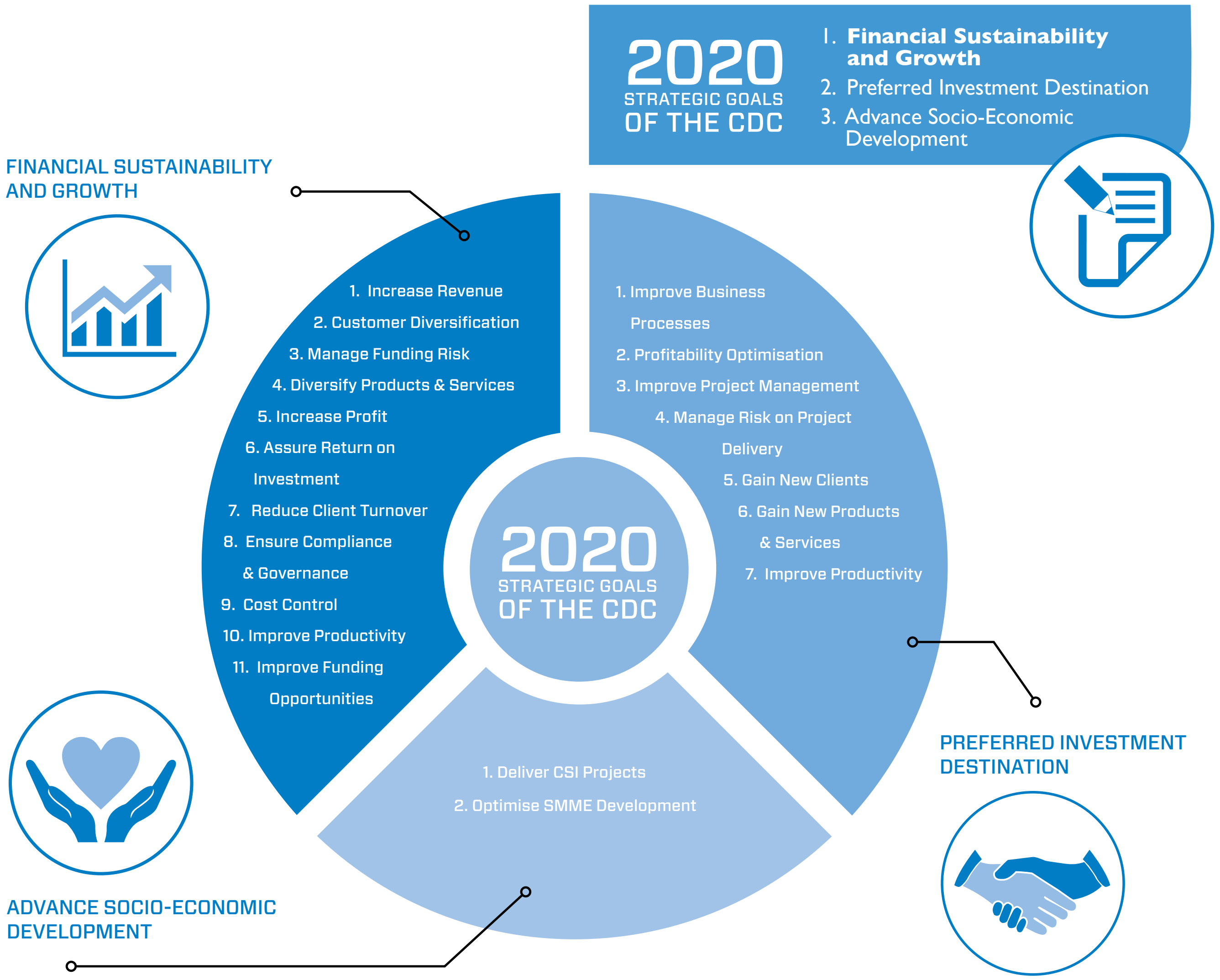
The CDC's strategic direction is always guided by its core mission as an enabler of socio-economic development and transformation in the Eastern Cape (EC) and South Africa. In the 20 years since its establishment in 1999, the Coega SEZ has proved to be one of the biggest drivers of job creation and development in the Eastern Cape economy, achieving its stated aim of addressing the twin challenges of unemployment and poverty through economic development.

Strategic direction in the Coega SEZ has taken the form of a series of five-year plans, with the current strategy period running from 2015 – 2020.

In the past four financial years, the organisation has yielded a hat trick of double-digit investments dating back to financial years 2015/16 with 17 new investors, and 2016/17 with 16 new investors, 2017/18 with 14 investors, and 2018/19 with 18 new investors, bringing a total number of secured investors to 65, thus making the Coega SEZ the most successful and a leader in SEZ development in South Africa.

During the year under review, the growth of the Coega SEZ has continued its positive trajectory, in spite of the market volatility, uncertainty and poor investment environment in the country. In Sub-Saharan Africa, in particular, growth has been at its lowest level in two decades. It was 1.5% in 2016, the lowest in more than two decades. However, the economic recovery in sub-Saharan Africa continues. Regional growth is set to pick up from 3% in 2018 to 3.5% in 2019, before stabilizing at close to 4% over the medium term. By the same token, in January 2018, the World Bank's Global Economic Prospects report forecast growth in sub-Saharan Africa would rise by 2020 to 3.7%. Therefore, the CDC aims to take advantage of the economic recovery in sub- Saharan Africa through the Coega Africa Programme, which is already delivering positive results, especially in Zimbabwe.

The diagram below captures the CDC's Sustainable Growth Strategy for the current 5-year strategic cycle:



According to National Treasury, the South African economic growth of 1.3% in 2017 has not been repeated and actually declined to 0.8% in 2018 after a technical recession in the first half of the year. However, they forecast a surge in real GDP growth in 2019 to 1.5%, and then strengthen moderately to 2.1% in 2021. Therefore, the CDC will take advantage of the growing sectors of the economy to increase its investment pipeline and conversion.

Aligning the CDC Strategy with the SEZ Act

The Strategic Goals of the CDC are aligned to the strategic intent of the SEZ Act (Act No. 16 of 2014).

The Strategic Goals of the CDC are as follows:

- To be the preferred investment destination;
- To ensure financial sustainability and growth; and
- To advance socio-economic development.

During the year under review, the dti finalised the designation of the Coega IDZ in the terms of the Act.

However, the introduction of the SEZ legislation brought changes in the way that funding to the SEZs is allocated - from that of MTEF allocations to specific project-based approvals, which will be given from time to time. In addition, the Act states that the funding of the operations of the SEZs will be the responsibility of the Provincial Government and no longer that of the dti. However, the dti will continue to fund qualifying capital projects in terms of the SEZ Act. These changes to the legislation brought serious financial challenges to the CDC. However, it is pleasing that the CDC has since been included in the Provincial budget vote; this year it was allocated R90 million for operations during the 2019 Budget Vote of the EC Province. However, to catch up from years of under-funding, a sustainable funding model is necessary to rebalance the CDC's budget in 2019/20 financial year and beyond.

> *"We are also allocating an additional amount of R90 million over the MTEF from the stimulus package to Coega Development Corporation to support its efforts of attracting more investors to the province. In recognition of this role and in line with the provisions of the SEZ Act, we are committed to correct the baseline funding of the Corporation for the MTEF. This will also include funding considerations for the Wild Coast SEZ." EC 2019/20 Provincial Budget Speech by the Honourable Mabuyane - MEC For Finance, Economic Development, Environmental Affairs and Tourism, 5 March 2019.*

During 2018, DEDEAT allocated funding for the planning of various economic development infrastructure projects in the Province, which include the Wild Coast Special Economic Zone.

Moreover, critical to the SEZ designation is financial sustainability as a key objective of the CDC, a fact which is enhanced by the CDC's continued effort to generate more revenue and contain its costs so it can retain its position as a preferred destination for investments. Pertinent to this is the ability of the organisation to sign and convert high impact investments at utmost speed so the organisation can realise substantial additional rentals each year leading to the desired end state. The goals and objectives of the CDC are aimed at achieving a break-even status by the end of the fifth year or by 2020 of the current strategic five-year period. However, funding is a key enabler for the achievement of these goals and objectives.

Furthermore, the strategy considers the CDC's need to contribute to the socio-economic factors which are mandatory deliverables and are therefore included as part of the objectives of the CDC and key corporate KPI's.

Highlights

The 54.62ha Beijing Automobile International Corporation (BAIC) plant in Zone 1 of the Coega SEZ is under construction and good progress has been made, despite some challenges along the way in terms of BAIC's legislative compliance, SMME participation and budget. It is the biggest completely knocked down (CKD) automotive investment in Africa in the last 40 years.

More than 10 600 jobs are expected to be created through this investment in the Eastern Cape, and over a period of time.

The BAIC plant has contributed substantially to inflating the CDC's average performance in investment value as it was not considered in the planned targets during the current five-year Strategic Plan 2015-2020.

LOOKING AHEAD

Despite economic uncertainty, there is now cautious optimism given the start of the 6th Democratic Parliament of South Africa. The President of the RSA, Honourable Cyril Ramaphosa, has been assuring the world that South Africa is open for business. However, the beginning of 2018 was marked by recession owing to a number of factors such as high electricity tariffs, contraction in manufacturing production, decline of private consumption and private investment as well as slower exports to mention but a few.

In his state of the nation address on the 16th of February 2018, President Ramaphosa vowed to improve the country's dysfunctional state-owned enterprises and cut the bloated public sector to contain rising public debt. With the unemployment rate at 27.6% in the country (Stats SA), programmes to boost employment and improve access to tertiary education is expected to be implemented.

All of this point to a country at work where much still needs to be done to address the triple challenge of unemployment, poverty, and inequalities. Certainly, the CDC has welcomed the investment envoy announced by His Excellency President Ramaphosa last year to attract $100 billion over the next five years. Such developments would boost investment in the Coega SEZ and position the organisation to achieve its target of 52 secured investors in 2020. In addition, through its external services, which include the Coega Africa Programme, the organisation would continue to grow revenue and to create job opportunities and training, thus reducing the high levels of unemployment in the Eastern Cape. The official unemployment rate in the EC Province is estimated to be 37,4% in the Q1 2019, the highest rate in the country (Stats SA). However, the CDC continues to reduce unemployment in the region by creating 15 831 jobs during the year under review. More job opportunities have been planned for the remainder of the five-year 2015-2020 strategic plan.

INVESTMENT PROMOTION

Investment promotion is vital to the CDC's growth and sustainability. Investment promotion provides solutions that are designed to attract potential investors across a range of key industry sectors, matching them to the most complementary product combination of serviced land in the zone and/or customised buildings according to their needs. Investors benefit from scalability of operations, innovation, business ecosystems, and strategic collaboration with various stakeholders in line with the Invest SA (One-Stop-Shop) programme in order to build symbiotic synthesis and enhance competitiveness. Local and international investors are assisted seamlessly in progressing investment projects from an idea or concept to construction and operations.

Investment promotion activities took place at the back of challenging macro-economic factors where the global economy continues to be on the verge of a classic recession. According to the Bureau for Economic Research Outlook, i.e., both industrial production and trade volume growth have slowed down sharply; trade war between US & China intensifies again and outcome remains uncertain; global inflation expectations have declined and central banks respond with easing monetary policy. Over the period 2000/13, SA's real GDP growth was equivalent to world GDP growth, i.e. 3.4% per annum; over the past five years (2014-18) world GDP growth slowed to 3.0% per annum mainly due to slower growth in the advanced economies. SA's real GDP growth slowed sharply, decoupling from the world economy and real GDP growth slowed to 1.1% per annum. However, there is both upside and downside risk; probability of upside may be higher than for downside. The UNCTAD 2019 report on World Investment Report concurs, last year, global flows of foreign direct investment fell by 13%, to $1.3 trillion, representing the lowest level since the global financial crisis and underlines the lack of growth in international investment this decade. According to the UNCTAD 2019, the significant acceleration required to meet the investment needs associated with the Sustainable Development Goals is not yet apparent. Swimming against this tide as a result of global investment uncertainty and fall in investment climate, the CDC still managed to achieve an impressive performance in terms of signed investors.

PERFORMANCE OVERVIEW

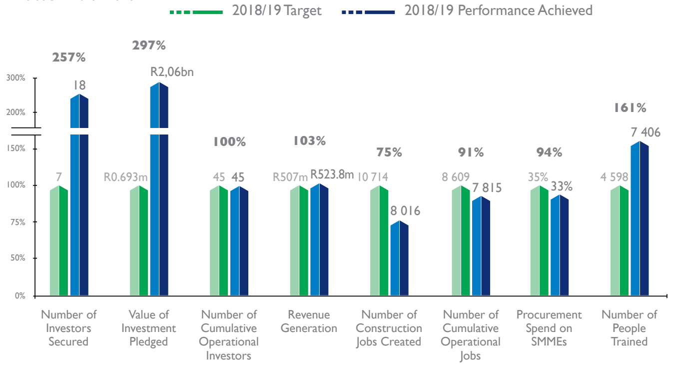
To effectively deliver on the CDC's corporate strategy and targets, given the challenging global investment climate, a new investment promotion approach was adopted during the current financial year. Optimal alignment between teams, consolidation of processes, and effective response to customer needs were at the centre of the investment promotion strategy. This change in strategy is beginning to bear fruit for the CDC. The number of investors signed exceeded the target by 257%, with the CDC securing 18 new investors (2018/19 target: 7) with a total investment value exceeded by 297% to R2.06 billion (2018/19 target: R693 million). These investments are outlined in the table below.

COEGA SEZ – NUMBER OF INVESTMENTS SECURED DURING THE 2018/19 FY

No.	Project Name	Description	Investment Value	Country of Origin
1	African Ports Logistics & Infrastructure (Pty) Ltd	Cold storage warehouse; container depot & packhouse for citrus exports	R 180 million	South Africa
2	Cerebos (Pty) Ltd	Bulk packaging for domestic and export markets	R 22.5 million	South Africa
3	Alice's Restaurant (Pty) Ltd	Production of cold sugar-based confectionary for the restaurant business	R 0.6 million	South Africa
4	Genrec Energy & Transportation (Pty) Ltd	Heavy engineering: machining and assembly of steel rail wheels	R 150 million	South Africa
5	OptimusBio (Pty) Ltd	Production of biodegradable cleaning and related products	R 40 million	South Africa
6	Dolphin Steels (Pty) Ltd	Mild steel billet mill	R 610 million	South Africa
7	Taconic Fishing (Pty) Ltd	Abalone farm	R 358 million	South Africa
8	Mark Cables (Pty) Ltd	Production of PVC compound from resin	TBC	South Africa
9	Sureeli Investments (Pty) Ltd	Commuter bus assembly	R 130 million	South Africa
10	Vibro Systems (Pty) Ltd	Assemble power bikes	TBC	South Africa
11	Zacpack (Pty) Ltd	Provides goods and services in the freight movement industry	TBC	South Africa
12	Cooks Investments (Pty)	Processing of artichokes and high value crops	R 121 million	South Africa
13	SL Management (Pty) Ltd	Fibre optic cabling manufacturing	R 75 million	South Africa
14	Kinfedi Investments (Pty) Ltd	Freshwater aquaculture	R 460 million	South Africa
15	Seraphim (Pty) Ltd	Production of solar photovoltaic cells	R 362 million	China
16	iVacBio (Pty) Ltd	Production of biological APIs	R 76 million	South Africa
17	Cerebos (Pty) Ltd – Lension Facility	Water and spice packaging	R 10 million	South Africa
18	TEE (Pty) Ltd	Tyre recycling	TBC	South Africa

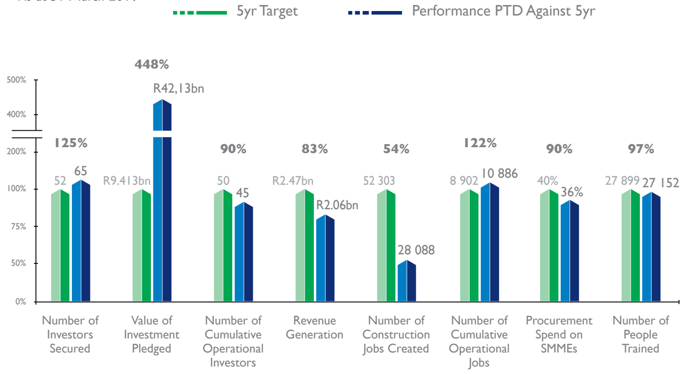
This is the sixth year in a row that the number of CDC investors have reached double digits – exceeding investor targets. The 2013/14 FY saw 10 new investors, 19 investors were secured in 2014/15; 17 investors in 2015/16; 16 investors in 2016/17; 14 investors in 2017/18 and recently 18 investors in 2018/19. This means that the CDC has signed 94 new investors from 2013 to date – an astounding achievement considering the challenging FDI trajectory in South Africa. The number of cumulative operational investors have increased from 43 in 2017/18 to 45 as at the end of March 2019.

Annual Performance Achieved against Targets 2018/19
As at 31 March 2019



The 2018/19 financial year marks the CDC's fourth year of the five-year Sustainable Growth Strategy adopted in 2015. Against a five-year target, the CDC has surpassed its target of securing 52 new investors, with 65 new investors having already been secured in the fourth year of the strategy. The value of investment pledged has also grown year-on-year and is currently at a staggering R42.13 billion; this is an achievement of 448% of the five-year target.

Actual Performance PTD (2014/15 - 2018/19) against 5yr Targets 2019/20
As at 31 March 2019



In spite of exceeding corporate targets and meeting investment promotion objectives, the organisation is cognisant of the challenges that lie ahead. These include, at a macro level, among others:

- Market volatility;
- Rapidly-changing economic conditions;
- Cautious optimism from investors;
- Geo-political and policy uncertainty;
- Business and investors' confidence in South Africa; and
- Reducing SEZ capital budget for investment projects.

However, the following are some of the specific challenges facing the Coega SEZ:

- **Water:** Environmental record of decision (RoD) require the use of return effluent for industrial purposes instead of potable water. As such, any investment in large scale processing, reticulation and storage facilities within the SEZ and adjoining municipalities must adhere to this RoD.
- **ICT Networks:** A strong ICT backbone is a prerequisite for success as most South African SEZs attempt to find a balance between traditional industries and the Fourth Industrial Revolution (4IR). The Coega SEZ requires capital funding to upgrade its legacy systems in line with new breakthrough technologies.
- **Electricity:** While supply fears are behind us, the predictability of costs into the future remain a concern for large energy intensive investment projects, amplified in part by the huge last mile/point of use installations for greenfields projects.

However, the CDC is ready to respond to these SEZ challenges. Not only does the CDC have world-class infrastructure, quality human resources and value-added services, it also has a strong track record of delivery and an escalated growth curve. In addition, the value of the CDC's current assets and the size of the developed land available as well as its collaboration with the Nelson Mandela Bay Municipality (NMBM) on utilities, mean that the CDC is in a strong position to turn the challenges it faces into opportunities.

The Department of Economic Development, Environmental Affairs & Tourism (DEDEAT) has identified the SEZs to support the Economic Development Cluster and the Province at large in rolling out programmes, initiatives and projects around the Fourth Industrial Revolution. Key element of the Fourth Industrial Revolution will be supporting the implementation of the Provincial Innovation Strategy.

As such, in the automotive sector, Coega is in the process of forming a partnership with the Automotive Industry Development Centre (AIDC) to develop a robotics cluster in the SEZ by mid-2021. The cluster will cover a range of activities including skills development, training, and awareness, among others.

In the chemicals sector, an industry where supply and demand dynamics are critical, digital business models are enabling real-time demand forecasting and better logistics management. Digital sourcing connects chemical companies to energy and raw materials, whilst digital customers are changing the demand for chemicals.

Of importance is Skills Development Partnerships with the Private Sector and Sector Education and Training Authorities (SETAs), Enterprise Development Partnerships with the Private Sector, Public Entities and State-owned Enterprises, and Research and Innovation initiatives and collaboration with institutions of higher learning, the Department of Science and Technology, and Research Institutions to mention but a few. Therefore, upskilling/re-skilling youth will be crucial for the Fourth Industrial Revolution with increased focus on Mathematics, Science and Technology.

STRATEGIC AND HIGH IMPACT INVESTMENT PROJECTS

Gas-to-Power Project

In October 2016, the Department of Energy (DoE) specified Ngqura as a preferred port for the initial Liquefied Natural Gas (LNG) infrastructure development project which would involve the establishment of a 1000 MW Gas-to-Power Facility at Coega, valued at an estimated R20 billion. The gas procurement programme was then halted for various reasons including awaiting the finalisation of the new Integrated Resource Plan (IRP). The draft IRP 2018 released in August 2018 allocates 8.1 GW of gas driven power by 2030. Based on this, in 2026, the initial phase of approximately 2.25GW is expected. The IRP is still to be finalised by the DoE. It is anticipated this will be finalised within 2019/20 financial year.

The CDC awaits guidance from the Department of Energy on the gas-driven power procurement progress. Of interest though is that the Central Energy Fund (CEF) Group, through iGas (multiple ports) and Transnet Group (specific to Richards Bay) have conducted various studies on gas receiving infrastructure options. This is likely to provide further clarity on the plan relating to LNG import infrastructure at Coega. The CDC continues to advance the Province's gas readiness through the extensive work conducted to date.

In January 2019, DEDEAT approved R1.7 million funding towards additional Gas Concept Design Technical studies and the reactivation of the Gas Environmental Impact Assessment (EIA) work. Furthermore, an additional request for funds to the value of approximately R11.4 million to advance Gas Readiness at Coega, has been submitted to the DEDEAT (Stimulus Fund – February 2019). The CDC awaits confirmation on the outcome of this application.

Beijing Automotive Group Company

During the financial year, BAIC SA revised the timeframes for the start of production. It is projected that the start of production will be at the end of 2019. This notwithstanding, in July 2018, BAIC SA had a successful milestone celebration at their plant in the Coega SEZ. The celebration were attended by the BAIC Group Chairman. President Ramaphosa and his counterpart, President Xi Jingping, attended the prestigious ceremony through a satellite connection from the CSIR in Pretoria. President Ramaphosa uttered the following:

> *"This is a real milestone and we would like to congratulate you all at Coega and applaud you for the excellent work you have achieved."*

The celebration were also attended by the Premier of the Eastern Cape, Phumulo Masualle and the representatives from the Nelson Mandela Bay Municipality. During the on-going construction, the project has created more than 1 883 jobs. Once operational, it is expected to create 2 300 jobs over the next five years.

BAIC IN ZONE 1 AT THE COEGA SEZ.

Aquaculture Development Zone

Environmental authorisation for land-based aquaculture development in Zone 10 of the Coega SEZ was obtained in February 2018. Town planning for Zone 10 was completed in quarter four of the 2018/19 financial year. Two letters of intent were signed with the following aquaculture investors:

- **Taconic Fishing**, seeking to develop a 400-ton abalone farm operation with an investment value of approximately R358 million. The investment will create more than 400 jobs. All the produce farmed by Taconic will be exported and could generate R129 million per annum in export earnings for the region.
- **Kinfedi Investments** will develop a state-of-the-art Recirculating Aquaculture System (RAS) farm for the cultivation of freshwater Barramundi for the Saudi Arabian, Italian and Australian markets. The investment value is R400 million and 128 jobs would be created. The project could generate export earnings of up to R300 million per annum.

Major challenges to the Aquaculture Development Zone include: (i) Funding, however a funding application has been submitted to the dti for infrastructure development in Zone 10; and (ii) Marine Pipeline Servitude (MPS) EIA - Marine aquaculture remains at risk as seawater pipeline development cannot move forward without the MPS EIA being completed. A service provider will be appointed in quarter one of 2019/20 financial year to complete the MPS EIA.

Metals and Metallurgical Projects

The CDC announced ambitious plans for the expansion of the metals beneficiation initiative and metal sector investment in South Africa through its 2015-2020 metal cluster strategy. The aim is to attract a significant number of investors in this sector, especially foreign investment over the next 5 to 10 years. The CDC's Metals Cluster Strategy is aligned to the dti, IPAP and South Africa's Beneficiation Bill, the Government's Medium-Term Strategy Framework together with the National Growth Plan, Energy Security and Skills Development initiatives. The CDC has made good progress in this sector, and has seen the following projects being signed and construction rolled-out:

- **CEMZA Engineering Cement** – R600-million cement grinding plant completed in January 2019 and operational;
- **Kenako Concrete Mix Plant** – R105-million plant completed in October 2018 and operational;
- **MM Engineering** – R350-million gas cylinders manufacturing plant to be operational in 2019/20; and
- **Agni Steels SA** – R200-million expansion and scrap metals beneficiation facility, construction expected to be completed in 2019/20.

Further catalytic projects include a $12, 5 billion Stainless Steel Smelter and a $167 million Direct Reduce Iron (DRI) plant, which is in the concept feasibility stage. Other projects include another $43 million Steel Smelter and a $550 million Manganese Complex Producing Silicon-Manganese and Ferro-Manganese.

OPERATIONALISED INVESTORS

Despite a very challenging year, the Coega SEZ saw the following investors become operational:

- **Cerebos** – built a warehouse in Zone 7 to manufacture branded water bottles and for spice storage; and
- **Ocean Legacy Marine Engineering** – built a facility in Zone 3 to assemble and manufacture containerised water bottles.

LEASE AGREEMENTS TERMINATED

The lease agreements of the following two investors/tenants outlined below were terminated, for various reasons:

- **FineCorp Trading** – Lease expired; and
- **Ulrica** – Lease expired.

LOOKING AHEAD

Six investment projects are being implemented. These six projects have an estimated investment value of R12.2 billion and projected to create 2 145 construction jobs.

With its solid track record of delivering on its promises and growing investor confidence, the CDC looks set to continue its growth trajectory and to play a major role in the growing prosperity of Eastern Cape communities in the next couple of years.

6 investors have pledged a total private sector investment of:

R12.2 billion

Total Construction Jobs for 2018/19 FY **2 145**

- **BAIC Group SA** **R11 billion** (1st phase currently being implemented R4,5 billion)
- **Cemza** **R600 million**
- **MM Engineering** **R350 million**
- **Akacia Medical** **R100 million**
- **Agni Steels SA** **R100 million**
- **HELLA** **R50 million**

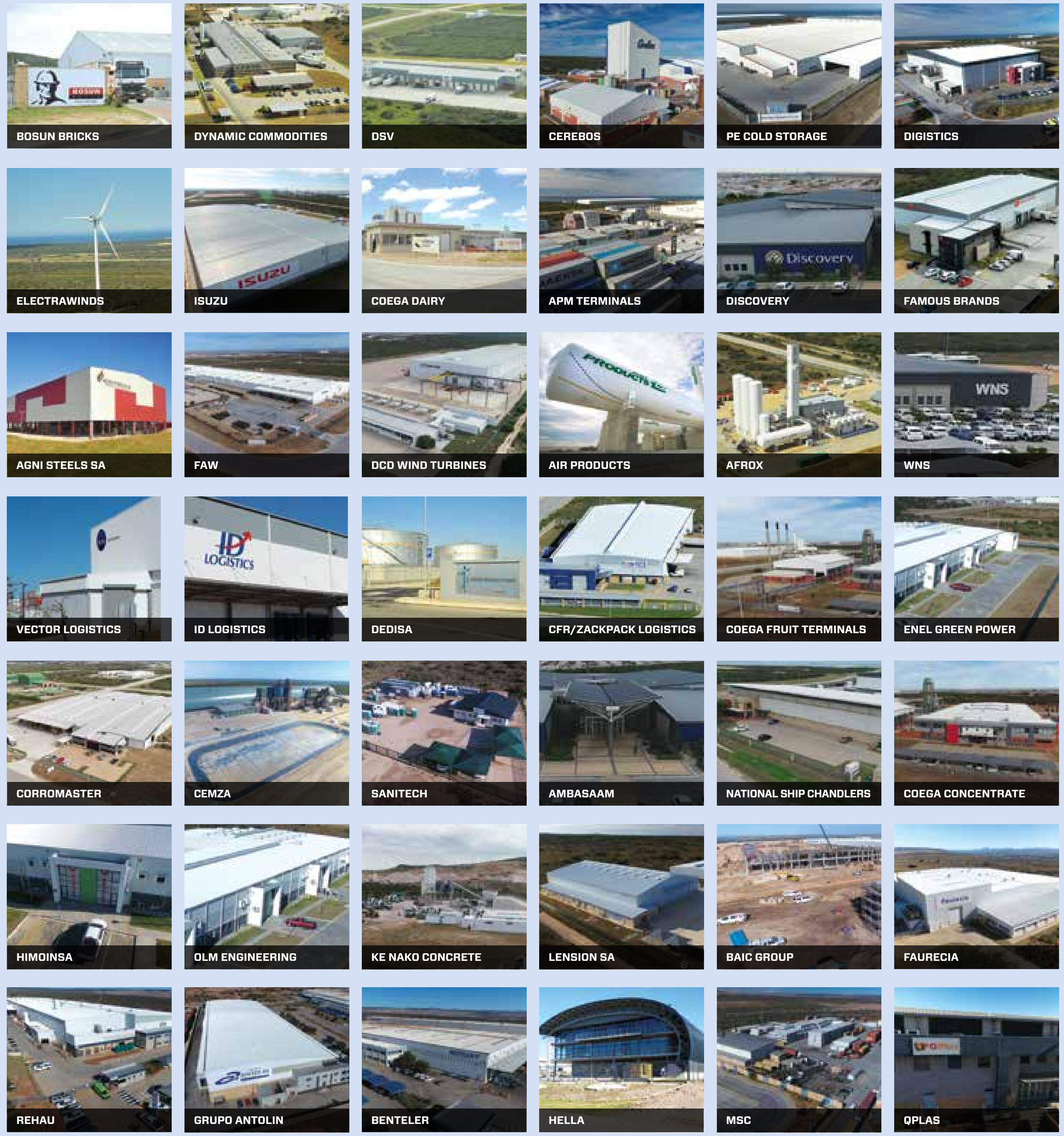
The aforementioned success of Coega's industrial-based projects in different sectors proves that the Coega SEZ is an ideal location for mega projects in Africa and for global investors wishing to increase revenue and profitability. The CDC leverages innovation and business ecosystems and strategic collaboration in order to enhance competitiveness and attractiveness as an investor location of choice, while ensuring that Coega remains relevant to the developmental trajectory of South Africa.

Summary of catalytic game changing projects:

#	Project Name	Description	Investment Value	Jobs (direct & indirect)
		2017 – 2022 Horizon		
1	BAIC	Vehicle Manufacturing Plant	R 11 bn	12 300
2	CEMZA Cement	Cement Grinding Plant	R 0.6 bn	600
3	Aquaculture Complex	Aquaculture Development Zone – 448 Ha	R 2 bn	5 605
		Delayed Projects		
1	CCGT - Power Station	Gas to power programme (3126MW+ 600MW)	R 40 bn	8 140
2	Renewable Energy	Renewables	R 2.8 bn	2 500
3	Stainless Steel Thin Strip Mill	Metallurgy	R 0.5 bn	5 730
4	Manganese export & Rail Upgrade	Mn export capacity from 5.5 to 16mtpa. Rail upgrade	R 27 bn	5 000
5	Return Effluent	Recycled water for industrial use	R 1.2 bn	1 500
6	Project Mthombo	Oil Refinery	$ 10 bn	24 000
7	Biodiesel	Biodiesel Projects	R 3 bn	1 000

COEGA SEZ – THE PREFERRED INVESTMENT DESTINATION IN SOUTHERN AFRICA

EXPERIENCE AND EXPERTISE IN PROVIDING SOLUTIONS ON THE AFRICAN CONTINENT



LOCATE YOUR BUSINESS IN THE COEGA SEZ, A LEADING SEZ IN SOUTHERN AFRICA

More than enough room to invest in the Coega SEZ. Join the good company of 45 international investors, which make Coega the leading and successful SEZ in Southern Africa.

OPERATIONS AND DEVELOPMENT

The international trends indicate that many new types of SEZs and innovative zone development programmes are emerging. However, SEZs are neither a precondition nor a guarantee for higher FDI inflows or global value chain (GVC) participation. The success of individual SEZs depends on getting the basics right. Most failures can be traced back to problems such as poor site locations that require heavy capital expenditures or that are far away from infrastructure hubs or cities with sufficient pools of labour; unreliable power supplies; poor zone design with inadequate facilities or maintenance; or overly cumbersome administrative procedures. The key objective should be to make SEZs work for the Sustainable Development Goals (SDG): from privileged enclaves to sources of widespread benefits, said the UNCTAD 2019, World Investment Report.

Therefore, Coega has spent the past 20 years getting the basics right and consistently providing services to investors that meets international standards in terms of Property Development and Maintenance (PDM); Safety, Health, Environment and Quality (SHEQ); Spatial Development and Planning, Investor Relations; Customs; Security and Logistics; Information Communication Technology; Customs Services and auxiliary services including Accommodation & Conference Centre as well as Human Capital Solutions.

Operations Business Unit Organogram.

Working in tandem with Investment Promotion, SEZ operations provide a unique service offering that caters for individual investor needs, including incentives.

PERFORMANCE OVERVIEW

Property Development and Maintenance Management

The mandate of PDM resides in focus areas centering around the operational dimensions of CDC's strategic objectives. In this vein, PDM is responsible for high level master planning of SEZ projects. The unit supports investors to conceptualise, plan, design and execute all construction or infrastructure related projects in the SEZ.

To ensure efficiency in delivering these projects, PDM works in close collaboration with CDC's Cost Engineering division not only to meet the needs of investment promotion but also to ensure compliance with the SEZ Spatial Development Plan. Therefore, all the planning during the financial year have been done in collaboration with the CDC's Spatial Development to ensure compliance with the development vision created by the approved Package of Plans for the Coega SEZ. Importantly, all planning and construction has been undertaken with the view to maximising the Small, Medium and Micro Enterprises (SMME) content of each project and driving Enterprise Development through local content.

Long term planning in the SEZ is a key priority to ensure that investors in all 14 zones of the SEZ are provided with world-class bulk infrastructure. This process requires constant updating of all Master Plans in consideration of future projects and investor pipelines. Of special significance is the development of critical bulk infrastructure (such as Return Effluent Water Supply) for the Coega SEZ. Against the backdrop of drought and climate change affecting the Eastern Cape adversely, CDC cannot wait for the well to run dry. The Return Effluent Water Supply in this regard is a critical requirement to enable the CDC's tenants achieve their business objectives.

In 2018/19 financial year, a total of 19 investors' projects were undertaken in the Coega SEZ, excluding projects currently in the concept design phase for which cost estimates are currently being developed.

Seven (7) out of the 19 projects have achieved 100% completion, including planning, design, procurement, construction and handover. The remaining 12 projects are either in planning, design, tender or construction phases, as depicted in the table, below.

Current Projects

No.	Project Description	Project Type
1	AGCO	Top Structure
2	Akacia	Top Structure
3	APLI	Top Structure
4	BAIC (Electrical Infrastructure)	Bulk Infrastructure
5	Bulk Water Reservoir	Bulk Infrastructure
6	MSC Enabling Infrastructure	Infrastructure
7	Multi-user Zone 3 - Phase 2	Top Structure
8	Now Juice	Top Structure
9	Orion Engineered Carbons	Top Structure
10	OSHO & Kenako Concrete	Bulk Infrastructure
11	Truck Staging Area	Top Structure
12	Zone 10 Infrastructure	Top Structure

CUSTOMS CONTROL AREA – WAREHOUSE IN ZONE 1.

Completed Projects

No.	Project Description	Project Type
1	RIC Phase 6	Top Structure
2	BAIC (Platform, Fire Ring, Roads)	Infrastructure
3	Coega Dairy Expansion Phase 3	Top Structure
4	Coega Dairy Canteen/ Workshop	Top Structure
5	CCA Warehouse - Zone 1	Top Structure
6	CCA Entrance Building - Zone 1	Top Structure
7	HELLA	Top Structure

Specifically, the following bulk infrastructure projects in the SEZ were achieved:

RIC Phase 6 in Zone 4 (Training & Academic): One of the projects that have been identified by the CDC's Human Capital Solution Unit (HCS), to increase revenue, is the extension of the Recruitment and Induction Centre (RIC) Carpentry Workshop.

In 2012/13, the CDC constructed the RIC Phase 4 Warehouse which comprised an overall 760m² warehouse that housed an office space, a lecture room and storage facilities (80m²); a covered warehouse (550m²), and 130m² open warehouse space. The Phase 6 development enabled more accredited training opportunities, focusing on boiler-maker as well as Fitter-and-Turner training. The project is now operational.

BAIC Platform, Fire Ring and Ring Road in Zone 1 (Logistics): The BAIC SA site and investment is substantial covering 80.76 ha (54.62 ha for phase 1 and 26.14 ha for phase 2) of the Coega SEZ and with a possibility to increase to 100 ha at a later stage. As mentioned in the Investment Promotion section, the CDC has completed the platform, ring road, fire ring and Phase 1 electrical connection for the BAIC SA project. The electrical connection for Phase 2 (which will be a High Voltage line) will go out on tender for construction in the next financial year.

Coega Dairy Expansion Zone 3 (General Industries): The third expansion of Coega Dairy's existing facility in Zone 3 of the Coega SEZ was completed during the financial year. Six years after the initial investment, demand for Coega Dairy products has been higher than expected. This, in turn, has necessitated facility expansions comprising the construction of 1,332m² cheese production facilities, a stand-alone 5,500m² warehouse facility, 500m² new office space, a 14m² gate house, and an extension of the existing perimeter fence along with additional concrete hardstand areas.

Customs Control Area – Warehouse Zone 1 (Logistics): Currently, Coega has two operational Customs Controlled Areas (CCAs) in Zones 1 & 2, and two more have been planned for Zones 5 & 7.

The South African Revenue Service (SARS) requires, in accordance with the Customs and Excise Act read with the Rules and Regulations and the standard operating procedure documents, that Coega provides services in relation to "uncleared and/or incorrectly declared cargo" until inspected or cleared correctly by SARS customs. In addition, when the designated Customs Control Areas have been approved by SARS Customs, then the SEZ Operator must provide the necessary infrastructure for the operations of the CCA. To meet the aforementioned requirements and to make provision for an inspection area for the cargo, it was necessary for CDC to provide a Customs Warehouse.

HELLA WAREHOUSE AND OFFICE SPACE IN ZONE 2.

Therefore, in the financial year under review, the CDC successfully planned, designed, and completed the construction of a Customs Warehouse situated in Zone 1 of the Coega SEZ. The Customs Warehouse includes the 3 600m² warehouse; 200m² new office space (to house 15 administrative and 10 factory staff); 14m² gate house; installation of new perimeter fence and concrete hardstand areas. The warehouse will provide for an uncleared and/or incorrectly declared cargo until it has been inspected and/or cleared by SARS Customs.

HELLA in Zone 2 (Automotive): HELLA is a global, family-owned company listed on the German Stock Exchange. The company develops and manufactures lighting technology and electronic products for the automobile industry and have one of the largest retail organisations for vehicle parts and accessories in Europe.

During the financial year, HELLA completed a R50 million warehouse and office space to serve as the headquarters of its African operations. The 3 014m² facility is located on a 5ha of land in Zone 2 of the Coega SEZ. The facility comprises a 2 118m² warehouse, 833m² office space, external services, ancillary buildings, and 1 686m² concrete hardstand areas.

FUNDING OF SEZ INVESTMENT PROJECTS

For each investment project in the SEZ that requires funding, the CDC, as part of its One-Stop-Shop service offering, applies for funding to the Department of Trade and Industry under the SEZ Act, (Act No.16 of 2014).

During the financial year, five (5) projects worth more than R545 407 899 were approved by the dti for funding; these include:

APLI	228 783 086
Reach Stacker for the CCA Areas	8 999 900
HELLA (Completion Funds)	6 322 098
Multi-user Zone 3 - Phase 2	98 470 007
Orion Engineered Carbons	202 832 808
Approved Funds	545 407 899

Since the 2014/15 financial year, a total of 29 investment projects over a billion rand have been approved by the dti, amounting to R2 012 577 309; these include:

AGCO	60 373 209
Akacia	81 680 778
APLI	228 783 086
BAIC	242 879 168
Bulk Water Reservoir	23 542 027
Coega Dairy Expansion	83 856 855
Corromaster Infrastructure	3 856 252
Customs Control Area - Zone 1	97 893 252
Customs Control Area - Zone 2	45 230 108
Dedisa Peaking Power Plant	2 464 606
Digistics	55 500 000
Dynamic Commodities	33 474 162
Electrical Connections - Zone 3	58 922 496
Feasibility Studies - Aqua-culture	1 800 000
Fibre Optic Backbone	24 270 000
Fire Ring - Zone 1	20 553 996
Fire Ring - Zone 3	22 918 290
HELLA	43 853 699
ID Logistics	67 569 822
Lension JV Bio Packing	51 915 277
MM Engineering	98 825 630
MSC Enabling Infrastructure	3 504 199
Multi-user facility agro-processing (Phase 1)	86 131 803
Multi-user Zone 3 - Phase 2	98 470 007
Now Juice	63 938 949
Orion Engineered Carbons	202 832 808
OSHA & Kenako Concrete	13 076 824
Spiral Wrap	22 260 000
Vector Logistics	172 200 000
Approved Funds	2 012 577 309

INVESTOR RELATIONS

Investor satisfaction and customer aftercare forms a critical part of the SEZ Operations. All complaints and compliments are managed via an online reporting system, to ensure that all concerns raised are successfully resolved.

During the financial year, Investor Services conducted biannual online customer satisfaction surveys in order to develop and optimise action plans to ensure concerns raised are closed timeously.

In addition, good relations with key organisations is critical. Therefore, engagements were held with key stakeholders, which include the Department of Labour (DoL), the Department of Trade & Industry (the dti), and Nelson Mandela Metropolitan Municipality (NMMM) in order to assist investors with visa applications, labour related matters, electricity and water connections, among others. Investor Services also facilitated quarterly investor network sessions with all operational Investors at Coega to encourage synergies and the formation of mutually beneficial relations.

VULINDLELA ACCOMMODATION AND CONFERENCE CENTRE

The 2018/19 financial year was a challenging year for the VACC due to the bad economic climate and the reduction in government spending. However, government business contributed the biggest portion of VACC revenue during the year; R40.3 million in revenue was generated during the financial year. The service offering of the VACC has been expanded to include Events Management Services (EMS), which entails the hiring out of 500-1000-seater VIP and PVC Marquees and furniture to clients throughout the Eastern Cape. The business will create employment and develop local SMMEs in events management; they can hire from the CDC affordable, quality marquees and furniture for own events.

The VACC's value proposition includes it being within reach of the world-renowned Addo Elephant National Park; provides trendy and accessible accommodation for comfortable living for SEZ investors and guests, which includes duplexes, flats, conference and sports facilities. It is tucked away from the hustle and bustle of the city centre, making it a home away from home for individuals, groups, government departments and the private sector. It has access to Port Elizabeth's many beachfront and tourism attractions; diversified product offering; competitive pricing; and service excellence; all of which enables it to remain the Accommodation and Conference Centre of choice in Port Elizabeth, amongst its class of competitors. Competitors include 3 Star Bed and Breakfast, conferencing, and long-term accommodation establishments in the area.

SAFETY, HEALTH, ENVIRONMENT AND QUALITY

The Safety, Health, Environment and Quality (SHEQ) compliance is important for the effective operations of the Coega SEZ. During the financial year under review, Professional Construction Health and Safety Agent (PrCHSA) were appointed for administration, management, quality assurance and supervision of Occupational Safety, Health and Environment on site to manage risks in all SEZ projects.

Furthermore, the CDC has developed a working relationship with the Department of Labour (DoL) to minimise the prescribed 30 days response time on permit application for Coega SEZ projects in excess of R15 million. During the financial year, all qualifying SEZ projects secured construction permit certificates within an average of 14 days, a significant achievement for the CDC.

As regards compliance to SHEQ Standards, the CDC was audited by the Bureau Veritas and has been certified in all three ISO Standard, namely OHSAS 18001, (Occupational Health and Safety Management Systems), ISO 9001:2015 (Quality Management System) and ISO 14001:2015 (Environmental Management System). ISO 45001 will replace OHSAS 18001, the existing management system standard for Occupational Health & Safety (OH&S). The ISO 45001 came to force in 2018. Therefore, going forward, the CDC will report on ISO 45001.

The Air Quality Management Programme of the SEZ has been delivering positive results. A well-managed SEZ provides clean air and minimise air space consumption by lowering emission limits. Air Quality variables monitored during the financial year under review include PM10; PM2.5; SO2; NO; NO2; NOx; O3; wind speed; wind direction; T; humidity; ambient air pressure; solar radiation and precipitation.

In addition, there was one exceedance that was recorded at the Saltworks air quality monitoring station. The cause of the exceedance was the extensive veld fires burning around the SEZ in October 2018. In addition, the total data recovery from the CDC's air quality monitoring stations has decreased over the past four years. This is attributed primarily to power failures and three incidents of vandalism of the three air quality stations. Improved security vigilance and warning systems such as alarms have been installed to enable the high standard of air quality management. The Air Quality Management Programme consists of an Air Dispersion Model and the monitoring & maintenance of the three Air Quality Stations in the SEZ, which has gained nationwide applause, as highlighted at the Annual Air Quality Lekgotla held in Nelspruit in October 2016 and again, in Kimberley in October 2018. These activities provide key information to the CDC and allows effective management of air quality in the SEZ. Licensing authorities that issue air emissions licenses and other environmental permits consult the CDC's Air Dispersion Model to enable decision-making for applications in the SEZ.

The National Department of Environmental Affairs has identified one of the CDC's Air Quality Monitoring Stations to be included as a National Air Quality Indicator (NAQI), to assist in managing and reporting the state of air quality. In July 2018, a new PM2.5 analyser was installed in the Saltworks Air Quality Management System (AQMS), as part of the NAQI Programme. The CDC is reporting PM2.5 data, in addition to the existing parameters measured at the Saltworks AQMS.

As regards CDC's Environmental Management, one of the important programmes implemented during the financial year involves the rescue and relocation of special species in the SEZ. The CDC chose to develop a plant nursery for the safe-keeping of rescued plants, which are used for landscaping for waterwise gardens and rehabilitation in the SEZ. Investors were made aware of the service offered by the CDC, i.e., holding nursery for their plants and plants available for landscaping.

Landscaping Projects

Zone	Investors	Projects Completed
Zone 1	CCA Building	Rescued plants from the nursery and sites in the SEZ are being used to develop the gardens; Sour fig has been used to stabilise the steeper slopes
Zone 1	CDC office gardens	The gardens of the Coega Business Centre have been one of the landscaping projects undertaken in the 2017/2018 and 2018/2019 FY. The focus has been to ensure that a water-wise approach is taken by pro-actively implementing water conservation efforts and reducing water consumption due to the drought experienced by the Nelson Mandela Bay area. Rescued plants from the nursery or sites in the SEZ are being used to develop the office gardens; Stones have been collected from the Zone 5 borrow pit and used in the gardens, for aesthetics and to support the water-wise approach
Zone 1	BAIC SA	CDC supplied ground cover and Aloes to landscape the BAIC gardens in preparation for the grand opening held in July 2018
Zone 3	HELLA	CDC supplied trees and plants for the landscaping of the HELLA building
Zone 2	CCA Entrance	Existing gardens supplemented with additional plants from the Coega nursery
Zone 4	Resource and Induction Centre (RIC)	Landscaping of guard house garden completed with searched & rescued plants from the Coega nursery
Zone 6	Agni Steels	Landscaping within the investor's site, using plants from the Coega nursery
Zone 7	Hougham Park Farm House	The gardens are being landscaped using plants and trees from the nursery. Once water is available at the farm house, the nursery will be relocated to Hougham Park
Zone 13	Dedisa Peaking Power Station	Landscaping within the investor's site, using plants from the Coega nursery

Search & Rescue Operations

Zone	Investors	Projects Completed
Zone 3	Akacia Medicals	Rescued plants were relocated and planted at the CCA entrance in Zone 2
Zone 6	CDC Wind Tower Turbine Project	Rescued plants were relocated to Zone 1 CCA Building gardens
		Rescued plants were relocated to the Zone 1 north traffic circle and the Coega Business Centre
Zone 6	Agni Steels	Rescued plants were relocated to the Coega Nursery. No reptiles were found in moribund termite mounds. Snakes and lizards were found under rock features. The tortoises were found resting under small shrubs. The search and rescue was conducted by hand and the reptiles were relocated to suitable areas which were representative of the habitats where they were found
		Fauna and Flora rescued in October 2018
Zone 1	BAIC SA	Fire ring – rescued plants were maintained in a plant nursery on the site, for reuse in landscaping
Zone 1	MSC	Rescued plants were relocated to the gardens of the new CCA Building in Zone 1 and in the Zone 1 North Traffic Circle
Zone 2	HELLA	Rescued plants were relocated to the Zone 1 north traffic circle
Zone 6	Sonop Wind Turbine	Rescued plants were relocated to the Coega Business Centre garden.

As regards Environmental Impact Assessments (EIAs), 9 EIAs were conducted for new developments in the Coega SEZ. The developments include marine pipeline infrastructure to serve investors that require seawater, a truck stop and filling station, a CCGT power station, a new wastewater treatment works and associated bulk sewer, a fuel tank farm, a non-ferrous metal recycling facility, sand mining operations, a health care risk waste incinerator and a tyre pyrolysis plant.

In addition, the following were other key Environmental Management achievements during the financial year:

- The CDC was issued with an integrated environmental authorisation and waste license from the National Department of Environmental Affairs for a 440 ha Aquaculture Development Zone in the Coega SEZ. The CDC's Aquaculture Development Zone EIA is an important step towards facilitating aquaculture in the SEZ and thereby create much-needed employment.
- The approval granted to the CDC for the Aquaculture Development Zone includes a 60ML/day desalination plant.
- Three investments into the SEZ received environmental approvals during the financial year and they include the expansion of an existing scrap metal smelter, a steel galvanising plant and a bulk liquid storage and handling facility.

OPPORTUNITIES AND CHALLENGES

Operational excellence differentiates the Coega SEZ from others throughout the country and in the African Continent, which is reflected in the value proposition to investors. Shared services related to sustainability, health and safety services, security and logistics, energy and water supply, ICT infrastructure, and One-Stop-Shop will continue to be key for the Coega SEZ.

The CDC has also identified the need to strengthen the uniformity of its project management practices and principles in the implementation of all construction projects in order to enhance CDC's competitiveness given the increase in the number of SEZs, globally. In this regard, the organisation has developed and already implemented a Project Management Framework and Policy to increase its competitiveness.

Vandalism experienced with two (2) of the CDC's three (3) air quality monitoring stations in the SEZ and vandalism of a heritage buildings in the SEZ remain a concern, however there are systems in place to curb this challenge, including the CDC's Security Management Plan.

LOOKING AHEAD

Investor satisfaction is a critical barometer for the Coega SEZ as well as fast turnaround of investor infrastructure projects from signing to commissioning. However, it is pleasing that the SEZ infrastructure programme continued to progress well in the 2018/19 financial year. More SEZ infrastructure projects were completed and handed over to investors in order to commence operations and collect monthly rentals.

Several projects that are in the final detail design stages will go out on tender within the first quarter of the new financial year; these include the High Voltage Electrical Supply to Zones 1 and 2; African Port Logistics and Infrastructure Facility in Zone 1; and Multi-Purpose Facility Phase 2 in Zone 3.

The pipeline of projects currently underway remains promising and funding applications will be submitted to the dti as soon as applicable agreements have been finalised with the affected investors.

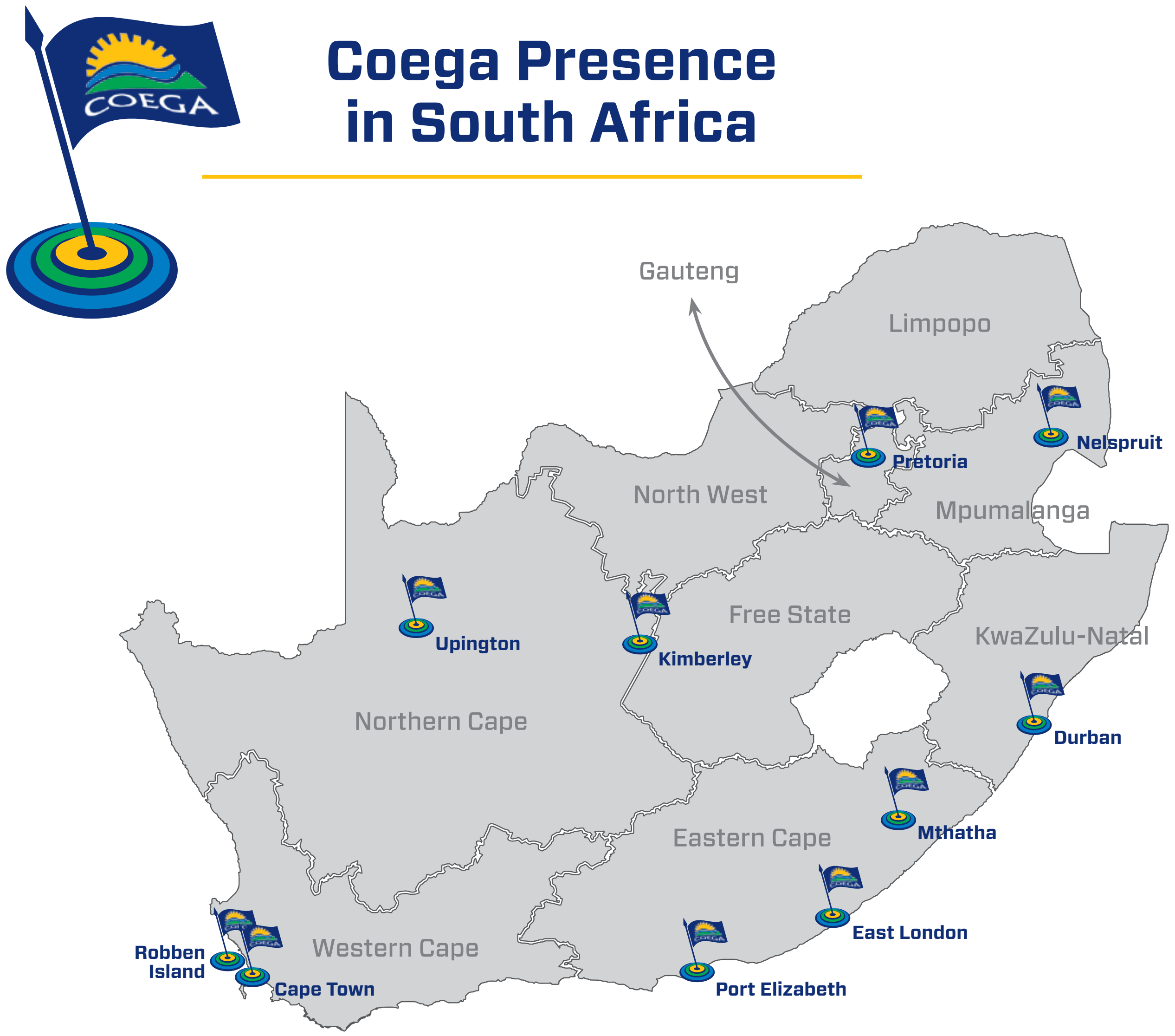
Long term planning is a key priority for the CDC to ensure that investors in all Zones of the SEZ are serviced with bulk infrastructure in accordance with the annual updated Master Plans. In this regard, planning and sourcing of funding is critical, henceforth, to further develop critical bulk infrastructure, including the Return Effluent Water Supply and for the servicing of the Coega SEZ.

SHEQ compliance remains key as a competitive advantage in the effective management of SEZs operations. Focus will continue in this area with particular emphasis on maintaining CDC's ISO Standards.

EXTERNAL SERVICES

COEGA EXTERNAL SERVICES INFRASTRUCTURE PROGRAMME

The CDC is a Programme Implementing Agent (PIA) for government departments' throughout the country, across six Provinces, as shown in the figure below. The CDC employs skilled and specialist engineers, project managers and multidisciplinary resources, which it has placed at the disposal of government to provide project management and engineering services.



As opposed to the SEZ infrastructure development by Property Development and Maintenance (PDM) on behalf of CDC investors, external services programmes mainly service government departments as an implementing agent on infrastructure and facilities management within the framework of the Public Finance Management Act (PFMA) (No.1 of 1999) as amended by Act 29 of 1999 and its regulations; the National Treasury regulations; and other applicable legislation, policies, strategies, and prescripts.

As the Programme Implementing Agency of choice in South Africa, CDC provides expertise in the fast and efficient delivery of mega infrastructure projects and facilities management in South Africa through international best practice and solutions in infrastructure project management & facilities management. It utilises the project methodology that delivers financial value to our clients and enhances the socio-economic benefit for communities. The programme promotes shared value for all our stakeholders through efficient & effective systems and processes, which include procurement, Information Communications Technology, financial, and governance, all of which comply with international standard in project management. It enables the delivery of infrastructure throughout South Africa in line with the objectives of the National Development Plan (NDP).

Value Statement

- We can deliver a better value for money for our clients;
- We can deliver projects faster than our closest competitors;
- We can deliver projects at affordable costs to clients and in accordance to the prescribed fees from project management framework and/or prescripts;
- We can deliver projects with zero VO unless demanded by clients;
- We can provide best skills set in the industry as Implementing Agents; and
- We can deliver value to our clients and their beneficiaries

The scope of work covers but is not limited to assisting Provincial, National and State-Owned companies in Infrastructure, Facilities Management, Human Capital Solutions, Business Reengineering, Research and Travel Services.

The External Programme includes the following Clientele:

Client Category	Depart	Deliverable Appointment	Appointment Type
National Departments	National Department of Public Works	Robben Island	Facilities
		PMTE	Business Processing
		Mthatha Infrastructure	Infrastructure
		Prestige	Refurbishments
		Small Harbours	Infrastructure + Facilities
		Service Delivery Model	Business Re-Engineering
	National Department of Health	EC Clinics & Hospitals	Infrastructure
		Appointment for Free State Clinics & Hospitals	Infrastructure
	National Department of Basic Education	DBE KZN Infrastructure	Infrastructure (Schools & ECD)
		DBE EC Infrastructure	Infrastructure (Schools & ECD)
	Tourism	Spatial Development, Infrastructure and various entities	Infrastructure & Consultancy
Provincial Departments	EC DOH	Infrastructure	Infrastructure
	EC DOE	Infrastructure	Infrastructure
	KZN DOE	Infrastructure	Infrastructure
	KZN DSD	Infrastructure	Infrastructure
State Owned Entities	MEGA	Infrastructure & Management	Project Management
	NCEDA	Capacity Building	Consultancy
Africa Programme	CAP	Infrastructure & SEZs	Consultancy

During the financial year, the programme provided wide-ranging ICT consultancy services to various government clients and private sector organisations. The following indicates some of the clients under the ICT portfolio.

PERFORMANCE OVERVIEW

Key outputs from external programmes include job creation, skills development and increased project management capacity of government to delivery services to the communities.

During the financial year under review, revenue exceeded budget by 2% whilst jobs created were down 9% signalling a difficult operating environment.

Strategic Objective	2018/19 Target	2018/19 Actual	% Change
Financial Sustainability of Coega Through Revenue Generation	R163	R166	2%
Job Creation through Construction	8609	7815	-9%

Notwithstanding revenue growth of 2%, in real term the programmes revenue is projected to remain fairly subdue due to the decline in the infrastructure and facilities management projects allocated by clients. The reduction in the number of targeted jobs is largely due to funding constraints, delays in implementation of projects and withdrawal of some projects by clients.

The socio-economic impact of the programme is demonstrated below; 128 SMMEs have benefited from the programme and 1 146 jobs have been created.

Programme Type	Location	Number of Projects	SMME	Jobs
Business Re-engineering	Nationally	2 Phases (Ph 1 done)	6	13
Mthatha Programme	Mthatha Infrastructure	65 (Mthatha)	55	586
Capacity Building	Prof. Services	1		TBA
Prestige Cape Town	PMTE	1	13	262
Prestige PTA	Pretoria	24	2	51
Small Harbours	Cape Town	1	36	239
Robben Island	Cape Town	23	16	45
Total			128	1146

The National Department of Public Works (NDPW) Prestige Programme included the upgrading of 23 ministerial houses as well as renovations to Union Building offices of the President and Deputy President, in Tshwane. In addition, the NDPW Programme continued to implement best practices such as value engineering to reduce the cost of infrastructure implementation with improved infrastructure functionality.

During the year under review, the CDC continued to provide consulting project management services to the NDPW for the study and development of the Business Process Review for the Department's new Property Management Trading Enterprise (PMTE). This project involved a study team operating from Pretoria and included the completion of a Phase 1 "as-is" study culminating in the preparation of Standard Operating Practices (SOPs) for all DPW business processes. The project has progressed into Phase 2, that develops the "tobe" processes for the NDPW defining an "end-to-end" process from the stage of real estate investment planning right through to project implementation and the commencement of operations of the buildings as well as facilities management. CDC's assistance has also been requested by the DPW for the development of a service delivery model, which will form the basis of the business process system and is to be incorporated into the PMTE business process review exercise.

Furthermore, the involvement with the NDPW and Provincial DPW in Cape Town has seen the successful implementation of the Ruigersdal rehabilitation project consisting of the internal and external rehabilitation of a six-storey building for accommodation of government officials. Additionally, the Small Harbours Programme successfully concluded the removal of sunken vessels, dredging, planning for harbour infrastructure and construction works. The Robben Island Project successfully concluded the maintenance of all electrical infrastructure, mechanical maintenance, built fabric maintenance, roads and civil infrastructure, soft services, waste collection, World War 2 structures, landscaping and environment, marine structures, bulk service operations and maintenance, and the establishment of a call centre on the island.

In KwaZulu-Natal, 758 school projects are being implemented including Early Childhood Development facilities, school upgrades and additions, Learners with Special Educational Needs (LSENs), new schools and fencing for the DOE, as well as the DBE and DSD Projects. Of these, 503 projects are in the closeout stage while 87 are already in construction. A total of five new schools, six Upgrades and Additions, 19 Early Childhood Centres, two Fencing Projects, three Water and Sanitation Projects, one Service Office and one Place of Safety have been completed during the 2018/19 financial year.

In East London, 943 projects are being implemented. These include school upgrades and additions, new schools and fencing for the DOE as well as the DBE / DSRAC projects. Of these, 442 projects are in the closeout stage and 40 are under construction. About 139 projects have been completed.

During the financial year, CDC actively pursued consulting services to various government departments. One of the first such projects is the Mega Fresh Produce Market Project in Mpumalanga where the CDC was the technical advisor. The project is currently valued at over R1.2 billion including the infrastructural services and top structures. In addition, successful value engineering workshops were held, which resulted in a reduction of the overall project cost by approximately R400 million.

PROJECT MANAGEMENT AND INFRASTRUCTURE DEVELOPMENT: Bedford Primary School is one of the 943 projects implemented by the CDC on behalf of the DOE.

Wild Coast SEZ

Coega is an IA on the programme. The land for the proposed Wild Coast SEZ is located around the Mthatha Airport and it is approximately 226 hectares. The key characteristics of this site are:

- It is adjacent to the Mthatha Airport, thus potential for future trans-shipment hub for high value or short shelf-life produce;
- Proximity to high accessibility transport route, R61 connecting to Queenstown and N2;
- Bulk infrastructure is being planned and thus the Wild Coast SEZ's requirements for industrial use can be incorporated;
- The land is almost central point (distance) of the three District Municipalities; and
- The identified land is within the most populated local Municipality in the region compared to others.

The Wild Coast region incorporates three Districts, i.e., Alfred Nzo District Municipality (ANDM), OR Tambo District Municipality (ORTDM) and Amathole District Municipality (ADM) (excluding the Buffalo City Metropolitan Municipality). The development of the proposed Wild Coast SEZ will require funds for upgrading existing and providing new enabling bulk infrastructure.

The three primary objectives of the proposed Wild Coast SEZ are to:

a) Grow the agro-processing sector in the eastern region of the Eastern Cape;
b) Promote beneficiation and further value addition of the region's agricultural resources, and the development of solid manufacturing capability to enhance its economic competitiveness; and
c) Revitalise Mthatha and surrounds as a key industrial node.

In achieving these objectives, the Eastern Cape Provincial Government through the Department of Trade and Industry's SEZ policy seeks to create employment, develop a sustainable manufacturing capability to promote economic growth, uplift the Wild Coast region, attract foreign direct investment and domestic investment. The Eastern Cape Provincial Government in partnership with the dti has sought to plan and develop the Wild Coast SEZ as one of the key economic development instruments of the Integrated Wild Coast Development Programme (IWCDP). The primary focus for the IWCDP is to achieve the following objectives:

- To identify industrial linkages for the proposed Wild Coast SEZ to be promulgated in the Wild Coast region for creating sustainable and decent jobs;
- To support the proclamation of new towns and infrastructure projects as a means of reviving the local economy in the identified sectors to achieve industrial development under an Environmental Management Framework;
- To support the Presidential Infrastructure Coordinating Commission (PICC) driven projects under SIP 3 with the identified catalytic projects, namely the Umzimvubu Water Basin Project and the Wild Coast N2 Highway; and
- To designate programmes geared towards the improvement of the quality of life of the poorest and most deprived people in the Wild Coast Region.

Increasing investment and boosting competitiveness are two of the pillars on which the IWCDP is based. The Investment Promotion Programme (IPP) of the Wild Coast SEZ is underpinned by the Provincial Economic Development Strategy (PEDS) goals of poverty reduction through growth stimulation and job creation, primarily focussed on recruitment of agro-processing investors and provision of fast and efficient logistics solutions to deliver value added to goods to markets.

The proposed Wild Coast SEZ seeks to take advantage of existing industrial capacity to promote further integration with local industry and increase value-added production with direct linkages and/or synergies to the primary industries already established in the Eastern Cape. It is against this background that the types of investments being targeted by the proposed Wild Coast SEZ are greenfields (new projects on sites being developed for the first time ever), with new operations to be co-located with existing activities for synergy. The types of opportunities being sought fall into the following categories:

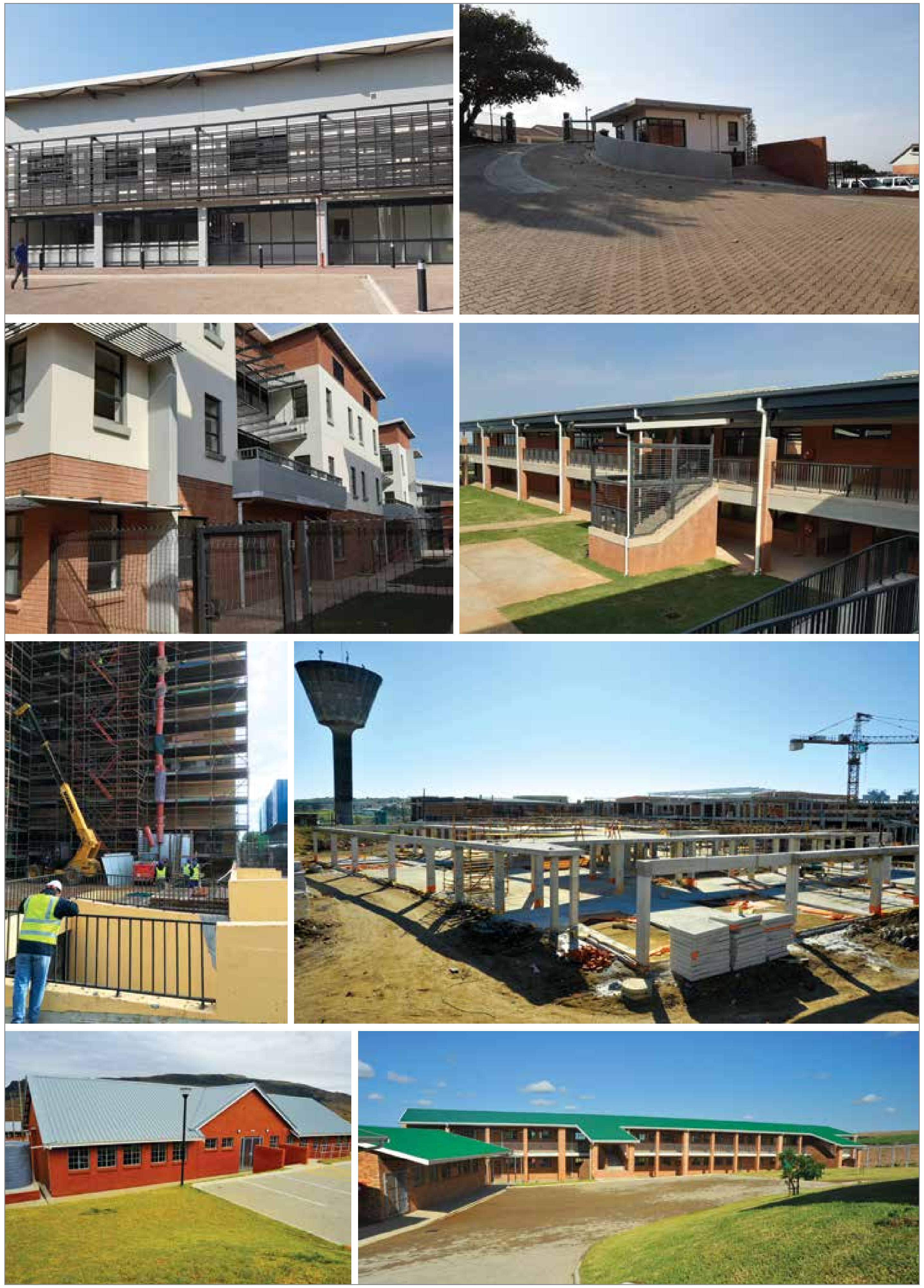
- Large or medium sized international companies (expansions and new ventures);
- Established South African companies and new ventures seeking to expand (excluding relocations); and
- Multinationals seeking opportunities for clustering to achieve synergy.

The proposed Wild Coast SEZ will contribute immensely to job creation and the development of economic infrastructure in the Eastern Cape Province. The latter will be a strategic driver of industrial development with the potential to contribute boosting manufacturing and employment generation. The relevance of the other Eastern Cape SEZ's and their programmes lies in the extent to which they contribute to regional and provincial objectives. The proposed Wild Coast SEZ provides the Wild Coast region, in which it operates, with an industrial set-up and manufacturing capability to:

- Leverage existing industrial capacity to stimulate economic development;
- Increase the volume of private sector investments directly;
- Improve the quality and sustainability of investments by targeting specific sectors; and
- Increase the level of overall competitiveness of the Eastern Cape Province and South Africa.

The job creation potential of the selected projects was benchmarked against actual, similar operations elsewhere which gave about 1 840 direct jobs during operations. The operational jobs will be complemented by 3 313 construction jobs, totalling 12 626 for economy wide new jobs.

The diagram below *(page 90)* depicts the viable agricultural value chains that have been identified based on the agro-processing potential in the broader Wild Coast region.



PROJECT MANAGEMENT AND INFRASTRUCTURE DEVELOPMENT: Some of the work currently being undertaken by the Portfolio include; La Mercy MST Academy, Rygersdal, Cecilia Makiwane Hospital, Amakhuze Secondary School, and Guzana Senior School,

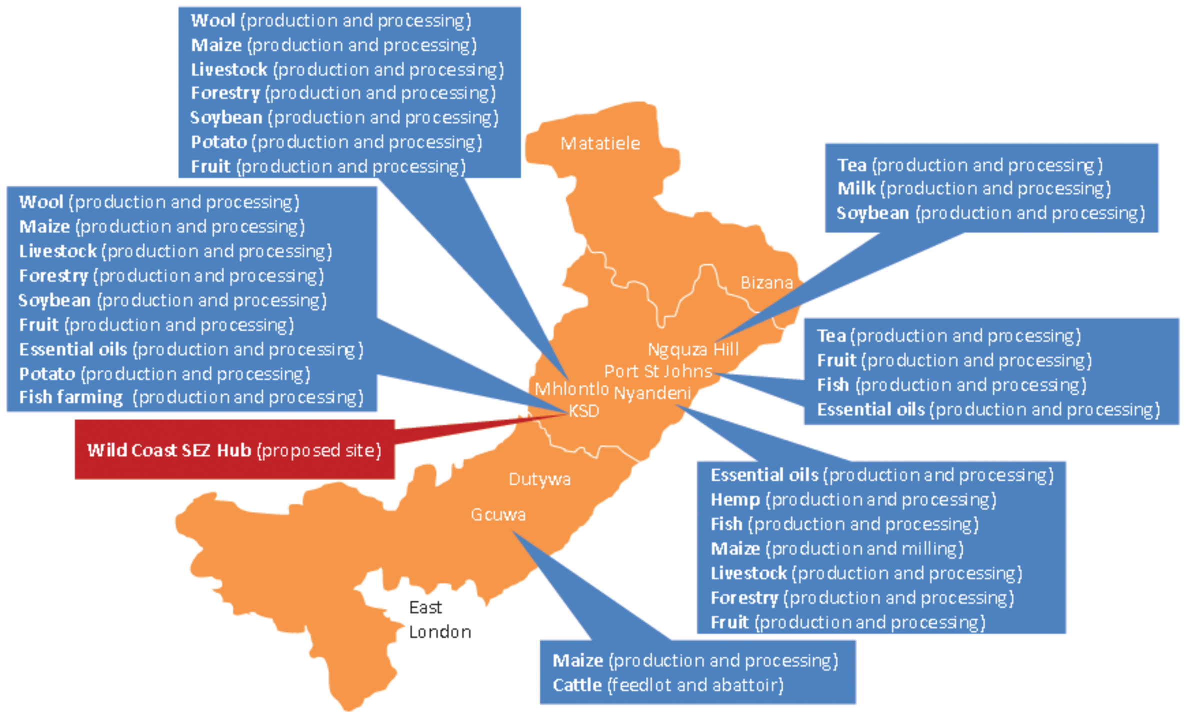


Table of Wild Coast SEZ Performance Reporting

Current Scope of Work	Progress	
Project Feasibility and Business Plan Estimated Completion date: 15 December 2018	(1) Feasibility Study and Business Plan	Completed Draft_01 SEZ Application for Designation has been submitted to the Department of Economic Development, Environment and Tourism for consideration. A Project Steering Committee is sitting on the 2 July to consider and endorse the application for submission to the Department of Trade and Industry.
	(2) Environmental Impact Assessment	Environmental Authorization granted by the Department of Environmental Affairs on 27 February 2019.
	(3) Land Assembly (lease negotiations)	Lease agreement submitted to the Chief Land Claims Commissioner for consideration. Kwa-Link Community, the Regional Land Claims Commission (RLCC) and the Implementing Agent (Coega Development Corporation) are in agreement that a 50-year lease must be signed by the community (through its commercial Special Purpose Vehicle) and Coega Development Corporation for the airport land. A Community Resolution has been concluded and signed. The Department of Rural Development and Land Reform has given written consent for the land to be subdivided and rezoned for a Special Economic Zone.
	(4) Capex Funding Mobilization	Applied for Stimulus Funding from the Department of Economic Development, Environment and Tourism. R81 million awarded for the 2019/20 to 2021/2022 financial years.

Table of Wild Coast SEZ Performance Reporting continued...

Current Scope of Work	Progress	
Project Feasibility and Business Plan Estimated Completion date: 15 December 2018	(5) Engineering Design and Planning	Conceptual Design completed. Master Planning completed. Rezoning and SPLUMA application has been submitted to the King Sabata Dalindyebo Municipality. The process is in its final stages. An outcome is anticipated in the next six weeks.
Infrastructure Development	No infrastructure internal developments on site yet. The King Sabata Dalindyebo Municipality is constructing a water reservoir to supply the airport precinct and this will be sufficient for Phase 1 of the development. SANRAL is also upgrading the R61, which provides access to the airport site. Aurecon has conducted a scoping exercise of requisite infrastructure for Phase 1 and in general there is adequate water, electricity and road access. King Sabata Dalindyebo Municipality municipality has been issued with draft waste disposal site license for Qweqwe site. This will resolve a pertinent issue raised in the Feasibility Study as a problem for the establishment of the SEZ in the area. A sewer line to linked to the airport site and with enough capacity for Phase 1 will require engineering design and planning. (1) Town planning and land use change (2) Landscape architecture, including bush clearing and search and rescue operation (3) Design of the following services • Storm water, • Sewer, • Fire ring, • Internal roads, • Backup electricity, and • Broadband/fibre and telecommunications. An amount of R195 million is required for the above enabling infrastructure. SANRAL has approved the Trafffic Impact Study (ITS).	
Investment Promotion	The total investment signed pipeline is R1,405 billion. The following investors have signed Letters of Intent to locate in the proposed Wild Coast SEZ: • **PROJECT NAME:** Mthatha Fresh Vegetable and Produce Facility The project will mainly focus on the processing of high value commodities such as nuts, and vegetables. The products will be mainly for local market with only limited product earmarked for the export market. The project entails the construction of 40,000 m² of greenhouses and a 3,000 m² processing and warehouse facility. Project Value: R100 million Job Creation: 100 Operational Permanent Jobs; 100 Jobs During Construction • **PROJECT NAME:** Mthatha Medicinal and Aromatic Plants (MAP) Cultivation & Oil Extraction Facility The project will mainly focus on the processing and extraction of essential oils from identified plant species. The products will be mainly for export market. The project entails the construction of 10,000 m² of glasshouses and a 2,500 m² processing and warehouse facility. Project Value: R85 million Job Creation: 50 Operational Permanent Jobs; 100 Jobs During Construction	

Table of Wild Coast SEZ Performance Reporting continued...

Current Scope of Work	Progress
Investment Promotion continued...	• **PROJECT NAME:** Wild Coast SEZ Juice Concentrate Project The project owners intend setting up a Juice Concentrate and Beverage Plant, Warehouse and Cold Storage facility to enter the apple and pear concentrate market for which there is a local demand. Project Value: R610 million Job Creation: 100 Operational Permanent Jobs; 100 Jobs During Construction • **PROJECT NAME:** Poultry Processing Project The project owners intend setting up a "50 000" a shift Chicken Abbatoir and Six Broiler Production Sites. In phase 1 the investors will develop an abbatoir operation that will slaughter, package, and supply 1,2 million birds a month and will be supported by six broiler farms. Project Value: R610 million Job Creation (Phase 1): 521 Operational Permanent Jobs; 150 Jobs During Construction

The Wild Coast SEZ Project Management Office (PMO) has engaged extensively with local stakeholders and is already working with them to ensure that the proposed SEZ benefits the local community and existing industry. An Environment Authorisation has been granted by the Department of Environmental Affairs to develop the land as a Special Economic Zone. Master Planning has been concluded and a Land Use application has been submitted to the King Sabata Dalidyebo (KSD) Local Municipality for consideration and approval. The PMO has worked with the owners of the land (who have provided a binding resolution in terms of the Restitution of Land Act, No. 22 of 1994) who have provided the land for development, traditional leadership, local government (both local and district), local business, provincial government departments and entities and other interested parties.

CHALLENGES AND OPPORTUNITIES

The external services programmes faces a number of risks which the CDC has attempted to overcome during the current financial year. However, the CDC is limited by the constraints of government and the departments that it serves. This limitation is juxtaposed against the challenge of delivering exceptional implementation capability to advance service delivery of government and to accelerate national infrastructure delivery.

The decrease in government expenditure; the non-payment by Provincial Departments; the entrance into the market by consultant implementing agents as competitors such as Development Bank of Southern Africa (DBSA); and the general reduced levels of governance at client levels continues to erode the CDC's ability to get appointments in government programmes. In mitigation, a strategy that rides on the CDC's competitive advantages has been developed. Another challenge is the closure of construction sites by the local communities and Small Medium Enterprises demanding business opportunities. As a result, social facilitation and SME development and support programmes have been intensified.

Notwithstanding these challenges, the CDC has a unique competitive advantage in that it has expertise in SEZ development; business and process re-engineering; programme and project management that can be shared across South Africa and beyond. This is currently being packaged to accommodate other offerings so that the CDC can diversify its offering and add further value.

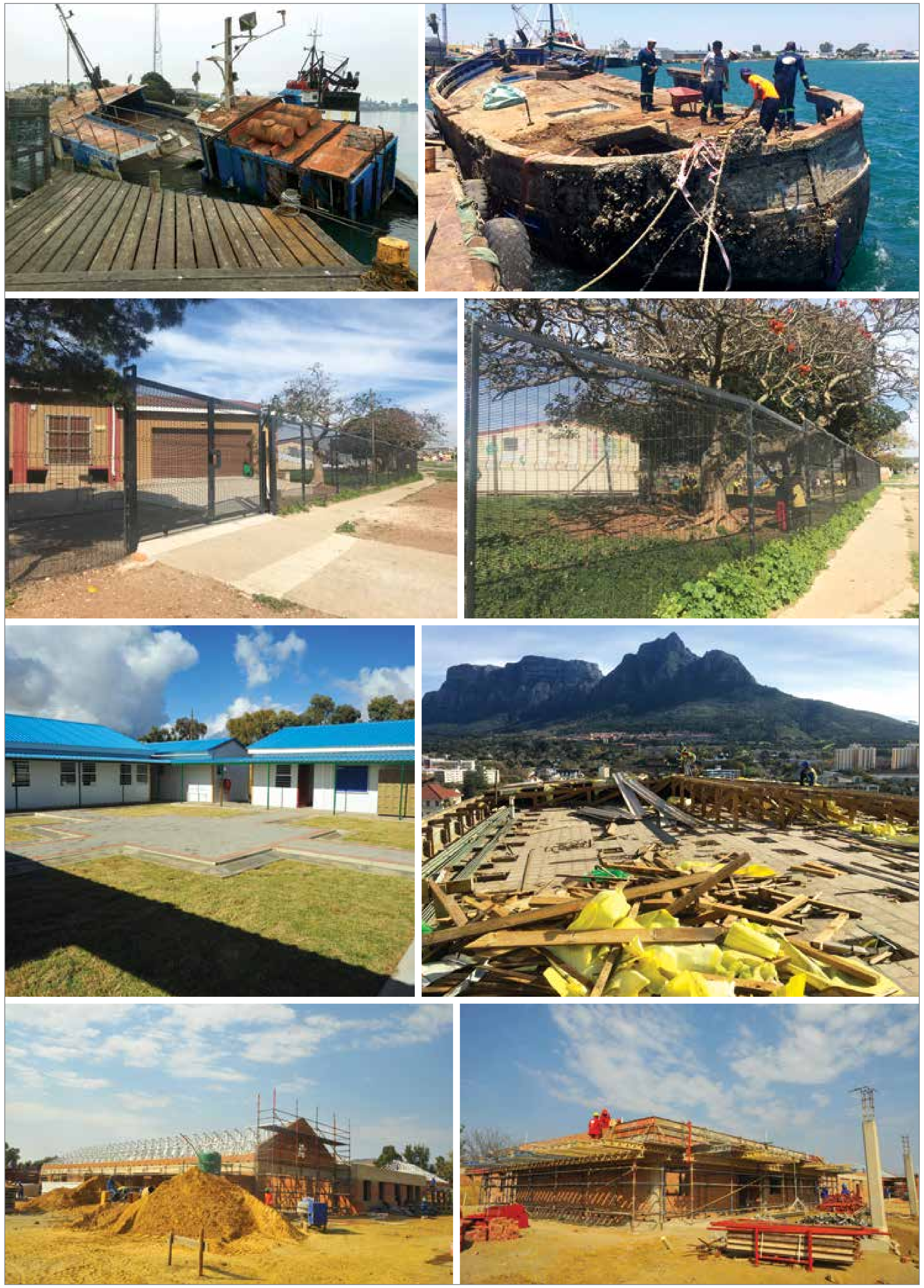
Currently, the CDC has a total of 17 clients with signed SLAs at various levels of implementation; five clients that have appointed Coega, but for whom work has not yet commenced and a total of 17 identified clients for whom an ongoing marketing and business development exercise is taking place.

LOOKING AHEAD

A multi-faceted strategy, tailor-made to each of the programmes in the regions will include:

- Expanding clientele to growing Provinces such has Gauteng, KZN and Western Cape;
- Focussing on supporting NDPW that serves close to 52 government departments;
- Deeping the clientele focus on current clients by expanding Coega services; and
- Positioning the CDC as the Implementing Agent of choice in South Africa.

The Wild Coast SEZ is set to address the existing socio-economic challenges the region faces in terms of 43.7% unemployment rate, acute poverty levels, a declining dependency on the primary sector(agriculture in particular) and a shift towards community services led by government services. The two proposed sectors, namely agro-processing and logistics from the input side, would have adequate support and continue to thrive and contribute positively to economic development, Gross Regional Domestic Product (GRDP) of the province, and specifically job creation in the Wild Coast region and beyond.



PROJECT MANAGEMENT AND INFRASTRUCTURE DEVELOPMENT: Some of the work currently being undertaken by the Portfolio include; Small Harbours, Astra Primary School - Fencing Project, Rygersdal, and Khotsong TB Hospital.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The revised B-BBEE codes focus on ownership, management and control, employment equity, skills development, preferential procurement, enterprise development, and socio-economic development, all of which amount to 105 points.

The organisation has improved on its Level 5 B-BBEE Certification achieved in 2017/18 financial year. Under the revised codes, the CDC has achieved 85.44 points to attain Level 4 in the 2018/19 verification process.

The CDC obtained highest points for enterprise and supplier development and lowest points on contribution to socio-economic development through the CSI programme due to funding challenges.

Therefore, an invesment in CSI and skills development were negatively affected by lack of funding for operational expenditure (OPEX). However, management continues to address OPEX funding challenges with the Executive Authority; the success of these discussions will enable the CDC to improve the B-BBEE to level 3 in the next financial year and Level 1 within the next 2 years.

Employment equity

While the organisation has made some progress in terms of employment equity, challenges remain in terms of gender balance. In senior and executive management, there are more than triple the number of men employed compared to women. The staff complement is 48.67% female and 51.33% male. However, the CDC is making targeted interventions to drive gender parity through talent management and skills development.

CDC Employment Equity Profile - 31st March 2019:

	MALE					FEMALE					FOREIGN NATIONAL		GRAND TOTAL
Occupational Category	African	Coloured	Asian	White	Total	African	Coloured	Asian	White	Total	Female	Male	
Top Management	1	0	0	0	1	0	0	0	0	0	0	0	1
Senior Management	11	2	0	3	16	3	0	0	1	4	0	0	20
Prof Qualified & Experienced Specialist & Mid-Management	37	13	2	20	72	32	2	4	5	43	1	1	117
Skilled, Academic, Junior Management, Supervisors, Foremen & Superintendent	42	12	0	6	60	48	7	1	5	61	1	4	126
Semi-skilled & Discretionary Decision Making	42	1	0	1	44	86	9	0	2	97	0	0	141
Unskilled and Defined Decision Making	0	0	0	0	0	5	0	0	0	5	0	0	5
Total Permanent	133	28	2	30	193	174	18	5	13	210	2	5	410
Temporary Employees	3	0	0	1	4	1	0	0	0	1	0	0	5
GRAND TOTAL	**136**	**28**	**2**	**31**	**197**	**175**	**18**	**5**	**13**	**211**	**2**	**5**	**415**

The CDC places talent and leadership development very high on the list of key strategic objectives due to the appreciation that correct leadership skills are the "new speed limit to growth for any organisation." It is not the load of staff, access to capital or technology that will constrain the growth of the organisation but rather the lack of adequate skills to support organisational growth plans. Therefore, the organisation has to actively participate in the development of relevant skills, advancement of women, and strengthen its talent base because in knowledge based and Professional Services Organisations (PSO), under which the CDC can be classified, the quality of skills and leadership diversity is almost the only point of leverage that the organisation has to create its competitive advantage.

The CDC acknowledges that its preference and model for talent acquisition is to attract highly skilled specialists and professionals who are highly experienced in their technical disciplines, hence a need to heavily invest on management and leadership development programmes in order to develop the needed leadership capacity.

Since 2015, the CDC has successfully implemented an exclusive Leadership Development Programme for 20 senior women managers with the objective of broadening a talent pool of potential women leaders for the CDC. Currently, additional talent development programmes focussing on leadership development at both middle and senior management are being implemented in order to create a pipeline of talent with leadership skills that will be adequately prepared to assume senior management level responsibilities. 60% of the participants on these programmes are women because the CDC acknowledges the limited number of women representation at senior management level, particularly at executive management. Furthermore, the target for CDC's succession plan for executive and senior management positions is 60% women in line with the equity targets of the organisation.

The CDC's Leadership Development Framework outlines the competencies required for all CDC's leadership positions and talent management programmes, which are under implementation. These programmes are seeking to ensure that the targeted talent pool meet the requisite competencies and are further addressing some of the barriers and obstacles identified for advancement of women. The CDC is highly alive to the fact that the transition and growth of women (both at technical and professional levels) require a dramatic shift to navigate the leadership responsibility. To address this requirement, the CDC is conceptualising a multiyear leadership development programme for women exclusively, in partnership with various academic institutions to provide mentorship, career pathing, leadership maturity skills, confidence building, critical thinking, personal branding capabilities, emotional intelligence, networking capability, and decision making skills, as key elements to expanding women leadership. Ratios and indicators to measure success of these initiatives are in place to ensure that the target for gender diversification and representation at an executive and senior management levels are met.

Skills Development

Ensuring that the CDC has its sights set on skills development, the organisation has trained 7 406 people. As mentioned elsewhere in this report, unless funding allocations from the Eastern Cape Provincial Government in support of the Provincial Skills Development Strategy resumes, future training interventions delivered by CDC will largely be non-technical in nature.

LOOKING AHEAD

Targeted interventions for women development and transformation are underway to ensure that the overall objective is achieved as lack of gender transformation will continue to negatively affect the overall B-BBEE rating for the CDC. Furthermore, the ongoing interventions will ensure the achievement of employment equity plan, as the picture currently remains undesirable.

Therefore, the CDC's targeted interventions and ongoing efforts continue to drive employment equity improvements and gender representation throughout the organisation, through, amongst others, skills transfer, correct technical exposure, leadership development, coaching and professional registration programmes.

LOCAL LABOUR: Pictured is one of the workers on site Thandi Kahlulo (29) from Matatiele. Over 319 local jobs have been created at the Khotsong TB Hospital construction site in Matatiele.

"In the future, there will be no female leaders. There will just be leaders." Sheryl Sandberg COO of Facebook

HUMAN CAPITAL SOLUTIONS

The Coega Development Corporation conceived the Coega Human Capital Solutions (HCS) Business Unit in 2002, in response to investor location concerns regarding labour stability and skills shortages. The unit affects the corporate ideal of socio-economic transformation and it does so through its extensive range of community empowerment programmes, which produces interventions aimed at addressing systemic issues.

PERFORMANCE OVERVIEW

The Coega HCS facilitates the provision of a very stable labour environment. Since inception in 2002, the number of days lost to labour unrest in the Coega SEZ is at a minimal 0.01% against a construction industry best practice benchmark of 2.5%. This statistic outperforms not only the South African national labour days lost due to labour unrest, but rivals best practice in Europe. Unsurprisingly, the Coega SEZ is regarded as a best practice site by the International Labour Organization's Fair Labour Standards Working Group following a comparative evaluation of more than 3 500 SEZ's, worldwide.

Coega HCS is also responsible for ensuring that investors have access to appropriately skilled local workforce. During the 2018/9 financial year, an average local labour absorption rate of 86% was achieved on all projects supported by Coega HCS.

In keeping with the corporate objective to achieve financial sustainability and growth, Coega HCS added a range of consulting services to its portfolio and currently supports the Department of Health, Department of Basic Education and the National Department of Public Works external services - infrastructure portfolio through the provision of labour management and social facilitation services. Other clients include, investors locating in the Coega SEZ and Transnet (Port of Ngqura).

Coega HCS has two corporate targets:
(a) Financial Sustainability (Revenue Generation); and
(b) Developmental (Number of People Trained).

(a) Financial Sustainability
The revenue generation target for Coega HCS including the Driver Training Programme was set at R24 844 360 for the 2018/19 financial year. Performance against target was R20 495 706. That translates into an achievement of 82.5% against target but representing a better outcome than the 70.6% (R16, 697,147) against target achieved in the 2017/18 financial year.

The underperformance against the revenue generation target was caused by two factors:

- Delays in the implementation of a large consulting contract with the Department of Public Works which arose due to internal re-organization efforts at the Department of Public Works. The project is expected to resume in the new financial year; and
- Far less investor driven construction activities in the Coega SEZ than originally expected.

Social Facilitation
Coega HCS derives more than 80% of its income from the external services - infrastructure portfolio by rendering social facilitation services in support of project delivery.

The excessive reliance on the CDC's external services - infrastructure programme was identified as a threat to the Coega HCS's business model. Consequently, a series of initiatives are underway to improve resilience by actively seeking to diversify the offering beyond the provision of social facilitation services, and to monetise the considerable intellectual property of the business in order to respond to a wider audience. However, the current Coega HCS social facilitation model has outperformed its market competitors on two fronts:

- It has delivered unprecedented and consistent results in terms of local labour absorption, labour peace and community support across all projects where it has been implemented in comparison with its market peers; and
- The social facilitation services have been consistently offered in a wide range of permutations as it is extremely flexible, and at half the cost of its closest competitors.

Social facilitation services offered mean that projects would not suffer the community and labour unrest typical of the many other infrastructure projects in the country. While this is positive, the problem of reach still exists, and the prevailing practice to sell HCS social facilitation services as a bundled value-add offering to the CDC Infrastructure development offering as a differentiator, has constrained the Coega HCS market reach in terms of social facilitation services.

Coega HCS has partnered with a global digital exchange which provides finance for emerging and social enterprises on a block chain enabled platform supported by smart contracting, on the basis of an aggregated risk models and behavioural finance principles.

Aggregating the risk in this manner, the finance can be provided at far more accommodative terms than what is currently on offer in the developmental finance marketplace. This allows Coega HCS to create a complete community development solution that addresses unemployment and poverty.

(b) Developmental (Number of People Trained)
CDC achieved 7 406 people trained against a target of 4 598. The achievement is significant given budget shortfall on training. Coega HCS does not receive a dedicated training budget to achieve the training target and is reliant on external skills funding which is proving difficult to access. Extensive work was done during the 2018/19 financial year to establish relationships that would enhance access to training funds, and these efforts led to the CDC being granted R92 million from the UIF Labour Market Activation Window Round 1, to train beneficiaries. These funds were transferred to the Coega Foundation, where the Driver Training Programme and Skills Development Centre will use it to implement the training.

Similar initiatives are underway to broaden the CDC's access to training funds, which includes an aggressive drive to establish new working partnerships with other entities who have similar objectives and where opportunities exist for joint implementation of training programmes so that more can be achieved on a shared cost platform.

Challenges and Opportunities

Coega HCS identified a number of strengths, weaknesses, opportunities and threats in its SWOT analysis. Despite the underinvestment in new service and product lines and increasing pressure to service investors and clients, with limited resources to monetise the intellectual assets, key strengths include the strategic relationships, complex mega-project experience, intellectual property that could be monetised and a strong, diverse and specialist team. Some of the opportunities include the ability to diversify and broaden the SEZ-focused service offering and to expand the business model outside the region.

CREATING VALUE

The Coega HCS identifies its value proposition as the ability to:

1. Provide an unequalled level of labour stability on construction projects taking place on the Coega SEZ and those construction sites forming part of the CDC's external services portfolio.
2. To provide an unequalled level of local labour absorption on construction projects both internal and external to the SEZ, thus supporting the objective of job creation and poverty relief through public infrastructure delivery.
3. To provide a large scale, web-enabled platform for labour management and social facilitation specifically geared towards compliance to the Construction Industry Development Board (CIDB) and Extended Public Works Programme (EPWP) socio-economic standards for infrastructure delivery that applies to all State-owned entities, public infrastructure implementing agents and infrastructure procurement on all spheres of government.
4. To provide construction project social facilitation services which consistently produce community acceptance and support for publicly funded construction projects, thereby demonstrably diminishing the risk of community disruption of construction projects and the cost overruns associated with project delays and damages caused by protesting community members while creating a safe and conducive environment for constructions works to proceed.
5. To provide specialist consultancy services to SEZ investors on labour legislation compliance, and preliminary Human Resource Management support to meet South African labour law requirements.
6. To support SEZ investors in the recruiting of operational personnel, specifically noting that the Coega HCS delivery systems allow for large scale mobilization of labour at very short notice.
7. To offer integrated, multi-modal training interventions of exceptional quality which is unprecedented in the market place. While Coega HCS is not a training provider, it does have a network of training providers, content developers and mentors as well as internal systems, intellectual property, quality assurance and instructional design capability and staff experience.
8. To support the CDC's positioning in key growth sectors (oil and gas, and energy) as an investment destination and as infrastructure implementing agents in key national projects by delivering specialist consulting services not readily found elsewhere to public entities. The consolidated HCS offering is summarised according to the core component of value offered by the Unit's market offering below.

86% local labour absorption rate achieved on all projects

CONSOLIDATED HCS OFFERING	
Value Element	**Core Components of Value**
Price	• Unit cost pricing model linked to throughput on and achievement of deliverables. This is a results-based model which requires Coega HCS to absorb the implementation risk and reduces client risk, adding to the competitive advantage. Client pays when client receives a clear deliverable, and scope is clearly defined. Percentage based fee based on total project cost. • Value for customer on broader consultancy issues lie in the cost saving and risk management benefits (i.e. integrated delivery model on ER for mega-projects which reduces the risk of project cost overruns due to labour unrest) – the pricing model is similar to an insurance based model where Coega HCS establishes the project overrun risk, and absorbs it at the cost of a premium. Client outsources project labour risk. • Integrated large scale delivery models which are systems enabled produces a wholesale costing model offering significant cost savings for services procured in higher volumes and produces a lower unit cost price. Example is the hourly labour levy levied on the SEZ per labour hour worked and includes the full service cost.
Product Quality	• Consistent and predictable, highly systematised, robust • Integrated • Highly specialized • Offering based on tried and tested systems in a mega-project environment
Performance	• Integrated delivery with standalone flexibility • Unique solution to the particular environments • Portability • Adaptability to meet varying client needs
Service Convenience	• Ease of access to the product • Flexibility in that client specific content can be added and delivered • On-site delivery (client sites) • High quality labour management and social facilitation delivery to clients, results based billing • Integrated, seamless delivery • Enhanced reporting capability tailored to client requirements
Service Reliability	• Always delivering on time according to specification • Proven track record, especially strong in risk management and collective bargaining matters • Systems discipline – integrated and functional

Strategic planning to take advantage of these opportunities is underway for future financial years. However, notable threats facing the HCS include low barriers to entry for potential competitors and a complete reliance on the SEZ and external services - infrastructure programme portfolio.

LOOKING AHEAD

The strategy going forward is to unbundle and offer Social Facilitation as an exclusive feature of the CDC Infrastructure Implementation offering. This will see Coega HCS emerging as a fully-fledged developmental agency. Initial projects include work being undertaken for the Department of Tourism and our recently concluded MOU with SALGA specifically around Local Economic Development and Community Works Programme support.

Increased focus will be placed on developing an independent portfolio to improve business resilience. A key driver of this year's Business and Operational Plan is thus to achieve more diversification in the Coega HCS Project Portfolio in order to improve resilience in the face of cyclical downturns in demand for its services. In addition, HCS aims to achieve stable cash flows by monetising the unit's intellectual content. This would require the creation of a third portfolio, where the demand for HCS Services is neither a function of the CDC infrastructure portfolio, nor of its investor recruitment activities. This will require a revision of the HCS Operating Model. To this end, three strategic priority projects will be pursued:

- An online fully enabled e-learning platform;
- The Labour Management Systems will be developed to help external clients conform to EPWP modalities in the delivery of their infrastructure projects; and
- Markets independent of the CDC infrastructure development portfolio will be specifically pursued.

COEGA HUMAN CAPITAL SOLUTIONS (HCS): During the year under review, 7 406 people benefitted from training initiatives undertaken by Coega HCS, while an average local labour absorption rate of 86% was achieved on all projects supported by Coega HCS.

SUSTAINABILITY REPORT

The CDC's sustainability is at the centre of its five-year strategic plan. However, to achieve sustainability, the SEZ operations should be efficient in delivering on the needs of stakeholders.

Corporate Sustainability

Corporate Sustainability refers to the long-term strategy of an organisation for continued operations into the future taking into consideration every dimension of how a business operates in the social, cultural and economic environment. The Coega Development Corporation (CDC) intends to start publishing Corporate Sustainability Reports according to the guidelines of the Global Reporting Initiative (GRI) in the next financial year 2019/20.

The CDC is progressing well in line with the organisational five (5) year strategic plan as the organisation has advanced by completing the Sustainability Conceptualisation and Gap Analysis for the Sustainability Report. The Sustainability Report Framework has been assessed by external service providers and the score has improved over a period of two (2) years from 3.30 to 4.35 out of 5.

Sustainability performance indicators are listed below together with the objectives/issues measured. Each of the 30 core objectives have identified issues. These are evaluated and linked to the organisation's related activities.

PERFORMANCE OVERVIEW

A Sustainability Conceptualisation report was completed during the 2015/16 financial year. The purpose of the report was to compare the organisation's status in sustainability reporting with the ISO 26000 standard for sustainability reporting which identifies seven core subjects that a socially responsible organisation should address to assist in contributing to sustainable development.

Performance indicators	Objectives to be measured
Organisational Governance	1. Organisational Governance
Human Rights	2. Due diligence 3. Human rights risk situations 4. Avoidance of complicity 5. Resolving grievances 6. Discrimination and vulnerable groups 7. Civil and political rights 8. Economic, social and cultural rights 9. Fundamental principles and rights at work
Labour Practices	10. Employment and employment relationships 11. Conditions of work and social protection 12. Social dialogue 13. Health and safety at work 14. Human development and training in the workplace
The Environment	15. Prevention of pollution 16. Sustainable resource use 17. Climate change mitigation and adaptation 18. Protection of the environment, biodiversity and restoration of natural habitats
Fair Operating Practices	19. Anti-corruption 20. Responsible political involvement 21. Fair competition 22. Promoting social responsibility in the value chain 23. Respect for property rights
Community Involvement and development	24. Community involvement 25. Education and culture 26. Employment creation and skills development 27. Technology development and access 28. Wealth and income creation 29. Health 30. Social investment

PM Academy conducted an audit during the 2016/17 financial year considering the minimum essential building blocks in support of the implementation of sustainability reports adapted from the United Nations Guideline (2014). Minimum essential building blocks were assessed to provide the entity context in support of the implementation of the Sustainability Report Framework.

A Sustainability Reporting Framework for the organisation needs to be maintained and implemented to enable a holistic approach throughout the organisation and integration at project levels. To this end, during the 2018/19 financial year, the CDC has set objectives and targets for all the sustainability performance indicators in order to obtain data that will be utilised to produce a sustainability report.

The organisation's achievement against the set objectives and targets will be monitored during the course of the 2019/20 financial year. In line with the corporate scorecard for the financial year 2018/19, the CDC has collated 60% of the data that would be required for the Sustainability Report in the next financial year.

LOOKING AHEAD

The CDC will start publishing Corporate Sustainability Reports in accordance with the guidelines of the Global Reporting Initiative (GRI) in 2020.

Sustainability Reports will be developed by setting objectives and targets for all sustainability performance indicators, which will be measured over a period of four (4) quarters namely: human rights, environment, economy, product responsibility, labour practice and society.

CDC'S YOUNG PROFESSIONALS: Taking a stand in addressing the social ills facing the youth of South Africa.

OUTLOOK

The 2018/19 financial year results highlight the CDC's commitment to its vision to become the leading catalyst in championing socio-economic development. Its impact is felt beyond the Eastern Cape into the rest of South Africa and the Continent.

As it reaches the end of the fourth year of its five year strategy, the results show a resilient organisation in the face of economic, political and funding challenges. The Coega SEZ continues to attract a large number of investment as compared with other SEZs put together, often going against a tide of a challenging economic and investment climate. With one more year to go in the current strategy period, it has already achieved 138.6% of the target.

As a state-owned entity, the CDC is mindful of the competing priorities of the national fiscus. It continues to focus its efforts towards a long-term view of becoming self-sustainable. This has led to several efforts undertaken by the organisation to intensify generating alternative revenue streams especially from external services programmes, separate from the funding allocation by the provincial government.

The Coega SEZ will continue to have a clear positive impact on the lives of the people of the Eastern Cape. This is visible in the fact that 64% of the employees in the Coega SEZ are aged between 18 – 35 years old. Over 69% of the investors at Coega sourced 70% or more of their inputs locally. This supports the localisation policy of government.

In spite of facing economic challenges, the 2018/19 financial year closes on a record high in terms of the number of operating investors, who jointly contribute so positively to the socio-economic development of the Nelson Mandela Bay Metropolitan and the Eastern Cape. The impact is measurable: R1.6 billion in taxes have been paid, R1.38 billion has been disbursed to workers and the impact is approximately R3.9 billion on the Eastern Cape GDP.

During the CDC's penultimate year, strategic planning cycle for the next five years will begin. Taking into account the current assumptions about the future economic climate, the focus is likely to be on financial sustainability; increase investment pipeline and conversion rate; grow employment, training and SMME opportunities; whilst managing operational costs and growing alternative streams of revenue to support SEZ development as the preferred investment destination in Africa, transhipment hub and gateway to world markets.

2020 STRATEGIC GOALS OF THE CDC

1. **Financial Sustainability and Growth**
2. Preferred Investment Destination
3. Advance Socio-Economic Development

FINANCIAL SUSTAINABILITY AND GROWTH

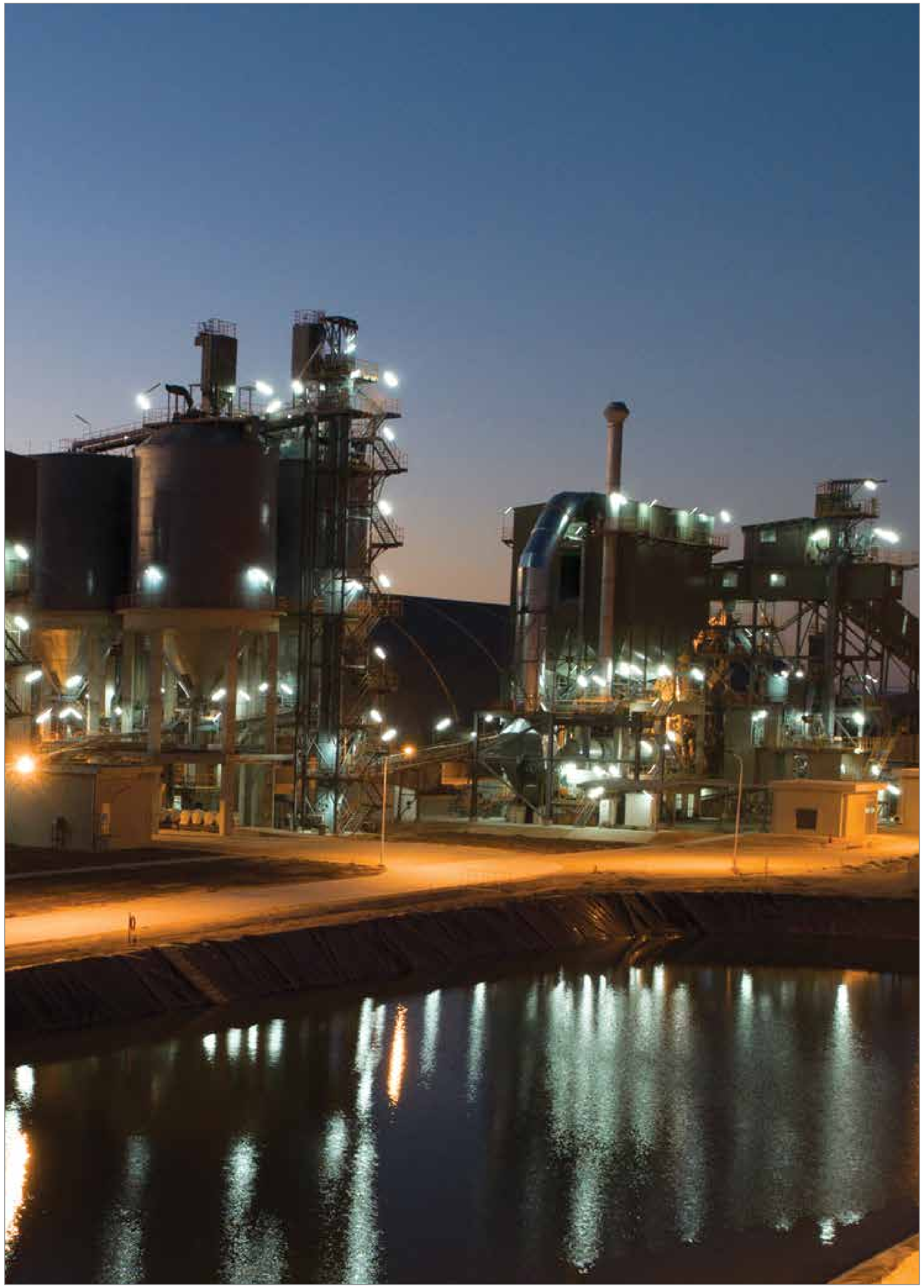
1. Increase Revenue
2. Customer Diversification
3. Manage Funding Risk
4. Diversify Products & Services
5. Increase Profit
6. Assure Return on Investment
7. Reduce Client Turnover
8. Ensure Compliance & Governance
9. Cost Control
10. Improve Productivity
11. Improve Funding Opportunities

PREFERRED INVESTMENT DESTINATION

1. Improve Business Processes
2. Profitability Optimisation
3. Improve Project Management
4. Manage Risk on Project Delivery
5. Gain New Clients
6. Gain New Products & Services
7. Improve Productivity

ADVANCE SOCIO-ECONOMIC DEVELOPMENT

1. Deliver CSI Projects
2. Optimise SMME Development



CEMZA CEMENT FACTORY AT NIGHT.

"Growth and comfort do not coexist." Ginni Rometty CEO of IBM

2017 2018 2019

R597.9 MILLION

SELF-GENERATED REVENUE

R2.06 BILLION

COEGA'S INVESTMENT VALUE REACHED R2.06 BILLION DURING THE 2018/19 FY

ANNUAL FINANCIAL STATEMENTS *(CONSOLIDATED)* 03

CFO'S REVIEW

The 2018/19 financial year has ended gratifyingly with the key objectives met and an appropriate balance sheet largely in place. A fundamental financial objective of the current financial year and the foresee-able future is to achieve self-sustainability. Tied to the aforementioned is an equally important objective of operating an efficient SEZ to facilitate the attraction of domestic and international investors. This to be augmented by the strengthening of the consulting business to further cement sustainability.

The CDC initiated a number of programmes during the year focused on reducing its operating costs and increasing its productivity. The actions taken also included the identification of alternative revenue streams. The successful implementation of these programmes will continue to improve the drive to sustainability.

Revenue
Revenue generated from operational activities amounted to R598 million, from R583.6 million in the previous financial year. The 2.5% increase is due to an increase in rental income of 14.7% and 5% decrease in fees for services rendered from the consulting business. The decrease for management fees is due primarily to a reduction in consulting or non-SEZ business revenue brought about by a dwindling portfolio of projects allocated to the CDC. This decrease was fortunately cushioned by an increase in SEZ revenue as a result of new tenants coming on stream.

Expenditure
Expenditure excluding provision for doubtful debts improved by 5.3%. This demonstrates the CDC's ongoing success in improving the management of its operating costs. It must further be pointed out that this improvement is notwithstanding regulatory increases in electricity and utility charges, which were well above inflation. Given the There is also a constant assessment of how to reduce costs and introduce efficiencies without adversely affecting the business.

Working Capital
Trade receivables reduced by 44.5%, following the settlement with one of the long outstanding debtors. Debtors net of impairments increased by 60.3% due to the change in the determination of impairments in terms of IFRS 9 as more fully explained in note 11.

Trade and other payables excluding project payables decreased by 26.39%. This is as a result of improved cash flow at the time due to the recovery of arrear debtors. CDC endeavours to implement effective working capital management principles to ensure cash is well managed within the business.

The increase in the CDC's assets reflects its capital investment programme, in particular its ongoing investment in new buildings when an investor has been secured. Accelerating investment in high yielding properties will further improve sustainability.

The CDC for its next 5 year strategy will be setting a new trajectory for long-term sustainable revenue growth. Considering the improvements undertaken in this and prior years and the increased momentum achieved we are confident that the results will be carried well beyond the 2019/20 financial year. Cost control and operating efficiency are key to gross profit margin stability and continued sustainable improvement in our profit before tax margin. We are confident in our ability to become even more cost-effective over the coming year.

My heartfelt gratitude to our finance and reporting teams for their proficiency, integrity and commitment to high standards of financial reporting and corporate governance. They continue to drive improvement in reporting, making our processes quicker, simpler and more transparent. I am grateful for your support. I also extend my appreciation to the Board and Audit and Risk Committee for their guidance and support.

Lionel Billings
Chief Financial Officer

CERTIFICATE BY COMPANY SECRETARY

For the year ending 31 March 2019

Declaration by Company Secretary in terms of Section 268G (D) of the Companies Act. The Company has lodged with the Registrar all such returns as required of a private company in terms of the Companies Act, and all such returns are true, correct and up-to-date.

Menzi Mbina
Company Secretary

EMPOWERING GROWTH AND DEVELOPMENT: Progress is being made on the BAIC Group construction site, in Zone 1 of the Coega SEZ

CONSOLIDATED **ANNUAL FINANCIAL STATEMENTS**

COEGA DEVELOPMENT CORPORATION PROPRIETARY LIMITED

Company Registration Number 1982/003891/07
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019
These financial statements were audited in compliance with the applicable requirements of the Companies Act of South Africa, 71 of 2008 and the Public Finance Management Act. by the AUDITOR-GENERAL OF SOUTH AFRICA, EAST LONDON

GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS	Special Economic Zone and Services
DIRECTORS	Dr P. Jourdan (Chairperson) M.P. Silinga (Executive) P.S. Ndoni S. Khan B. Lobishe J.J de Bruyn S. Zikode A. Mjekula X. Bomela
REGISTERED OFFICE	Ascot Office Park 1 Ascot Road Greenacres 6057
BUSINESS ADDRESS	Coega SEZ Business Centre Corner Alcyon Road & Zibuko Street Zone 1, Coega SEZ Port Elizabeth
POSTAL ADDRESS	Private Bag X6009 Port Elizabeth 6000
TELEPHONE NUMBER	(+27) 41 403 0400
FAX NUMBER	(+27) 41 403 0401
WEBSITE	www.coega.co.za
BRANCH OFFICES	Durban, East London, Pretoria, Cape Town and Mthatha
BANKERS	First National Bank Standard Bank Nedbank Investec Bank
AUDITORS	Auditor-General of South Africa
SECRETARY	M. Mbina

Compiled under the supervision/direction of: Mr. Lionel Billings, CA (SA), *Chief Financial Officer*

STATEMENT OF DIRECTORS' RESPONSIBILITIES AND APPROVALS

Consolidated Annual Financial Statements for the year ended 31 March 2019

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

The consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards and 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 group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss 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 group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the 12 months to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated annual financial statements set out on pages 118 to 173, which have been prepared on the going concern basis, were approved by the board of directors on 31 May 2019 and were signed on their behalf by:

Dr P. Jourdan
Chairperson

Mr P. Silinga
Chief Executive Officer

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE ON COEGA DEVELOPMENT CORPORATION (PROPRIETARY) LIMITED

Report on the audit of the consolidated and separate financial statements

OPINION

1. I have audited the consolidated and separate financial statements of the Coega Development Corporation (Proprietary) Limited and its subsidiary (the group) set out on pages 118 to 173 which comprise the consolidated and separate statement of financial position as at 31 March 2019, the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 31 March 2019, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

BASIS FOR OPINION

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

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

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

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

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

Financial sustainability

7. As disclosed in note 35.2 to the consolidated and separate financial statements, as a result of changes in the funding arrangements, some of the company's key financial ratios have deteriorated in comparison to previous years. During the 2018-19 financial year, the company operated without receiving the full amount of requisite funding for operational expenditure, but was able to sustain operations from revenue generated by other operating divisions and business units within the company.

EMPHASIS OF MATTERS

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

Restatement - corresponding figures

9. As disclosed in note 37 to the consolidated financial statements, the corresponding figures for 31 March 2018 have been restated, as a result of errors in the consolidated financial statements of the group at, and for the year ended, 31 March 2019.

RESPONSIBILITIES OF ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the 'FRS 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

11. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Coega Development Corporation (Proprietary) Limited and its subsidiary'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 accounting authority either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

12. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

Report on the audit of the annual performance report

INTRODUCTION AND SCOPE

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PM) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objectives presented in the annual performance report of the entity for the year ended 31 March 2019:

Strategic objectives	Pages in the annual performance report
Secure 54 investors valued at R10,28 billion by 2019-20	Page 60
Sustain tenant industries to realise 50 operational investors by 2019-20	Page 60
Diversify and grow the CDC income streams to a sum of R2,47 billion by 2019-20	Page 60
Realise 61 772 jobs from all spheres of CDC operations by 2019-20	Page 60
Target 40% of procurement spend on SMMEs by 2019-20	Page 60

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

18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic objectives.

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 compliance of the group with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

20. The material finding on compliance with specific matter in key legislations is as follows:

Expenditure management

21. Steps taken were not effective to prevent fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA. The fruitless and wasteful expenditure of R3,5 million disclosed in note 36 to the financial statements was as a result of interest paid on outstanding taxes and municipal rates.

Other information

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

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

24. 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 consolidated and separate financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

25. I did not receive the other information prior to the date of this auditor's report. After I receive and read this information, and if I conclude that there is a material misstatement, 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

26. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matter reported below is limited to the significant internal control deficiency that resulted in the finding on compliance with legislation included in this report.

27. Even though the leadership did provide oversight on the implementation of action plans, steps taken did not yield the desired results in preventing fruitless and wasteful expenditure, thereby resulting in material non-compliance with laws and regulations.

Auditor-General.

East London
31 July 2019

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 consolidated and separate financial statements, and the procedures performed on reported performance information for selected strategic objectives and on the group's compliance with respect to the selected subject matters.

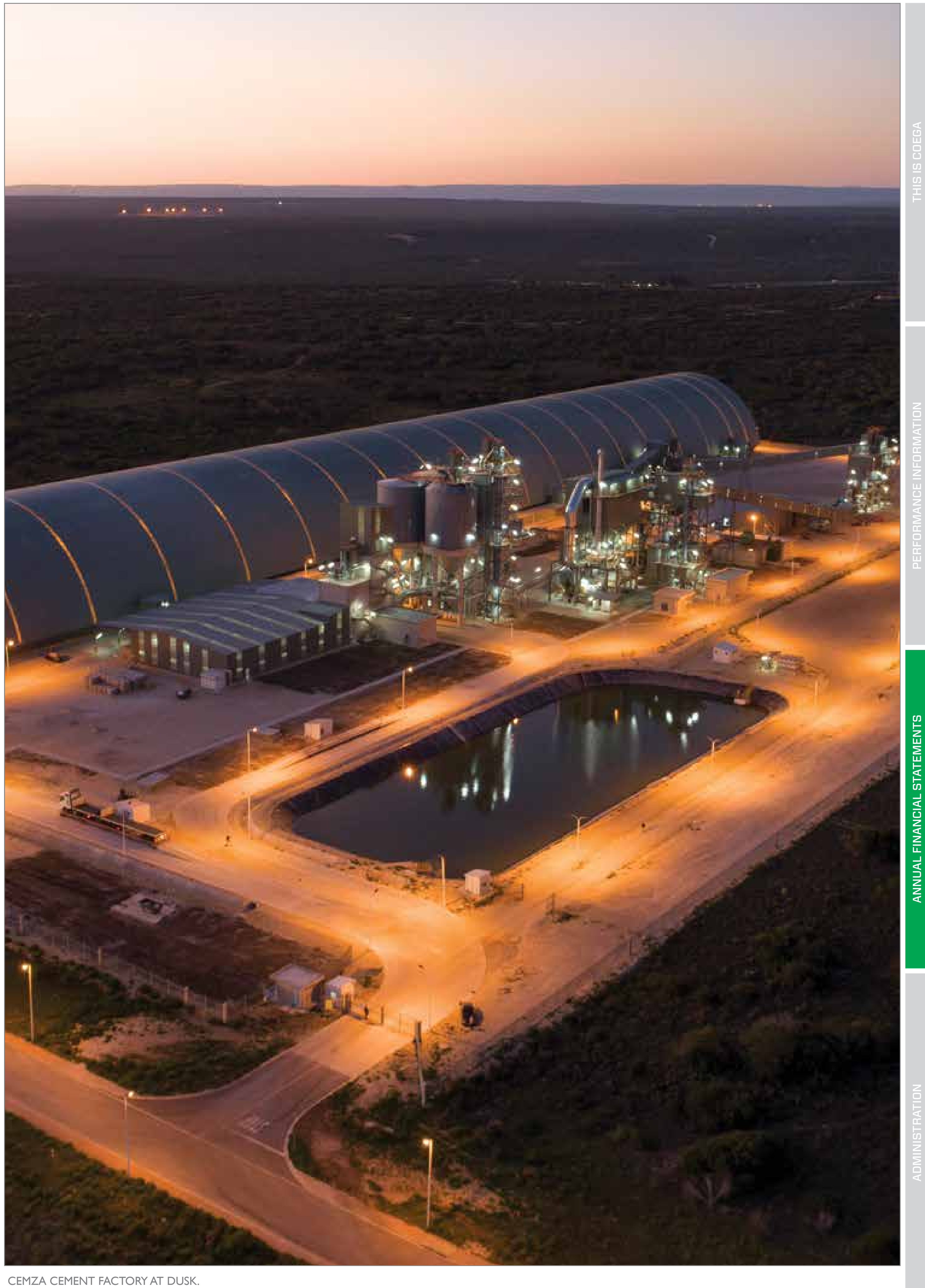
FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of the consolidated and separate 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 group'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 board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Coega Development Corporation (Proprietary) Limited and its subsidiary's ability 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 consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated and separate 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 group to cease continuing as a going concern.
   - evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
   - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

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



CEMZA CEMENT FACTORY AT DUSK.

COEGA DEVELOPMENT CORPORATION (PTY) LIMITED DIRECTORS' REPORT

The directors have pleasure in submitting their report on the consolidated annual financial statements of Coega Development Corporation Proprietary Limited for the year ended 31 March 2019.

1. *Review of financial results and activities*

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

The group recorded a net profit after tax for the year ended 31 March 2019 of R146.6 million. This represented an increase of 444% from the net profit after tax of the prior year of R26.9 million. The increase is mainly driven by a reduction in the doubtful debt provision arising from a combination of the receipt of c. R150m of overdue invoices and the implementation of IFRS 9.

Group revenue increased by 2% from R583.5 million in the prior year to R597.9 million for the year ended 31 March 2019.

Group cash flows from operating activities increased by 241% from R(133.9 million) in the prior year to R189.5 million for the year ended 31 March 2019. This improvement is mainly a function of a significant collection of overdue trade receivables during the year as well as an increase in trade payables year on year.

2. *Share capital*

	2019	2018	2019	2018
	R '000	R '000	Number of Shares	Number of Shares
Authorised				
Ordinary shares			1,000,000	1,000,000
Class "A" ordinary shares			1	1
			1,000,001	1,000,001
Issued				
Ordinary shares	7	7	673,832	673,832
Class "A" ordinary shares	-	-	1	1
	7	7	673,833	673,833

There have been no changes to the authorised or issued share capital during the year under review.

3. *Directorate*

The directors in office at the date of this report are as follows:

Dr P. Jourdan	(Chairperson)	Non-executive Independent	South African	
M.P. Silinga	(CEO)	Executive	South African	
P.S. Ndoni		Non-executive Independent	South African	
S. Khan		Non-executive Independent	South African	
B. Lobishe		Non-executive Independent	South African	
J.J. de Bruyn		Non-executive Independent	South African	
S. Zikode		Non-executive Independent	South African	
Adv. T. Norman SC		Non-executive Independent	South African	Resigned 15 April 2018
A. Mjekula		Non-executive Independent	South African	
X Bomela		Non-executive Independent	South African	

4. *Events after the reporting period*

Other than certain changes to the board of directors, the directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. *Litigation statement*

The group becomes involved from time to time in various claims and lawsuits incidental to the ordinary course of business. Other than the matters set out in note 29, the group is not currently involved in any such claims or lawsuits, which individually or in the aggregate, are expected to have a material adverse effect on the business or its assets.

6. *Auditors*

The Auditor-General of South Africa continued in office as auditors for the company for 2019.

7. *Secretary*

The group secretary is Mr M. Mbina.

Business address

Corner Alcyon Road & Zibuko Street,
Zone 1, Coega SEZ,
Port Elizabeth,
6000

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position as at 31 March 2019

	Notes	31-Mar 2019 R'000	31-Mar 2018 Restated R'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	765,482	622,467
Investment properties	5	5,141,032	5,156,435
Intangible assets	6	690	914
Operating lease smoothing asset	7	346,004	286,039
		6,253,208	6,065,855
Current assets			
Inventories	9	279	248
Loans and advances	10	40,085	30,720
Trade and other receivables	11	177,393	111,596
Prepayments		111	11,633
Current tax receivable		14,397	15,861
Cash and cash equivalents	12	850,768	750,191
		1,083,033	920,249
Total assets		7,336,241	6,986,104
EQUITY			
Capital and reserves			
Share capital	13	1,264,558	1,264,558
Retained income		4,257,920	3,946,251
		5,522,478	5,210,809
LIABILITIES			
Non-current liabilities			
Deferred lease income	7	140,744	142,389
Deferred income	17	447,825	500,467
Deferred tax	8	487,598	444,541
Income received in advance	15	55,948	66,761
		1,132,115	1,154,158
Current liabilities			
Trade and other payables	16	627,330	566,999
Deferred lease income	7	1,749	1,645
Provisions	14	41,756	41,680
Income received in advance	15	10,813	10,813
		681,648	621,137
Total liabilities		1,813,763	1,775,295
Total equity and liabilities		7,336,241	6,986,104

STATEMENT OF PROFIT OR LOSS

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2019

	Notes	31-Mar 2019 R'000	31-Mar 2018 Restated R'000
Revenue	18	597,972	583,579
Other operating income	19	197,303	216,634
Other operating expenses		(567,898)	(742,093)
Operating profit	20	227,377	58,120
Investment income	23	3,951	3,494
Finance costs	24	(3,512)	(9,518)
Other non-operating gains (losses)	25	(78,190)	(68,529)
Profit / (loss) before taxation		149,626	(16,433)
Taxation	26	(3,004)	43,391
Profit for the year		146,622	26,958
Total comprehensive income for the year		146,622	26,958

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity as at 31 March 2019

	Share Capital	Share Premium	Retained Income / (Accumulated Loss)	Total Equity
	R'000	R'000	R'000	R'000
Opening balance as previously reported	7	1,264,551	3,908,026	5,172,584
Prior year adjustments	-	-	11,267	11,267
Restated Balance at 1 April 2017	7	1,264,551	3,919,293	5,183,851
Total comprehensive income for the year	-	-	26,958	26,958
Opening balance as previously reported	7	1,264,551	3,946,250	5,210,808
Change in accounting policy (IFRS 9)	-	-	165,048	165,048
Restated Balance at 1 April 2018	7	1,264,551	4,111,298	5,375,856
Profit for the year	-	-	146,622	146,622
Balance at 31 March 2019	7	1,264,551	4,257,920	5,522,478
Notes	13	13		

STATEMENT OF CASH FLOWS

Statement of Cash Flows for the year ended 31 March 2019

	Notes	31-Mar 2019 R'000	31-Mar 2018 Restated R'000
Cash flows from operating activities			
Cash generated from / (used in) operations	27	187,973	(129,352)
Interest income		3,951	3,494
Tax paid	28	(2,356)	(8,136)
Net cash from operating activities		189,568	(133,994)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(221,093)	(192,630)
Sale of property, plant and equipment	4	95	183
Purchase of investment property	5	(200)	-
Purchase of other intangible assets	6	(1,274)	(1,827)
Sale of financial assets		-	18
Net cash from investing activities		(222,472)	(194,256)
Cash flows from financing activities			
Government grants received		118,164	315,009
Interest earned on deferred income funds		18,830	17,627
Finance costs		(3,512)	(9,518)
Net cash from financing activities		133,482	323,118
Total cash movement for the year		100,578	(5,132)
Cash at the beginning of the year		750,190	755,323
Total cash at end of the year	12	850,768	750,191

ACCOUNTING **POLICIES**

Coega Development Corporation Proprietary Limited is a public company incorporated and domiciled in South Africa.

The consolidated annual financial statements for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors on 31 July 2019:

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below.

1.1 Basis of preparation

The consolidated annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these consolidated annual financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These consolidated annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The consolidated annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period, except for the effect of new or amended IFRS standards that have been adopted in the current year.

1.2 Consolidation

Basis of consolidation

The consolidated consolidated annual financial statements incorporate the consolidated annual financial statements of the group and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the consolidated consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-group transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of consolidated annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Lease classification

The group is party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the consolidated annual financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, as well as the legal form, and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

Expected manner of realisation for deferred tax

Management have reviewed the investment property portfolio of the Group in order to determine the appropriate rate at which to measure deferred tax. Investment property is measured at fair value. The manner of recovery of the carrying amount, i.e. through use or sale, affects the determination of the deferred tax assets or liabilities because it affects the tax rate that is applied to temporary differences. IFRS assumes that the carrying amount of investment property is recovered through sale rather than through continued use. Management considered the business model of the portfolio and concluded that the assumption is not rebutted and that the deferred taxation should be measured on the continued use basis and has therefore applied the normal corporate tax rate.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Fair value estimation

Several assets and liabilities of the group are either measured at fair value or disclosure is made of their fair values.

Observable market data is used as inputs to the extent that it is available. In the case of investment property, qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs. The revaluation of investment property requires judgment in the estimation of future cash flows and and an appropriate reversionary capitalisation rate. Information about the specific techniques and inputs of the investment property is disclosed in note 5.

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 14.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group 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 group 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 group 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. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Capitalisation of infrastructure costs

Management applies judgment in assessing whether infrastructure will be controlled by the group and whether future economic benefits are expected to flow to the group in determining whether costs incurred on infrastructure should be capitalised as assets.

1.4 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

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

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	25 years
Motor vehicles	Straight line	5 - 15 years
Office equipment	Straight line	3 - 15 years
IT equipment	Straight line	3 - 10 years
Computer software	Straight line	2 - 5 years
Other property, plant and equipment	Straight line	2 - 15 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

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 charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment 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 item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.6 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.
- 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.
- 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.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

Item	Useful life
Computer software, other	2 - 5 years

1.7 Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group ,as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 33 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

Loans and advances

Classification

Loans and advances (note 10) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans and advances are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss.

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The group recognises a loss allowance for expected credit losses on all loans and advances measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the group compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the group considers that default has occurred when a loan instalment is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write off policy

The group writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on loans and advances. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

Credit risk

Details of credit risk related to loans and advances are included in the specific notes and the financial instruments and risk management (note 33).

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of a loan receivable is included in profit or loss in derecognition gains (losses) on financial assets at amortised cost (note).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 11).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at their transaction price.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss.

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 20).

Write off policy

The group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (note 11) and the financial instruments and risk management note (note 33).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss.

Trade and other payables

Classification

Trade and other payables (note 16), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 24).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 33 for details of risk exposure and management thereof.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The group derecognises financial liabilities when, and only when, the group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.8 Financial instruments: IAS 39 comparatives

Classification

The group classifies financial assets and financial liabilities into the following categories:
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:
- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.9 Tax

Current tax assets and liabilities

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.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.10 Leases

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

Operating leases - lessor

Operating lease income is recognised as an income 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 income.

Income for leases is disclosed under revenue in profit or loss.

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. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

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 recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.13 Share capital and equity

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

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the group in which they are declared.

1.14 Employee benefits

Short-term employee benefits

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

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

The expected cost of profit sharing and 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 group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.15 Provisions and contingencies

Provisions are recognised when:
- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

1.16 Government grants

Government grants are recognised when there is reasonable assurance that:
- the group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the profit or loss (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.17 Revenue from contracts with customers

Revenue is income arising in the course of an entity's ordinary activities. The group recognises service revenue from the following major sources:

- Business management services (implementing agent on large infrastructure projects)
- Travel services
- Strategy and Human Capital consulting services
- Levies and services provided to tenants.

The group also recognises rental income on its investment property portfolio as revenue. Please refer to note 1.9 Leases.

A contract with a customer is recognised when all of the following criteria are met:

- the contract has been approved and all parties to the contract are committed to performing their respective obligations;
- each party's rights regarding the goods or services to be transferred are identifiable;
- payment terms for the goods or services to be transferred are identifiable;
- the contract has commercial substance; and
- it is probable that the consideration in exchange for the goods or services that will be transferred will be collected.

At the inception of a contract, the services promised in the contract are assessed and a performance obligation is identified for each promise to transfer to the customer either:

- a service that is distinct; or
- a series of distinct services that are substantially the same and that have the same pattern of transfer.

Revenue is recognised when or as the performance obligation is satisfied by transferring a promised service to a customer.

The group allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the group expects to be entitled in exchange for transferring the promised services to the customer.

Provision of services

The group provides management, travel and support services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

If the contract includes an hourly fee, revenue is recognised in the amount to which the group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

1.18 Irregular, Fruitless & Wasteful and Unauthorised Expenditure

Irregular Expenditure

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

- PFMA, or
- the State Tender Board Act, No. 86 of 1968, or any regulations made in terms of the Act; or
- any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register.

If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Act or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the statement of profit or loss and comprehensive income and where recovered, it is subsequently accounted for as revenue in the statement of profit or loss and comprehensive income.

Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of profit or loss and comprehensive income in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of profit or loss and comprehensive income.

Revenue from the recovery of Irregular and Fruitless and wasteful expenditure

Revenue from the recovery of irregular and fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Public Finance Management Act (Act No.1 of 1999) and is recognised when the recovery from the responsible officials is virtually certain. Such revenue is based on legislated procedures.

2. CHANGES IN ACCOUNTING POLICY

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the group's financial statements are described below.

The group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2018. Accordingly, the group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. Comparatives in relation to instruments that have not been derecognised as at 1 April 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 April 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:
Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Financial assets that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

All other financial assets and equity investments are subsequently measured at fair value through profit or loss, unless specifically designated otherwise.

The group may, on initial recognition, irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies in other comprehensive income.

The group may irrevocably designate a financial asset that meets the amortised cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Financial assets that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

The directors reviewed and assessed the group's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the group's financial assets as regards to their classification and measurement:

Financial assets

Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Management assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. There was no effect with the implementation of IFRS 9 as management is still of the opinion that the financial assets of the group should be carried at amortised cost.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the group to recognise a loss allowance for expected credit losses on financial assets subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables and loan commitments to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, and lease receivables in certain circumstances.

The group has elected to apply the limited exemption in IFRS 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence provisions for impairment have not been restated in the comparative period.

The group has the following financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Loans and advances

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings and equity is disclosed in the table below.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The group has chosen to apply the IFRS 9 simplified approach to measuring expected credit loss which uses a lifetime expected loss allowance for all trade receivables and loans and advances.

As at 1 April 2018, the directors reviewed and assessed the group's existing financial assets for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 1 April 2018. The result of the assessment is as follows:

			Cumulative additional loss allowance recognised on:
Items existing on 1 April 2018 that are subject to the impairment provisions of IFRS 9:	Note	Credit risk attributes at 1 April 2018	1 April 2018 R '000
Trade and other receivables	11	The company applies the simplified approach and recognises lifetime expected credit losses for these assets.	(209,055)
Loans and advances	10	The company applies the general approach and has estimated 12 month expected credit lossess for loans and advances.	134
Cash and bank balances	12	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	-
Total additional loss allowance			**(208,921)**

The main reason for the significant reduction is that under the IAS39 incurred loss model, a high provision was raised on all amounts over due by > 90 days. While the IFRS9 model adopted the same definition of default (i.e. >90 days) because the actual historical write offs post the event of default are low, the overall expected loss provision is much lower than under IAS 39. This can be expressed in terms of the basic formula where expected losses = probability of default x the write off in the event of a default occurring.

Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the group's financial liabilities.

Application of IFRS 15 Revenue from contracts with customers

In the current year, the group has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The group has applied IFRS 15 without using the practical expedients for completed contracts in IFRS 15.C5(a), and (b), or for modified contracts in IFRS 15.C5(c) but using the expedient in IFRS 15.C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application.

The adoption did not have an impact on the timing or manner of revenue recognition and therefore no restatement of opening retained income was required. The adoption of IFRS 15 has resulted in the provision of certain additional disclosures (refer revenue note below) and the revenue accounting policy (refer revenue accounting policy note above) has been updated to describe how these new policies are applied to the group's revenue streams.

The purpose-built Nelson Mandela Bay Logistics Park (NMBLP) in Uitenhage is managed by the CDC.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
IFRS 9 Financial Instruments	1 January 2018	The impact of the standard is set out in note 2. Changes in accounting policy.
IFRS 15 Revenue from Contracts with Customers	1 January 2018	The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	The adoption of this standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements.

3.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 1 April 2019 or later periods.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
Uncertainty over Income Tax Treatments	1 January 2019	Unlikely there will be a material impact.
IFRS 16 Leases	1 January 2019	Unlikely there will be a material impact.

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4. PROPERTY, PLANT AND EQUIPMENT

	2019			2018 Restated		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Land	28,550	-	28,550	28,550	-	28,550
Buildings	270,888	(102,480)	168,408	262,353	(91,730)	170,623
Furniture and fixtures	8,968	(7,177)	1,791	8,524	(6,408)	2,116
Motor vehicles	35,608	(33,309)	2,299	37,941	(36,337)	1,604
IT equipment	6,323	(4,083)	2,240	6,123	(3,333)	2,790
Other property, plant and equipment	15,053	(10,923)	4,130	12,696	(9,035)	3,661
Capital - Work in progress	558,064	-	558,064	413,123	-	413,123
Total	**923,454**	**(157,972)**	**765,482**	**769,310**	**(146,843)**	**622,467**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	28,550	-	-	-	-	28,550
Buildings	170,623	-	-	8,536	(10,751)	168,408
Furniture and fixtures	2,116	455	-	-	(780)	1,791
Motor vehicles	1,604	1,533	-	-	(838)	2,299
IT equipment	2,790	437	(95)	-	(892)	2,240
Other property, plant and equipment	3,661	2,529	-	-	(2,060)	4,130
Capital - Work in progress	413,123	216,139	-	(71,198)	-	558,064
Total	**622,467**	**221,093**	**(95)**	**(62,662)**	**(15,321)**	**765,482**

Reconciliation of property, plant and equipment - 2018 Restated

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Land	28,550	-	-	-	-	28,550
Buildings	179,760	-	-	1,349	(10,486)	170,623
Furniture and fixtures	2,519	365	(42)	-	(726)	2,116
Motor vehicles	5,415	978	(27)	-	(4,762)	1,604
IT equipment	2,821	759	-	-	(790)	2,790
Other property, plant and equipment	5,333	33	-	-	(1,705)	3,661
Capital - Work in progress	332,747	190,493	-	(110,117)	-	413,123
Total	**557,145**	**192,628**	**(69)**	**(108,768)**	**(18,469)**	**622,467**

Property, plant and equipment encumbered as security

No assets have been encumbered by the group:

Fully depreciated assets

As at 31 March 2019, certain fully depreciated items of PPE remain in use. Due to the continuing prevailing uncertainties regarding funding of the group (as set out in note 37), relevant and reliable information as to when these fully depreciated assets will be replaced is not available. Management has quantified the financial impact of extending the useful lives of fully depreciated assets and determined the impact to be immaterial.

Details of PPE

Registers with details of PPE are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

5. INVESTMENT PROPERTY

	2019			2018 Restated		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Investment property	5,141,032	-	5,141,032	5,156,435	-	5,156,435

Reconciliation of investment property - 2019

	Opening balance	Additions	Transfers	Fair value adjustments	Total
	R'000	R'000	R'000	R'000	R'000
Investment property	5,156,435	200	62,663	(78,266)	5,141,032

Reconciliation of investment property - 2018 Restated

	Opening balance	Transfers	Fair value adjustments	Total
	R'000	R'000	R'000	R'000
Investment property	5,116,386	108,693	(68,644)	5,156,435

The group's investment properties, comprising the Construction Village, Commercial Centre, tenanted properties, Developed Zones and Logistics Park, were valued on 31 March 2019 by independent external valuers, Marsh (Pty) Limited, who are registered as Professional Valuers in terms of Section 22 of the Property Valuers Profession Act, 2000 (No. 47 of 2000).

The individual land components within Zones 1 to 5 have been based on fully serviced land and leasehold improvements. Zone 6 was valued based on partially serviced land. Zones 7-14 were based on bulk land plus the value of improvements (top structures).

The Logistics Park was valued as leasehold land. The Construction Village valuations were based on fully serviced land and improvements.

Tenanted properties were valued in terms of the investment method/income approach or using a discounted cash flow. The Construction Village has been valued using the comparable sales approach and the commercial centre on the depreciated replacement cost method. Serviced and bulk land were valued using the comparable sales approach.

Pledged as security

No investment properties have been encumbered by the group:

Details of property

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

6. INTANGIBLE ASSETS

	2019			2018 Restated		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000
Computer software, other	62,178	(61,488)	690	60,904	(59,990)	914

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Computer software, other	914	1,274	(1,498)	690

Reconciliation of intangible assets - 2018 Restated

	Opening balance	Additions	Amortisation	Total
	R'000	R'000	R'000	R'000
Computer software, other	7	1,827	(920)	914

Pledged as security

No intangible assets have been pledged as security:

Other information

Registers with details of intangible assets are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

7. OPERATING LEASE SMOOTHING ASSET / (DEFERRED LEASE INCOME)

	2019 R'000	2018 Restated R'000
Non-current assets	346,004	286,039
Non-current liabilities	(140,744)	(142,389)
Current liabilities	(1,749)	(1,645)
	203,511	**142,005**

IAS 17 requires the straight lining (averaging) of operating lease (rental) income by lessors. The application of IAS 17 has resulted in the acceleration of the recognition of rental income for certain leases within the Company's portfolio of leases while for other leases the application of IAS 17 has resulted in the deferral of rental income invoiced and received in terms of the lease agreements. Specifically, large upfront lease premiums received from Namascene and BAIC resulted in the postponement of lease income under IAS 17. The table above sets out the liability created for leases where lease income recognition has been deferred together with the asset created for leases where lease income has been accelerated. In 2018/19 rental income was increased by R61,6m (2018 R33,9m) as a result of IAS 17 straight lining.

The current liability in 2019 includes a R01,m operating lease liability for RIDA (Pty) Limited.

8. DEFERRED TAX

	2019 R'000	2018 Restated R'000
Deferred tax liability		
Temporary differences	(487,598)	(445,522)
Deferred tax asset		
Tax losses available for set off against future taxable income	-	981

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2019 R'000	2018 Restated R'000
Deferred tax liability	(487,598)	(445,522)
Deferred tax asset	-	981
Total net deferred tax liability	**(487,598)**	**(444,541)**
Reconciliation of deferred tax asset / (liability)		
At beginning of year	(444,541)	(487,932)
Opening balance adjustment arising from IFRS 9 implementation	(43,873)	-
Charge to profit for the year	1,825	50,027
Prior year adjustment	-	(6,636)
Derecognition of opening deferred tax asset	(1,009)	-
	(487,598)	**(444,541)**
Unrecognised deferred tax asset		
Deductible temporary differences not recognised as deferred tax assets	254	-
Unused tax losses not recognised as deferred tax assets	6,866	-
	7,120	-

Use and sales rate

The deferred tax rate applied to the fair value adjustments of investment properties/ financial assets is determined by the expected manner of recovery. Where the expected recovery of the investment property/financial assets is through sale the capital gains tax rate of 19% (2018: 19%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2018: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

The deferred tax on the fair value adjustments on investment properties comprises of:

R 469 million (2018: R491million) at the normal tax rate.

9. INVENTORIES

	2019 R'000	2018 Restated R'000
Other inventories for sale	279	248

10. LOANS AND ADVANCES

Loans and advances are presented at amortised cost, which is net of loss allowance, as follows:

	2019 R'000	2018 Restated R'000
Loans and advances	40,085	30,720
Split between non-current and current portions		
Current assets	40,085	30,720

Exposure to credit risk

Loans and advances inherently exposes the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the group only deals with reputable counterparties with consistent payment histories. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Loans and advances are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for loans and advances is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the group has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

The estimation techniques explained have been applied for the first time in the current financial period, which is the first time the group has applied IFRS 9. Loans and advances were previously impaired only when there was objective evidence that the loan was impaired. The impairment was previously calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below.

The group does not hold collateral or other credit enhancements against loans and advances.

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for loans to shareholders by credit rating grade:

2019

Instrument	Internal credit rating (where applicable)	Basis of loss allowance	Gross Carrying amount	Loss allowance	Amortised cost
Loans and advances	N/a	12m ECL	40,423	(338)	40,085

Reconciliation of loss allowances

The following tables show the movement in the loss allowances for loans and advances. The movement in the gross carrying amounts of the loans are also presented in order to assist in the explanation of movements in the loss allowance.

Loans and advances: Loss allowance measured at 12 month ECL:

	2019 R'000	2018 Restated R'000
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	124	124
Adjustments upon application of IFRS 9	134	-
Opening balance in accordance with IFRS 9	**258**	**124**
Provision raised	80	-
Closing balance	**338**	**124**

Fair value of loans receivable

The fair value of loans and advances approximates their carrying amounts.

11. TRADE AND OTHER RECEIVABLES

Financial instruments:

	2019 R'000	2018 Restated R'000
Trade receivables	183,357	330,793
Loss allowance	(6,889)	(220,614)
Trade receivables at amortised cost	176,468	110,179
Deposits	756	658
Other receivable	169	759
Total trade and other receivables	**177,393**	**111,596**

Split between non-current and current portions

	2019 R'000	2018 Restated R'000
Current assets	177,393	111,596

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

	2019 R'000	2018 Restated R'000
At amortised cost	177,393	111,596

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	2019 R'000	2018 Restated R'000
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	220,614	84,102
Adjustments upon application of IFRS 9	(209,055)	-
Opening balance in accordance with IFRS 9	**11,559**	**84,102**
Provision raised / (reversed)	(4,670)	136,512
Closing balance	**6,889**	**220,614**

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed as follows:

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R16,7 million of trade and other receivables were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2019 R'000
1 month past due	14,585
2 months past due	2,128
3 months past due	(13)

Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R283,6 million were impaired and provided for.

The amount of the provision was R220,6 million as of 31 March 2018.

The ageing of these loans is as follows:

	2019 R'000
0 to 3 months	64,341
3 to 6 months	54,835
over 6 months	164,437

Reconciliation of provision for impairment of trade and other receivables

	2019 R'000
Opening balance	84,102
Provision for impairment	136,512
	220,614

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The group does not hold any collateral as security.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2019	2018 Restated
	R'000	R'000
Cash on hand	1,319	1,196
Bank balances	562,292	562,868
Short-term deposits	287,157	186,126
	850,768	750,190

The bank and cash balances above include funds held which are not available to the CDC amounting to R 791 million (2018: R 708 million). R 289 million (2018: R 331 million) of this is the SEZ Funds earmarked for special projects, and of which the corresponding liability is disclosed as deferred grant income. It should further be noted, to reconcile the deferred income of R 448 million to the SEZ Fund cognisance should be taken that R 83 million has been paid as input VAT to date and R 68 million has been paid out to creditors based on judgments issued against the CDC.

Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R283,6 million (2017: R213,5 million) ; 2016: R139,5 million were impaired and provided for.

The amount of the provision was R 220,6 million as of 31 March 2018 (2017: R84,1 million ; 2016: R78,7 million).

The ageing of these is as follows:

13. SHARE CAPITAL

	2019	2018 Restated
Authorised	**Rands**	**Rands**
1 000 000 ordinary shares of 1c each	10,000	10,000
1 "A" Class share of R1 each	1	1
	10,001	**10,001**
Issued	**R'000**	**R'000**
Ordinary shares	7	7
Share premium	1,264,551	1,264,551
	1,264,558	**1,264,558**

14. PROVISIONS

	Opening Balance	Additions	Utilised during the year	Paid out during the year	Adjustments	Total
Reconciliations of provisions - 2019						
Provision for performance incentives	26,034	26,293	(26,034)	-	-	26,293
Provision for leave pay	15,646	22,635	(22,197)	(1,752)	1,131	15,463
	41,680	**48,928**	**(48,231)**	**(1,752)**	**1,131**	**41,756**
Reconciliations of provisions - 2018 Restated						
Provision for performance incentives	-	26,034	-	-	-	26,034
Provision for leave pay	17,260	23,199	(21,153)	(2,688)	(972)	15,646
	17,260	**49,233**	**(21,153)**	**(2,688)**	**(972)**	**41,680**

15. INCOME RECEIVED IN ADVANCE

	2019 R'000	2018 Restated R'000
Non-current portion		
On the 8th of December 2010, CDC concluded a 12 year agreement with Souvaris in respect of the General Motors South Africa property. Effectively CDC has ceded and assigned its rights, title and obligations in the GMSA lease to Souvaris. Souvaris in return paid an amount of R125 million to CDC which represents future rentals.	38,194	48,611
On the 1st February 2015, CDC concluded a 50 year agreement with MSC, who made an upfront payment of R19.8m for the lease contract.	17,754	18,150
	55,948	66,761

	2019 R'000	2018 Restated R'000
Current portion		
On the 8th of December 2010, CDC concluded a 12 year agreement with Souvaris in respect of the General Motors South Africa property. Effectively CDC has ceded and assigned its rights, title and obligations in the GMSA lease to Souvaris. Souvaris in return paid an amount of R125 million to CDC which represents future rentals.	10,417	10,417
On the 1st February 2015, CDC concluded a 50 year agreement with MSC, who made an upfront payment of R19.8m for the lease contract.	396	396
	10,813	10,813

16. TRADE AND OTHER PAYABLES

	2019 R'000	2018 Restated R'000
Financial instruments:		
Trade payables	99,055	144,053
Project payables	479,937	366,953
Deposits received	28,525	26,406
Other payables	14,886	13,018
Non-financial instruments:		
VAT	4,927	16,569
	627,330	566,999

Exposure to liquidity risk

Refer to note 33 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

17. DEFERRED INCOME

	2019 R'000	2018 Restated R'000
Government grants		
At beginning of the year	500,467	388,487
Grants received during the year	118,164	315,009
Interest earned on unspent grant funds received	18,831	17,627
Released to income	**(189,637)**	**(220,656)**
- to offset costs	(28,187)	(48,826)
- SEZ Projetcs	(161,450)	(171,830)
	447,825	**500,467**
At end of the year		
To be released / offset beyond one year	447,825	500,467

Funding of R118,1 million was received from the SEZ Fund and R189,6 million was utilised during the year. The unused portion of R447,8 million is deferred to the next financial year as the funding is ringfenced for specific projects. The Company may not use the funding other than as directed in the approvals.

18. REVENUE

	2019 R'000	2018 Restated R'000
Revenue from contracts with customers		
Rendering of services	283,235	295,903
Royalty income	97	89
	283,332	**295,992**
Revenue other than from contracts with customers		
Rental Income	290,078	252,976
Interest received (trading)	24,562	34,611
	314,640	**287,587**
	597,972	**583,579**

Disaggregation of revenue from contracts with customers

The group disaggregates revenue from customers as follows:

	2019 R'000	2018 Restated R'000
Rendering of services		
Administration and management fees received	218,358	236,385
Initiation fees	28	27
Other revenue from rendering of services	64,849	59,491
	283,235	295,903
Royalty income		
Royalty income	97	89
Other revenue		
Total revenue from contracts with customers	283,332	295,992

Timing of revenue recognition

	2019 R'000	2018 Restated R'000
At a point in time		
Rendering of services	45	94
Over time		
Management and administration fees	218,341	236,318
Services revenue arising from property leases (rentals)	64,849	59,491
Royalty income	97	89
	283,287	295,898
Total revenue from contracts with customers	283,332	295,992

The group's service contracts are either billed as a fixed monthly rate, a fixed cost recovery, a % of total project costs managed/incurred or on actual time worked x hourly rates. Therefore the practical expedient in Paragraph 121 (b) of IFRS 15 applies and the group is therefore not required to disclose further information about its remaining performance obligations.

An amount of R0,5m in respect of contingent rentals (per IAS 17) has been included in Revenue for the 2018/19 financial year (R0,2m for 2017/18).

19. OTHER OPERATING INCOME

	2019 R'000	2018 Restated R'000
Fees earned	600	-
Sundry income	3,913	4,717
Government grants	192,790	211,917
	197,303	216,634

20. OPERATING PROFIT / (LOSS)

Operating profit for the year is stated after charging (crediting) the following, amongst others:

	2019 R'000	2018 Restated R'000
Remuneration, other than to employees		
Consulting and professional services	17,302	13,435
Employee costs		
Salaries, wages, bonuses and other benefits	279,800	282,277
Insurance benefits	147	147
Allowances	38	35
Other short term costs	3,220	4,679
Retirement benefit plans: defined contribution expense	19,391	19,084
Termination benefits	-	20
Total employee costs	302,596	306,242
Leases		
Operating lease charges		
Premises	4,892	3,756
Furniture and equipment	744	599
Operating lease other	421	1,560
	6,057	5,915
Depreciation and amortisation		
Depreciation of property, plant and equipment	15,321	18,476
Amortisation of intangible assets	1,498	926
Total depreciation and amortisation	16,819	19,402
Other		
Research and development costs	968	1,003

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	2019 R'000	2018 Restated R'000
Employee costs	302,596	306,242
Operating lease charges	6,057	5,915
Depreciation, amortisation and impairment	16,819	19,402
Other expenses	242,426	410,534
	567,898	742,093

21. EMPLOYEE COST

	2019 R'000	2018 Restated R'000
Employee costs		
Basic	237,641	240,768
Bonus	28,671	31,704
Medical aid - company contributions	7,629	7,456
UIF	750	869
WCA	512	489
SDL	2,758	2,570
Leave pay provision charge	1,839	(1,579)
Funeral benefit	147	147
Allowances	38	35
Other short term costs	3,220	4,679
Retirement benefit plans	19,391	19,084
Termination benefits	-	20
	302,596	**306,242**

The above schedule of employee costs includes directors.

	2019	2018
Total employee costs		
Indirect employee costs	-	-
Direct employee costs	302,596	306,242
	302,596	**306,242**

Analysis of employee costs paid (excluding directors, refer to note 32 for analysis of directors remuneration)

	Salary R'000	Other Short Term Benefits R'000	Performance Incentive Paid R'000	Total Cost to Company 2019 R'000	Total Cost to Company 2018 Restated R'000
Executive management and programme directors	38,635	5,505	8,424	52,571	35,864
Other employees	192,248	32,857	17,316	242,421	233,881
	230,883	**38,362**	**25,740**	**294,992**	**269,745**

Included in the above-mentioned employee costs are costs for the following key management personnel:

Key management personnel (other than directors):

	Salary R'000	Other Short Term Benefits R'000	Performance Incentive Paid R'000	Total Cost to Company 2019 R'000	Total Cost to Company 2018 Restated R'000
L Billings	2,208	344	587	3,140	2,376
T Ngxekana	1,321	248	208	1,777	1,440
V Heynes	1,116	126	183	1,425	-
N Keti	1,420	179	241	1,840	1,501
Z Kunene	1,569	256	124	1,949	1,654
T Poswa	1,395	152	223	1,770	1,420
Z Mtanda	1,556	198	201	1,955	1,643
M van Zyl	1,266	135	133	1,534	1,358
Z Mqhathu	1,612	147	245	2,005	1,700
S Simayi	1,642	207	250	2,100	1,731
R Magotsi	-	-	-	-	744
H van der Kolf	1,978	503	856	3,338	2,838
F Ndema	1,340	161	130	1,632	-
T Koza	2,780	542	1,179	4,501	3,657
D Lefutso	1,872	419	297	2,588	2,047
C Mashigo	2,193	323	963	3,480	2,820
M Mawasha	2,102	116	328	2,546	2,219
C Mbande	2,094	380	938	3,412	2,594
B Mthembu	2,127	544	812	3,484	2,527
R Temmers	1,506	193	216	1,915	1,595
K Byrne	3,444	312	-	3,756	-
A van Jaarsveldt	2,094	20	310	2,424	-
	38,635	**5,505**	**8,424**	**52,571**	**35,864**

Number of persons employed during the year was:

	2019	2018 Restated
Fixed term contract employees	271	242
Permanent employees	183	179
Temporary employees	5	18
	459	**439**

22. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

	2019 R'000	2018 Restated R'000
Depreciation		
Property, plant and equipment	15,321	18,476
Amortisation		
Intangible assets	1,498	926
Total depreciation, amortisation and impairment		
Depreciation	15,321	18,476
Amortisation	1,498	926
Impairment losses	-	-
	16,819	**19,402**

23. INVESTMENT INCOME

	2019 R'000	2018 Restated R'000
Interest income from investments in financial assets:		
Bank and other cash	3,951	3,494

24. FINANCE COSTS

	2019 R'000	2018 Restated R'000
Trade and other payables	1,809	6,286
Tax authorities	1,703	3,232
Total finance costs	**3,512**	**9,518**

25. OTHER NON-OPERATING GAINS / (LOSSES)

	Note	2019 R'000	2018 Restated R'000
Gains / (losses) on disposals, scrappings or settlements			
Profit on sale of fixed assets		76	115
Fair value gains (losses)			
Investment property	5	(78,266)	(68,644)
Total other non-operating gains / (losses)		**(78,190)**	**(68,529)**

26. TAXATION

Major components of the tax (income) expense

	2019 R'000	2018 Restated R'000
Current		
Local income tax - current period	3,820	-
	3,820	**-**
Deferred		
Originating and reversing temporary differences	(816)	(43,391)
Other deferred tax	-	-
	(816)	**(43,391)**
	3,004	**(43,391)**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2019 R'000	2018 Restated R'000
Accounting profit / (loss)	149,626	(16,433)
Tax at the applicable tax rate of 28% (2018: 28%)	41,895	(4,601)
Tax effect of adjustments on taxable income		
Opening deferred tax asset derecognised	1,009	-
Current year tax loss not recognised	971	-
Prior period adjustments	-	3,301
Prior year adjustments	(40,871)	(42,091)
	3,004	**(43,391)**
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.	6,716	3,412

27. CASH GENERATED FROM / (USED IN) OPERATIONS

	2019 R'000	2018 Restated R'000
Profit / (loss) before taxation	149,626	(16,433)
Adjustments for:		
Depreciation and amortisation	16,819	19,384
Gains on disposals, scrappings and settlements of assets and liabilities	-	(115)
Interest income	(3,951)	(3,494)
Finance costs	3,512	9,518
Fair value losses	78,266	68,644
Movements in operating lease assets and accruals	(61,506)	(33,931)
Movements in provisions	76	24,420
Other non-cash items	(5)	77
IFRS 9 adjustment to opening balance of provision for doubtful debts	208,921	-
Changes in working capital:		
Inventories	(31)	9
Trade and other receivables	(65,797)	66,759
Prepayments	11,522	(11,626)
Loans and advances	(9,365)	(12,775)
Trade and other payables	60,336	(8,320)
Government grants released to income	(189,637)	(220,656)
Income received in advance	(10,813)	(10,813)
	187,973	**(129,352)**

28. TAX PAID

	2019 R'000	2018 Restated R'000
Balance at beginning of the year	15,861	7,725
Current tax for the year recognised in profit or loss	(3,820)	-
Balance at end of the year	(14,397)	(15,861)
	(2,356)	**(8,136)**

29. COMMITMENTS

Authorised capital expenditure

	2019 R'000	2018 Restated R'000
Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities:		
Property, plant and equipment	110,337	146,716

This committed expenditure will be financed by grant funding, existing cash resources and other internally generated funds.

Investment properties

Operating leases – as lessee (expense)

	2019 R'000	2018 Restated R'000
Minimum lease payments due		
within one year	1,739	2,948
in second to fifth year inclusive	585	2,104
later than five years	-	-
	2,324	**5,052**

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases – as lessor (income)

	2019 R'000	2018 Restated R'000
Minimum lease payments due		
within one year	169,722	147,985
in second to fifth year inclusive	622,183	597,961
later than five years	1,137,002	1,039,534
	1,928,907	**1,785,480**

30. CONTINGENCIES

The CDC had claims by various third parties arising from contractual disputes which are still unresolved, and the outcome of these claims cannot be reliably assessed at year end. The total value of such potential claims is estimated at R61,8 million (2018: R64 million).

Land Arbitrations:

The price of certain land which has been acquired in the Coega Special Economic Zone is subject to arbitration .The dispute is between Ntinga Property Investment (Pty) Ltd and CDC. The dispute arises out of a sale agreement entered into between Ntinga (the seller) and Coega (the purchaser) in respect of certain immovable property as well as the purchase and sale of mineral rights on the property and the mining license in relation to such mining rights. The matter was referred to arbitration as provided by the sale agreement. The claimant has not taken any further steps to pursue the matter. The matter is therefore dormant at this stage. Management's assessment of the case is that the matter will not have an impact on the annual financial statements.

SARS Income Tax:

An audit of Income Tax was conducted by SARS during the 2013 financial year,which concluded that the treatment of government grants received by the CDC as exempt from Income Tax was incorrect. Assessments were issued for the Financial year of 2007 to 2011 for additional tax of R322 million and imposed interest and penalties. The CDC objected to the appeal during May 2014, the objection was concluded favourably, and the previous assessments were revised and the liability claimed was reduced to R18 million and penalties and interests were waived. The CDC accepted the decision by SARS but appealed against computation errors on the revised assessment which result from incorrect treatment of certain expenses. The CDC awaits the outcome of this appeal, and the resultant refund of the R15 million paid in March 2013 on initial conclusion of the audit which is yet to be refunded by SARS.

Following an audit, SARS raised an assessment requiring payment of tax of R34 million on the basis that the transaction where CDC sold rental streams to Redefine properties in order to fund for payment for infrastructure during 2012/13 amounted to a lease premium in terms of the Income Tax Act. The CDC has objected to this assessment and has consulted widely and is confident that this will be concluded in favour of the CDC.

Guarantees and other credit facilities:

The CDC holds guarantees amounting to R765 000 with First National Bank, issued in favour of International Air Transport Association, the licensing authority for the group's travel licence. The guarantees do not have a maturity date. In addition, the CDC has credit card facilities with a combined limit of R350 000, petrol cards to the value of R520 000 held with Wesbank.

31. RELATED PARTIES

The Eastern Cape Department of Economic Development Environmental Affairs and Tourism is the Executive Authority in terms of the PFMA. The Eastern Cape Department of Economic Development Environmental Affairs and Tourism holds all of the issued ordinary shares. Grants received from government during the year are fully disclosed in note 17. There were no further transactions with related parties during the year other than those disclosed in this note. Details regarding directors' emoluments and key/executive management compensation are disclosed in note 32 as well as note 21.

Relationships:

Holding company:	Eastern Cape Department of Economic Development, Environmental Affairs and Tourism	
Subsidiaries:	Refer to note	
Members of key management:	M Silinga	S Simayi
	L Billings	T Ngxekana
	B Mthembu	V Heynes
	T Koza	N Keti
	D Lefutso	Z Kunene
	H van der Kolf	T Poswa
	C Mashigo	Z Mtanda
	M Mawasha	M van Zyl
	C Mbande	Z Mqhathu
	R Temmers	

Related party balances

	2019 R'000	2018 Restated R'000
Loan accounts - Owing (to) by related parties:		
Rapid Infrastructure Development Agency (Pty) Ltd	48,004	33,156
Amounts included in Trade receivable (Trade Payable) regarding related parties:		
Expenses paid on behalf of Rapid Infrastructure Development Agency (Pty) Ltd	9,779	11,043
Net amounts advanced to Rapid Infrastructure Development Agency (Pty) Ltd under loan agreement	4,000	1,500
Rental income received from Rapid Infrastructure Development agency (Pty) Ltd	1,068	515
Other related party transactions - grants received:		
Department of Economic Development, Environmental Affairs & Tourism	27,191	35,087

32. DIRECTORS' EMOLUMENTS

Executive

	Emoluments	Performance incentive	Total Cost to Company	Emoluments	Performance incentive	Total Cost to Company
	2019	2019	2019	2018 Restated	2018 Restated	2018 Restated
	R'000	R'000	R'000	R'000	R'000	R'000
M.P. Silinga	5,573	2,926	8,499	4,856	3,226	8,082
	5,573	**2,926**	**8,499**	**4,856**	**3,226**	**8,082**

Non-executive

	Directors' Fees	Total Cost to Company	Directors' Fees	Total Cost to Company
	2019	2019	2018 Restated	2018 Restated
	R'000	R'000	R'000	R'000
Dr P. Jourdan (Chairperson)	187	187	171	171
B. Lobishe	59	59	101	101
J.J de Bruyn	191	191	143	143
S. Liebenberg	45	45	75	75
Adv. T. Norman	-	-	69	69
A. Mjekula	370	370	139	139
	852	**852**	**698**	**698**

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of Financial Assets - 2019		Amortised cost	Leases	Total	Fair value
	Notes	R'000	R'000	R'000	R'000
Loans and advances	10	40,085	-	40,085	40,346
Operating lease asset	7	-	346,004	346,004	346,004
Trade and other receivables	11	176,526	-	176,526	176,526
Cash and cash equivalents	12	850,792	-	850,792	850,792
		1,067,403	**346,004**	**1,413,407**	**1,413,668**

Categories of Financial Assets - 2018 Restated		Amortised cost	Leases	Total	Fair value
	Notes	R'000	R'000	R'000	R'000
Loans and advances	10	30,720	-	30,720	30,720
Operating lease asset	7	-	286,039	286,039	286,039
Trade and other receivables	11	95,200	-	95,200	95,200
Cash and cash equivalents	12	750,191	-	750,191	750,191
		876,111	**286,039**	**1,162,150**	**1,162,150**

Categories of Financial Liabilities - 2019		Amortised cost	Leases	Total	Fair value
	Notes	R'000	R'000	R'000	R'000
Trade and other payables	16	622,407	-	622,407	622,557
Operating lease accrual	7	-	142,493	142,493	142,493
		622,407	**142,493**	**764,900**	**765,050**

Categories of Financial Liabilities - 2018 Restated		Amortised cost	Leases	Total	Fair value
	Notes	R'000	R'000	R'000	R'000
Trade and other payables	16	550,429	-	550,429	547,679
Operating lease accrual	7	-	144,034	144,034	144,034
		550,429	**144,034**	**694,463**	**691,713**

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The capital structure and gearing ratio of the group at the reporting date was as follows:

	Notes	2019 R'000	2018 Restated R'000
Operating lease liability	7	142,493	144,034
Trade and other payables	16	627,334	566,998
Total borrowings		**769,827**	**711,032**
Cash and cash equivalents	12	(850,768)	(750,190)
Net borrowings		**(80,941)**	**(39,158)**
Equity		5,522,470	5,210,808
Gearing ratio		(1)%	(1)%

Financial risk management

Overview

The group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and/or price risk).

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the group's risk management policies. The committee reports quarterly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, 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 group's activities.

The group audit committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and the risk committee.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The group is exposed to credit risk on loans and advances, trade and other receivables, lease receivables and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The group only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

The maximum exposure to credit risk is presented in the table below:

		2019			2018 Restated		
		Gross carrying amount	Credit loss allowance	Amortised cost/ fair value	Gross carrying amount	Credit loss allowance	Amortised cost/ fair value
	Notes	R'000	R'000	R'000	R'000	R'000	R'000
Loans and advances	10	40,423	(338)	40,085	30,844	(124)	30,720
Operating lease asset	7	346,004	-	346,004	286,039	-	286,039
Trade and other receivables	11	184,282	(6,889)	177,393	332,210	(220,614)	111,596
Cash and cash equivalents	12	850,768	-	850,768	750,191	-	750,191
		1,421,477	(7,227)	1,414,250	1,399,284	(220,738)	1,178,546

Liquidity risk

The group is exposed to liquidity risk, which is the risk that the group will encounter difficulties in meeting its obligations as they become due.

The group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and government grants.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	Notes	2019			2018 Restated		
		Less than 1 year	Total	Carrying amount	Less than 1 year	Total	Carrying amount
Current liabilities							
Trade and other payables	16	622,407	622,407	622,407	550,429	550,429	550,429
Current assets							
Trade and other receivables	11	176,526	176,526	176,526	95,200	95,200	95,200
Loans and advances	10	40,085	40,085	40,085	30,720	30,720	30,720
		216,611	**216,611**	**216,611**	**125,920**	**125,920**	**125,920**
		839,018	**839,018**	**839,018**	**676,349**	**676,349**	**676,349**

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The group policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

34. FAIR VALUE INFORMATION

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 3

Recurring fair value measurements

	Notes	2019 R'000	2018 Restated R'000
ASSETS			
Investment property	5		
Investment property		5,141,032	5,156,435
Total		**5,141,032**	**5,156,435**

35. GOING CONCERN

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the group to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the group.

35.1 Changes to legislation

The introduction of the SEZ Legislation in May 2014 brought changes in the way that funding to the SEZs, and therefore the Group, is allocated - from that of MTEF allocations to specific project-based approvals, which will be given from time to time. Further, the Act states that the funding of the operations of the SEZs will be the responsibility of the Provincial Government and no longer that of the dti. At the moment, the amount of further contribution to the Group's operations to be made by Provincial Government in terms of this requirement for the 2018/19 financial year and subsequent thereto is yet to be determined.

Furthermore, the Group is currently considering the impact of the new SEZ Act on certain operating divisions and business units currently within the Group. Notwithstanding absence of any legal requirement or prescription for exclusion of non-SEZ activities in the SEZ , exercising of such a preference may result in these operating divisions and business units being deemed to be outside the objectives and mandate of the SEZ. In this scenario, the Group might have to divest itself of these operating divisions and business units which would have a materially negative impact on Group revenue, profitability and operating cash flows.

35.2 Financial sustainability

As a result of the changes in the funding arrangements, some of the Group's key financial ratios have deteriorated in comparison to the previous year's. These include the Group's cash flows from operations, as well as creditors' payment days and available cash balances. During 2018/19 the Group operated without receiving the full amount of requisite funding for operational expenditure but was able to sustain operations from external revenues generated by the Group. Management maintains detailed financial plans and forecasting processes and manages working capital elements as necessary to ensure that key operations of the business are fully delivered. The provision of the necessary additional funding required for the Group has been discussed with the shareholders and is receiving attention at the highest level.

36. FRUITLESS AND WASTEFUL EXPENDITURE

	2019 R'000	2018 Restated R'000
Opening balance	-	43,631
SARS penalties and interest	1,703	3,443
Interest on overdue trade payables	1,809	6,551
Written off	-	(53,625)
Closing balance	**3,512**	**-**

All of the above expenditure was incurred as a result of the funding pressures the group experienced during the financial years in question.

Amounts written off have been approved by the group's board of directors on the basis that such expenditure was unavoidable.

Notwithstanding the requirement in terms of section 25 of the SEZ Act that the group be funded by the relevant authority for annual operational expenditure shortfalls, the group experienced operational funding shortfalls in both the current as well as prior financial years.

SARS penalties and interest relates mainly to interest on a 2012 income tax assessment raised by SARS which is currently the subject of a dispute in the Tax Court and secondly to late payment of certain monthly employees' tax payments due to cash flow constraints prevailing at the time.

Interest on overdue trade payables arose mainly as a result of delays in receiving grant funding from the Department of Trade and Industry for approved SEZ capital expenditure.

37. PRIOR PERIOD ADJUSTMENTS

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year. Where adjustments were done in the current annual financial statements, management considered the impact on the opening balances of the earliest comparative figures and these were adjusted accordingly. The aggregate effect of the prior period adjustments on the financial statements for the year ended 31 March 2019 is as follows:

	2018 Restated R'000
Trade and other payables	
Balance before restatement	574,869
Adjustment	(7,870)
	566,999

The above adjustment arises as a result of the correction of an erroneous Oracle system financial year end roll forward for the 2013/14 financial year. The anomolies resulted in a difference between the trial balance and the underlying general ledger.

	2018 Restated R'000
Deferred tax	
Balance before restatement	434,084
Adjustment	10,457
	444,541

The table above also reflects the deferred tax consequences of the other prior year adjustments set out in this note.

	2018 Restated R'000
Retained income	
Balance before restatement	3,920,874
Adjustment	25,377
	3,946,251

The above table sets out the effect on retained income of the prior year adjustments set out in this note.

	2018 Restated R'000
Deferred income	
Balance before restatement	498,955
Adjustment	1,512
	500,467

The above adjustments relate to the correction of prior year invoices released to income.

	2018 Restated R'000	2017 Restated R'000
Trade and other receivables		
Balance before restatement	224,125	279,217
Adjustment	(11,667)	(100,862)
Effect of prior year adjustment	(100,862)	-
	111,596	**178,355**

The above adjustments relate to the correction of billing errors in respect of management fees as well as the reclassification of the IAS 17 lease smoothing provision. The lease smoothing provision was previously reflected under Trade and Other Receivables. The effect of the reclassification was to split the lease smoothing provision into an asset and a liability both of which are now disclosed separately on the face of the statement of financial position (refer to note 9).

	2018 Restated R'000
Revenue	
Balance before restatement	561,317
Adjustment	22,262
	583,579

The above adjustments relate to the correction of billing errors in respect of management fees.

	2018 Restated R'000
Other operating income	
Balance before restatement	211,578
Adjustment	5,056
	216,634

The above adjustments relate to the correction of prior year invoices released to income.

	2018 Restated R'000	2017 Restated R'000
Lease smoothing asset - non current		
Balance before restatement	-	-
Adjustment	32,286	253,753
Effect of prior year adjustment	253,753	-
	286,039	**253,753**

The above adjustment results from the reclassification of the lease smoothing provision. The effect of the reclassification was to split the lease smoothing provision into an asset and a liability both of which are now disclosed separately on the face of the statement of financial position. The values of the asset and liability as well as the overall net position are shown in note 9. The lease smoothing provision was previously reflected under Trade and Other Receivables.

	2018 Restated R'000	2017 Restated R'000
Lease smoothing liability - non current		
Balance before restatement	-	-
Adjustment	(1,645)	144,033
Effect of prior year adjustment	144,033	-
	142,388	**144,033**

The above adjustment results from the reclassification of the lease smoothing provision. The effect of the reclassification was to split the lease smoothing provision into an asset and a liability both of which are now disclosed separately on the face of the statement of financial position. The values of the asset and liability as well as the overall net position are shown in note 9. The lease smoothing provision was previously reflected under Trade and Other Receivables.

	2018 Restated R'000	2017 Restated R'000
Lease smoothing liability - current		
Balance before restatement	-	-
Adjustment	-	(1,645)
Effect of prior year adjustment	(1,645)	-
	(1,645)	**(1,645)**

The above adjustment results from the reclassification of the lease smoothing provision. The effect of the reclassification was to split the lease smoothing provision into an asset and a liability both of which are now disclosed separately on the face of the statement of financial position. The values of the asset and liability as well as the overall net position are shown in note 9. The lease smoothing provision was previously reflected under Trade and Other Receivables.

38. COMPLIANCE WITH THE BROAD BASED ECONOMIC EMPOWERMENT ACT

In terms of section 13G(1) all spheres of government, public entities and organs of state must report on their compliance with the broad based black economic empowerment in their audited annual financial statements and annual reports. During the financial period ended 31 March 2019, the Group embarked on a process of being measured for B-BBEE compliance with the B-BBEE Codes of Good Practice, Gazette No. 38766. The applicable scorecard being used to determine the Group's compliance with the B-BBEE Act 53 of 2003 as amended is the GENERIC (GEN) scorecard used for entities with a turnover of more than R50 million. The appointed SANAS Verification Agency is in the process of finalising the Group's B-BBEE certificate and has issued a DRAFT REPORT. Upon receipt of the final report and B-BBEE certificate, Form 1 together with the Annual Report will be submitted to the B-BBEE Commission.

DETAILED INCOME STATEMENT

	Notes	31-Mar 2019 R'000	31-Mar 2018 Restated R'000
REVENUE			
Rendering of services		283,235	295,903
Royalty income		97	89
Rental income on investment property		277,076	216,027
Rebates received		13,002	36,949
Interest received		24,562	34,611
	18	**597,972**	**583,579**
Cost of sales			
Opening stock		(248)	(257)
Purchases		(31)	9
Closing stock		279	248
		-	-
Other operating income			
Fees earned		600	-
Other income		3,913	4,717
Government grants		192,790	211,917
	19	**197,303**	**216,634**
EXPENDITURE *(refer to next page)*		(567,846)	(742,093)
Operating profit	20	227,429	58,120
Investment income	23	3,951	3,494
Finance costs	24	(3,512)	(9,518)
Other non-operating gains (losses)			
(Losses) gains on disposal of assets		76	115
Fair value losses		(78,266)	(68,644)
Profit (loss) before taxation		**149,678**	**(16,433)**
Taxation	26	(3,004)	43,391
Profit for the year		**146,674**	**26,958**

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

	Notes	2019 R'000	2018 Restated R'000
Other operating expenses			
Advertising		(1,077)	(1,440)
Amortisation		(1,498)	(926)
Auditors remuneration - external auditors	20	(62)	-
Bad debts		3,785	(138,397)
Bank charges		(878)	(945)
Cleaning		(2,978)	(2,463)
Computer expenses		(3,469)	(3,562)
Consulting and professional fees - accounting		(3,735)	(3,588)
Consulting and professional fees		(7,528)	(5,118)
Consulting and professional fees - legal fees		(6,039)	(4,729)
Consumables		(1,217)	(2,097)
Delivery expenses		(145)	(118)
Depreciation		(15,321)	(18,476)
Employee costs		(302,596)	(306,242)
Entertainment		(144)	(148)
Other		(1,434)	30
Minor assets		(1,401)	(105)
Temporary workers		(4,762)	(6,034)
Direct contract costs		(820)	(14,699)
Health & safety		(5,684)	(5,988)
Project costs		(10,894)	(10,041)
CSI		(128)	145
Programme training expenses		(7,611)	(5,582)
Credit checks		(11)	(8)
Fines and penalties		-	(1)
Gifts		(111)	15
Insurance		(5,797)	(4,569)
IT expenses		(6,722)	(7,312)
Lease rentals on operating lease		(6,057)	(5,915)
Motor vehicle expenses		(4,009)	(3,002)
Municipal expenses		(53,462)	(82,995)
Other expenses		(129)	(53)
Placement fees		(280)	(74)
Printing and stationery		(1,667)	(1,279)
Promotions		(1,458)	(1,650)
Repairs and maintenance		(16,783)	(19,126)
Research and development costs		(968)	(1,003)
Security		(12,556)	(9,461)
Staff welfare		(1,730)	(4,076)
Subscriptions		(1,735)	(613)
Telephone and fax		(15,589)	(13,772)
Training		(3,562)	(559)
Travel - local		(58,855)	(55,213)
Travel - overseas		(729)	(904)
		(567,846)	**(742,093)**

The supplementary information presented does not form part of the consolidated annual financial statements and is unaudited.

ADMINISTRATION 04

4 WON 4 HIGH-PROFILE AWARDS

33%

CDC SMME PROCUREMENT
REACHED 33% OVERALL PROCUREMENT SPEND ON SMMEs FOR 2018/19 FY

ABBREVIATIONS & ACRONYMS

ADZ	Aquaculture Development Zone
AHI	Afrikaans Handelsinstituut
AIDS	Acquired Immune Deficiency Syndrome
AMP	Advanced Management Programme
ANC	African National Congress
ANCYL	African National Congress Youth League
APDP	Automotive Production and Development Programme
ARC	Audit and Risk Committee
ASDD	Annual Supplier Development Day
AU	African Union
AWS	Animal Welfare Society
BA	Bachelor of Arts
BAIC	Beijing Automobile International Corporation
B-BBEE	Broad-Based Black Economic Empowerment
BCom	Bachelor of Commerce
BD	Business Development - a BU of the CDC
BIA	Business Impact Analysis
BMF	Black Management Forum
BPO	Business Process Outsourcing
BSc.	Bachelor of Science
BU	Business Unit
CA (SA)	Chartered Accountant of South Africa
CBE	Council for the Build Environment
CBS	Coega Business Solutions
CCA	Customs Controlled Area
CCT	Coega Corporate Travel
CDC	Coega Development Corporation (Pty) Ltd
CDF	Coega Development Foundation
CEO	Chief Executive Officer
CEF	Central Energy Fund
CETA	Construction Education and Training Authority
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CKD	Completely Knocked Down
CoE	Centre of Excellence
CSDC	Coega Skills Development Centre
CSI	Corporate Social Investment
CSS	Central Support Services
DBE	Department of Basic Education
DBSA	Development Bank of Southern Africa
COGDA	Department of Cooperative Governance
DEDEAT	Department of Economic Development, Environmental Affairs & Tourism
DFP	Development Framework Plan
DRDLR	Department of Rural Development and Land Reform
DoE	Department of Education
DoH	Department of Health
DPW	Department of Public Works
DRP	Disaster Recovery Plan
DRPW	Department of Roads and Public Works
DSD	Department of Social Development
DSRAC	Department of Sport, Recreation, Arts and Culture
the *dti*	Department of Trade and Industry
EC	Eastern Cape
ECD	Early Childhood Development
ECDC	Eastern Cape Development Corporation
EC-DoH	Eastern Cape Department of Health
EC-DRPW	Eastern Cape Department of Roads and Public Works
EDTA	Economic Development, Tourism and Agriculture
EIA	Environmental Impact Assessment
EM	Executive Manager
EPWP	Expanded Public Works Programme
ETI	Employment Tax Incentive
EU	European Union
EXMA	Executive Management Committee
FAW	First Automotive Works
FOCAC	Forum on China-Africa Cooperation
FY	Financial Year
GDP	Gross Domestic Product
GGDA	Gauteng Growth and Development Agency
GGP	Gross Geographic Product
GRI	Global Reporting Initiative
HA	Hectar
HCS	Human Capital Solutions
HIV	Human Immunodeficiency Virus
HRRC	Human Resources and Remuneration Committee
HV	High Voltage
IA	Implementing Agent
IATA	International Air Transport Association
ICT	Information and Communication Technologies
ID	Infrastructure Development
IDC	Industrial Development Corporation
IDMS	Infrastructure Delivery Management System
IDP	Infrastructure Delivery Programme
IDZ	Industrial Development Zone
IFRS	International Financial Reporting Standards
IIP	SEZ Infrastructure Programme
IIRC	International Integrated Reporting Council
<IR>	International Integrated Reporting Framework
IR	Integrated Report
IRBA	Independent Regulatory Board for Auditors
IRC	Integrated Reporting Committee (South Africa)
IRS	ICT, Research and Strategy
ISIDP	Integrated Social Infrastructure Development Programme
ISO	International Organisation for Standardisation
ITC	International Institute for Aerospace Survey and Earth Sciences
KPI's	Key Performance Indicators
KZN	KwaZulu-Natal
LLB	Bachelor of Law
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
MBA	Master of Business Administration
MDP	Management Development Programme
MEC	Member of the Executive Council
MEGA	Mpumalanga Economic Growth Agency
MEI	Minerals Engineering International
MEMSA	Mining Equipment Manufacturers of South Africa
MERSETA	Mechanical Engineering and Related Education and Training Authority
MSc.	Master of Science
MMC	Member of the Mayoral Committee
MTEF	Medium Term Expenditure Framework
MV	Medium Voltage
MW	Mega Watts
NAFCOC	National African Federated Chamber of Commerce and Industry
NCEDA	Northen Cape Econmic Development, Trade and Investment Promotion Agency
NDPW	National Department of Public Works
NEF	National Empowerment Fund
NGOs	Non-Governmental Organisations
NMB	Nelson Mandela Bay
NMBLP	Nelson Mandela Bay Logistics Park
NMBM	Nelson Mandela Bay Municipality
NMU	Nelson Mandela University
NSDS	National Skills Development Strategy
NSF	National Skills Framework
OEMP	Operational Environment Management Plan
OHS	Occupational Health and Safety
OPB	Operations Business Unit
OTP	Office of the Premier
PA	Principal Agent
PE	Port Elizabeth
PESTLE	Political, Economic, Social, Technological, Legal and Environmental
PFMA	Public Finance Management Act
PhD.	Doctor of Philosophy
PIA	Programme Implementing Agent
PLZ	Port Elizabeth International Airport
PMI	Project Management Institute
PMTE	Property Management Trading Enterprise
Pr. Eng.	Professional Engineer
PTIP	Provincial Treasury Infrastructure Programme
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
RoDs	Records of Decisions
RTI	Right to Information
SIID	Research and Development
SA	South Africa
SAAE	South African Academy of Engineers
SABS	South African Bureau of Standards
SADC	Southern African Development Community
SAIEE	South African Institute of Electrical Engineers
SAICA	South African Institute of Chartered Accountants
SALGA	South African Local Government Association
SANS	South African National Standard
SARS	South African Revenue Service
SASDA	South African Supplier Development Agency
SC	Senior Counsel
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SDP	Site Development Plans
SDU	Spatial Development Unit
SEBS	School of Environmental and Biological Sciences
SEC	Social and Ethics Committee
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SEZ	Special Economic Zone
SEZ&ET	Special Economic Zones and Economic Transformation
SLA	Service Level Agreement
SHE	Safety, Health and Environment
SHEQ	Safety, Health and Environmental Quality
SMME	Small, Micro and Medium Enterprises
SoE	State-Owned Enterprise
SOPs	Standard Operating Practices
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TEU	Twenty Foot Equivalent Unit
TNPA	Transnet National Ports Authority
TVET	Technical and Vocational Education and Training
UCT	University of Cape Town
UK	United Kingdom
UNECA	United Nations Economic Commission for Africa
Unisa	University of South Africa
VACC	Vulindlela Accommodation and Conference Centre
VAT	Value Added Tax
VWSA	Volkswagen South Africa
WISA	Water Institute for Southern Africa
ZAR	South African Rands

Special Economic Zones CEO's Forum visit to the Coega SEZ in 2018. Welcomed at the Port of Ngqura by Ms. Tandi Lebakeng, the Port Manager for Port of Ngqura.

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