



# ANNUAL REPORT 2018/2019



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**REGISTERED NAME:** Trade & Investment KwaZulu-Natal

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AFS	Annual Financial Statements
AG	Auditor-General
AGOA	African Growth and Opportunity Act
APP	Annual Performance Plan
ASB	Accounting Standards Board
BAC	Bid Adjudication Committee
B-BBEE	Broad-Based Black Economic Empowerment
BEE	Black Economic Empowerment
BPO	Business Process Outsourcing
BREU	Business Retention and Expansion Unit
BRICS	Brazil, Russia, India, China and South Africa
BSO	Business Support Organisation
CCPIT	China Council for the Promotion of International Trade
CEO	Chief Executive Officer
CFO	Chief Financial Officer
DDI	Domestic Direct Investment
DIRCO	Department of International Relations and Co-operation
DRC	Democratic Republic of Congo
DTI	Department of Trade and Industry
DTP	Dube TradePort
EAP	Employee Assistance Programme
EDTEA	Economic Development, Tourism and Environmental Affairs
EDPU	Export Promotion and Development Unit
EIA	Environmental Impact Assessment
ESID	Economic Sectors and Infrastructure Development
EU	European Union
FDE	Finance Director Europe
FDI	Foreign Direct Investment
GAAP	Generally Accepted Accounting Practice
GCC	Golf Co-operation Council
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
ICT	Information Communications Technology
IDZ	Industrial Development Zone
IEH	Industrial Economic Hub
IGRAP	Interpretations of the Standards of Generally Recognised Accounting Practice
IPA	Investment Promotion Agency

IPAP2	Industrial Action Policy Plan 2
IT	Information Technology
JSE	Johannesburg Stock Exchange
KM	Knowledge Management
KZN	KwaZulu-Natal
MCU	Marketing and Communication Unit
MEC	Member of the Executive Council
MOU	Memorandum of Understanding
MPL	Member of Provincial Legislature
MSc	Masters in Science
NDP	National Development Plan
NGP	National Growth Plan
PAA	Public Audit Act
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
PGDS	Provincial Growth and Development Strategy
PhD	Doctor of Philosophy
(PTY) LTD	Proprietary Limited
PUM	Programma Uitzending Managers
RBIDZ	Richards Bay Industrial Development Zone
SA	South Africa
SADC	Southern African Development Community
SAITEX	South African International Trade Exhibition
SAMTRAC	Safety Management Training Course
SARCDAA	South African Retail Chemists & Druggist Association
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SEDA	Small Enterprise Development Agency
SES	Senior Experten Service
SEZ	Special Economic Zone
SIPPO	Swiss Import Promotion Programme
TAF	Technical Assistance Fund
TIKZN	Trade & Investment KwaZulu-Natal
TKZN	Tourism KwaZulu-Natal
TOR	Terms of Reference
UNCTAD	United Nations Conference for Trade and Development



# GENERAL INFORMATION

Trade & Investment KwaZulu-Natal is a Schedule 3C Public Entity and operates in terms of the Trade & Investment KwaZulu-Natal Act, Act no. 5 of 2010.

- 01** MEC's Foreword
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- 03** Chief Executive Officer's Review
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- 05** Strategic Overview
- 06** Vision, Mission and Objectives
- 07** Legislative and Other Mandates
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- 09** Management Structure

# 01 MEC'S FOREWORD



**MS NOMUSA DUBE-NCUBE, MPL**  
MEC FOR ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS

## INTRODUCTION

THE AFRICAN CONTINENTAL FREE TRADE AGREEMENT (AfCFTA), SIGNED BY THE AFRICAN GOVERNMENT LAST YEAR IN KIGALI, RWANDA, WILL BE THE LARGEST FREE-TRADE AREA CREATED SINCE THE FORMATION OF THE WORLD TRADE ORGANISATION (WTO).

One of the primary benefits of the African Continental Free Trade Area Agreement is that it brings together 55 African countries, with a combined population of more than 1,2 billion people, and a combined gross domestic product (GDP) exceeding \$2,5 trillion. Crucially, the AfCFTA has the potential for embedding the process of economic integration and accelerating the structural transformation of African economies, as envisaged under the Lagos Plan of Action of 1980, and the Abuja Treaty of 1991.

The AfCFTA Agreement provides a comprehensive and mutually-beneficial trade agreement among the member states of the African Union and covers trade in goods and services, investment, intellectual property rights and competition policy.

Its importance now, during the prevailing difficult times, is critical for the Province of KwaZulu-Natal, where working within a fragile global economic environment has created a range of challenges;

challenges which have required us to step up our game and remain focused on our vision of promoting KwaZulu-Natal as an inspiring place to both visit and in which to do business. This economically-constrained environment pushes us to work to our limits and Trade & Investment KwaZulu-Natal has demonstrated, most compellingly, that investments made in our province will continue to grow, leading to ever greater prosperity, increased employment opportunities and growing numbers of entrepreneurs entering business.

## KWAZULU-NATAL'S ECONOMIC REVIEW AND OUTLOOK

It is a testament to this country and its people that in spite of declining global and domestic growth prospects, South Africa and, in particular, KwaZulu-Natal, continue to serve as attractive destinations for both foreign and domestic investment.

Data from the financial year under review indicates that KwaZulu-Natal successfully attracted a range of new investments, with a cumulative value of R2,66 billion. This level of investment has the potential to create an estimated 2 536 much-needed jobs and will provide a significant boost for our provincial economy.

Since the advent of the global downturn, a little more than a decade ago, KwaZulu-Natal has made every effort to limit the effects of the global crisis in our region. We have endeavoured to stimulate



the economy by employing a range of intercessions designed to support business, in line with the country's industrial policy interventions, in order to maintain stability. The experience of the global crisis informed our view that we should pursue a course of radical economic transformation, thus making us less vulnerable to external investment and volatile markets, while developing programmes which give effect to inclusive growth.

Employment-driven industrial growth builds sustainable industries, communities and societies and the

Government, through Trade & Investment KwaZulu-Natal, will continue our commitment to radical economic transformation and industrialisation. In effect, inclusive growth means that Black people are no longer relegated to labourer ranks, but have the wherewithal to become investors in their own right. Inclusive growth - if it is to have real meaning in our country - must embrace the need to increase the participation of Black people in every aspect of business, inclusive of being shareholders, managers and entrepreneurs.

**“ THE REVITALISATION OF INDUSTRIAL PARKS WILL UNLOCK NEW ENTREPRENEURIAL CAPABILITIES AND PROVIDE INSTITUTIONAL SUPPORT TO BUSINESSES. THE REACTIVATION OF INDUSTRIAL ECONOMIC HUBS IS SYSTEMATICALLY LINKED TO THE BIGGER PROGRAMME OF SPECIAL ECONOMIC ZONES. ”**

The focus is to break the spatial profile of investment flow which is concentrated in metropolitan and, particularly, coastal regions to the exclusion of township and rural spaces.

Since inception, Trade & Investment KwaZulu-Natal has worked to deliver against its mandate, which - in essence - is to prioritise and enhance trade and investment. This objective has seen the province benefit in terms of reputation, growth and strategic value, thus continuing to become an ever more vital cog within the South African economy and that of the overall African continent. KwaZulu-Natal unquestionably remains a dynamic economic contributor to national Gross Domestic Product and is a showcase for capability in innovation, transformation and sustainable investment.

The Provincial Government of KwaZulu-Natal has long-recognised this and now re-affirms its commitment to the provision of trade and logistics support services to provincial economic role-players in the quest to further appreciably strengthen the local economy's international competitiveness and, by so doing, spurring new infrastructural development and generating additional permanent employment opportunities.

Trade & Investment KwaZulu-Natal is, in our estimation, the ideal platform for the delivery of such support, given that the agency's mandate is to identify, develop and package existing investment opportunities within the province, to promote the province as a leading international investment destination, maintain and expand existing trade activities and to retain current local and foreign investment, whilst simultaneously facilitating business expansion.

Indeed, Trade & Investment KwaZulu-Natal will continue focusing on the enhancement and packaging of investment

opportunities, in-line with the appetite of prospective investors with whom the organisation interacts on a daily basis.

Critical to this has been the most pleasing development of our province's export potential, with products produced here increasingly meeting and exceeding international standards, leading to growing uptake. Currently, KwaZulu-Natal's export markets constitute the traditional first-world markets in both the West and East, although we are now also witnessing the gratifying and most welcome emergence of African markets.

#### CONCLUSION

The concept of radical economic transformation demands a fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all South Africans, especially the poor, the majority of whom are African and female, as defined by the governing party and which determines policy for democratic Government.

Going forward, we will continue to benefit from the tangible results which Trade & Investment KwaZulu-Natal's sterling efforts deliver.

In short, working with Trade & Investment KwaZulu-Natal will assist us to realise our ambition of true 'Radical Economic Transformation through Shared Growth'.



**Ms Nomusa Dube-Ncube, MPL**  
**MEC for Economic Development, Tourism and Environmental Affairs**

## 02 CHAIRPERSON'S STATEMENT



**MS INA CRONJÉ**  
BOARD CHAIRPERSON  
TRADE & INVESTMENT KWAZULU-NATAL

Against the backdrop of testing global, national and provincial economic conditions, which have created ever greater levels of competition for a substantially reduced investment and trade base, Trade & Investment KwaZulu-Natal has made a commendable contribution towards generating widespread awareness of the province as a leading investment destination and in playing a vital role in facilitating trade and investment opportunities across KwaZulu-Natal.

As this document illustrates, the organisation consolidated its position during the 2018/19 review period as an effective provincial agency and knowledge leader in investment and trade promotion.

Trade & Investment KwaZulu-Natal enjoys political support, good working relationships with key decision-makers and stakeholders and has made substantial progress in positioning the Trade & Investment KwaZulu-Natal brand to leverage a still greater competitive advantage in terms of attracting investor interest.

Reviewing an extensive list of performance indicators, it is most pleasing to note that a number of targets were not only met, but surpassed. This, most importantly, includes the achievement of a commitment of R2,66 billion in new investment projects for KwaZulu-Natal.

Adherence to good corporate governance, ensuring accountability and transparency, while inducing stakeholder confidence, remains a Trade & Investment KwaZulu-Natal priority, especially since the advent of increased accountability expected of company directors in regard to risk control within their respective organisations. It is Trade & Investment KwaZulu-Natal's intention to continue conforming to international best business practice by implementing sound corporate governance principles and practices in its every endeavour, whilst simultaneously adhering to policies and legislation which govern its business operations.

During the year under review, the organisation placed great emphasis on the promotion of key investment opportunities within the province through its innovative project marketing processes. Equally and with Africa's rise as a beacon of hope for the driving of growth in an otherwise diluted global economy, promotional efforts were centred around capitalising on the province's major seaports, Durban and Richards Bay. In addition, the province's location on South Africa's strategically important Eastern seaboard was highlighted to prospective investors. In essence, every effort was made to maximise our destination's position amidst shifting global forces and how they might portend for our province, country and, indeed, the continent. Importantly, the manufacturing sector has emerged as a critical pillar in KwaZulu-Natal's economic

growth aspirations, the consequence, largely, of its offering the single greatest economic and employment multipliers. Thus, we would contend, the development of linkages with the resources sector is - and remains - a crucial mechanism for our province to convert its comparative advantages into direct competitive advantages.

In addition to appreciably exceeding target with regard to the majority of its key deliverables, the organisation also realised tremendous success in facilitating processes across a range of areas in which it is infinitely more difficult to measure return on investment, a fact which is particularly heartening.

### APPRECIATION

The members of the Board provide an exceptional combination of both private sector business and Local Government expertise and knowledge, which bodes well for the future strategic direction of our organisation and in meeting its business objectives.

I can say with confidence that the members of our Board have the strength, collective spirit and necessary business acumen to now lead our organisation on a new growth trajectory, whilst re-affirming their commitment to the effective and timely implementation of our Provincial Government mandate and dedicating themselves to exceeding delivery expectations going forward.

It gives me pleasure to utilise this platform to officially welcome our new Chief Executive Officer, Mr Neville Matjie, to the organisation's helm. I have no doubt that he possesses both the capacity to build on the tremendous foundation already in place and the passion to take the organisation to ever greater business heights. We greatly look forward to the fresh impetus he is set to bring to the organisation, utilising his business acumen, extensive knowledge and understanding of the trade, investment and economic development environments to strengthening delivery against Trade & Investment KwaZulu-Natal's mandate.

I again look forward to working with all my Board colleagues in the year ahead as we strive together to take the organisation to an altogether new level. I have no doubt that their individual and collective contributions will prove highly beneficial in terms of both the deliberations of our Board and the strategic direction of the organisation.

**FINALLY AND ON BEHALF OF MY BOARD COLLEAGUES, I TAKE THIS OPPORTUNITY TO THANK MOST SINCERELY THE FORMER MEC FOR ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL**

**AFFAIRS, AND NOW PREMIER, THE HONOURABLE MR SIHLE ZIKALALA, FOR HIS SUPPORT OF AND GUIDANCE AFFORDED TO TRADE & INVESTMENT KWAZULU-NATAL.**

We furthermore extend a warm welcome to the newly-appointed MEC for Economic Development, Tourism and Environmental Affairs, Ms Nomusa Dube-Ncube. We congratulate her on her appointment and wish her success in this challenging portfolio. We have no doubt that she will steer the economy of KwaZulu-Natal to ever greater heights.

Sadly, the 2018/19 financial year saw the passing of our Board colleague, Mr Cedric Gina. He was a long-serving and key member of the Board, having served for seven years and having in the past also spent time and effort working as Chairperson of the Human Resource and Social Ethics Committee. Mr Gina was a great source of support and provided invaluable guidance to the organisation during his tenure. He was a natural leader and played a major role in the national landscape, having held the prestigious positions of President of the National Union of Metalworkers of South Africa (NUMSA) and as the General Secretary of the Liberated Metalworkers Union of South Africa (LIMUSA).

He was a valued member of our Board and was a man who brought with him a wealth of experience and was someone who was always ready to offer valuable contributions to our deliberations and those of the Committees of the Board. He will be sorely missed.

### CONCLUSION

Fostering an environment conducive to attracting and retaining foreign direct investment and export expansion is absolutely essential if we are to sustain efforts to boost economic growth and stimulate meaningful new employment opportunities in KwaZulu-Natal.

Within the broad trade and investment landscape, Trade & Investment KwaZulu-Natal is a critical catalyst to unlocking that growth. Now is the time to deliver.



**Ms Ina Cronjé**  
Board Chairperson  
Trade & Investment KwaZulu-Natal

# 03 CHIEF EXECUTIVE OFFICER'S REVIEW



**MR NEVILLE MATJIE**  
CHIEF EXECUTIVE OFFICER  
TRADE & INVESTMENT KWAZULU-NATAL

To revive the South African economy, His Excellency President Ramaphosa announced plans to attract \$100-billion in investments over a five-year period. The drive and target passed the halfway mark within six months of launching the investment initiative. The President established a special task team of envoys, who are tasked with travelling the world in search of investments.

Trade & Investment KwaZulu-Natal did not waste time in securing engagements with one such envoy, Ms Pumzile Langeni, who formed part of Premier Mr Sihle Zikalala's effort of playing our part in the attraction of investments. For this, the Honourable President acknowledged in the State of the Nation address, the investment booklet produced by Trade & Investment KwaZulu-Natal under the leadership of Premier Zikalala.

The province also participated at the Presidential Investment Summit in October, where local and foreign companies made pledges worth \$20 billion to the South African economy. The drive also attracted investments from China, United Arab Emirates, the United Kingdom and Saudi Arabia. Trade & Investment KwaZulu-Natal showcased a number of projects within the investment booklet, some of which such as Cato Ridge Logistics Hub, Finningley Estate and Tongaat Hulett's Tinley Manor, have moved exponentially towards commitment.

The provincial economic outlook is enjoying an upward, albeit slow, trajectory. The current unemployment rate in KwaZulu-Natal is still high at an estimated 22,3%, compared against the national average of 26,7%. The National Development Plan (NDP) has in place a target for the country to create 11 million jobs by 2030.

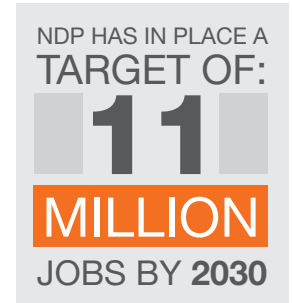
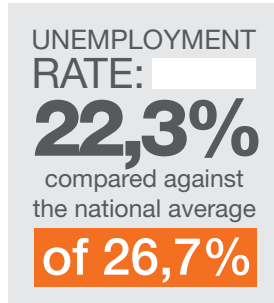
In this regard, KwaZulu-Natal has committed to creating 2,1 million of those jobs through its Provincial Growth and Development Plan (PGDP).

International trade plays an important role in ensuring that KwaZulu-Natal remains both a key contributor to South Africa's economy and an initiator of new employment opportunities.

Trade showed a positive average growth rate of 2,2% over the past 10 years. This moderate performance in trade over the 10-year period was enhanced by the retail trade and repairs of goods at 3,2%, sales and repairs of motor vehicles, sales of fuel at 2,2% and hotels and restaurants at 1,2%.

## REVIEW OF OPERATIONS

During the year under review, it is pleasing to report that Trade & Investment KwaZulu-Natal was successful in committing no fewer than eight new investment projects, collectively valued at an impressive R2,66 billion.



These investments are poised now to create in excess of 2 536 new employment opportunities within the eThekweni, Zululand, uMkhanyakude and Harry Gwala Districts of the Province.

Pleasingly too, we were in a position to provide direct assistance to as many as 111 KwaZulu-Natal-based companies in terms of enabling their access to new intra-trade opportunities, whilst a further 182 local enterprises were assisted with the securing of both provincial and national export incentives.

**“ IN SUPPORT OF BUSINESS EXPANSION INITIATIVES, TRADE & INVESTMENT KWAZULU-NATAL FACILITATED COMPANY EXPANSION PROJECTS COLLECTIVELY WORTH R1,135 BILLION, RESULTING IN THE AFFECTED BUSINESS ENTERPRISES BEING ABLE TO BRING ON-STREAM AN ADDITIONAL 3 037 NEW EMPLOYMENT OPPORTUNITIES. ”**

Regrettably, a few 2018/19 indicator targets were not met, the consequence, firstly, of continued human resource constraints within the organisation and, secondly, the result of capacity shortfalls pertaining to our Municipal partners, the latter being beyond the direct control of Trade & Investment KwaZulu-Natal. With regard to identified deficiencies emanating from within the organisation, I am pleased to report that corrective measures have been put in place.

In this regard, Trade & Investment KwaZulu-Natal has identified human resources development as a key strategic area and has developed and implemented retention strategies and programmes, enabling members

of staff to participate in local and international training programmes as a means of enhancing the organisational skills base and service delivery capabilities.

In addition, investment in the organisation's research and knowledge management capabilities is being increased, deemed necessary for the further improvement of Trade & Investment KwaZulu-Natal's performance and ability to identify additional opportunities for growth. There also exists a strategic plan to strengthen the role of trade development and policy advocacy.

Our organisation prides itself on ensuring that it has at its disposal accurate, updated information about local, national and global business trends; information we utilise to effectively and efficiently package for both internal and external stakeholder consumption.

In line with this, the 2018/19 financial year saw our development and packaging of no fewer than 18 sector analyses, fact sheets and value chain studies for dissemination to interested parties.

#### HIGHLIGHTS OF THE YEAR

The year under review threw up a host of business sector challenges, although many positives were also to be drawn from the period.

Highlights of the review period included:

- BRICS Business Council - During the year under review, we were privileged to have had the opportunity to host several strategic BRICS engagements in our province. Of significance was the 2018 BRICS Business Council Annual Meeting, which was hosted in Durban in July 2018.
- Launch of KwaZulu-Natal Investment Opportunities - We launched a KwaZulu-Natal Investment Opportunities handbook during the year, containing approximately \$19,1 billion worth of investment opportunities, which have the potential to create well in excess of 800 000 new construction jobs and a total of some 415 000 permanent new employment opportunities during the

# 03 CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

forthcoming five years. These opportunities are located across all identified priority sectors, inclusive of manufacturing, tourism and property development, agro-processing, renewable energy and health-care.

- British Airways' first direct flight from London - The launch of direct flights between London Heathrow and Durban proved a major milestone for KwaZulu-Natal. It is our firm belief that this new route will truly transform KwaZulu-Natal's tourism and investment landscape going forward. This single achievement reflects the province's commitment to ensuring that KwaZulu-Natal can enhance its status as a major trade gateway to Africa and beyond and a world-class investment destination for the international business community seeking global connectivity.
- Intern Partnership with the South African Council for Graduates Co-operatives - Employers, operating in ever more competitive environments, demand experience in the workplace. Graduates are therefore finding it increasingly difficult to gain a foothold in the workplace.

Internships are, thus, becoming extremely relevant in today's frenetic business environment.

There can be no doubt that internships afford participants the vital experience required to gain an understanding of the world of work and to give them the invaluable experience they need for their future in business.

It is already evident that internship candidates are infinitely more competitive in the employment market.

We have recognised this trend and openly acknowledge the importance of work experience for the development of our youth.

Accordingly, we - in conjunction with the South African Council for Graduates Co-operatives - have in place a comprehensive internship programme.

The year under review witnessed our recruitment of eight interns.

They were placed with mentors in our Business Units and were afforded exceptional exposure to the activities of each, so gaining the knowledge tertiary education cannot impart and so increasing their future employability.

We were honoured by the South African Council for Graduates Co-operatives as the "Employer of the year".

## APPRECIATION

I am most appreciative to the KwaZulu-Natal Provincial Government, represented by the Honourable Premier, Mr Sihle Zikalala, (former MEC for Economic Development, Tourism and Environmental Affairs), who has been most supportive of the role and activities of Trade & Investment KwaZulu-Natal during the past financial year.

We have long enjoyed a sound working relationship with Mr Zikalala, as well as staff of the Department of Economic Development, Tourism and Environmental Affairs; relationships which, in no small measure, have contributed to the successful achievement of our business objectives.

I would also take this opportunity to extend my grateful thanks to our Board of Directors, led so ably by Ms Ina Cronjé, our Chairperson. Ms Cronjé and the Trade & Investment KwaZulu-Natal Board members bring to our organisation a wealth of knowledge, expertise and experience in a range of relevant fields and it is this combination, coupled with their collective business acumen which enables us to maintain momentum in an operating environment fraught with challenges and to continue delivering meaningful trade and investment promotional results for our province.

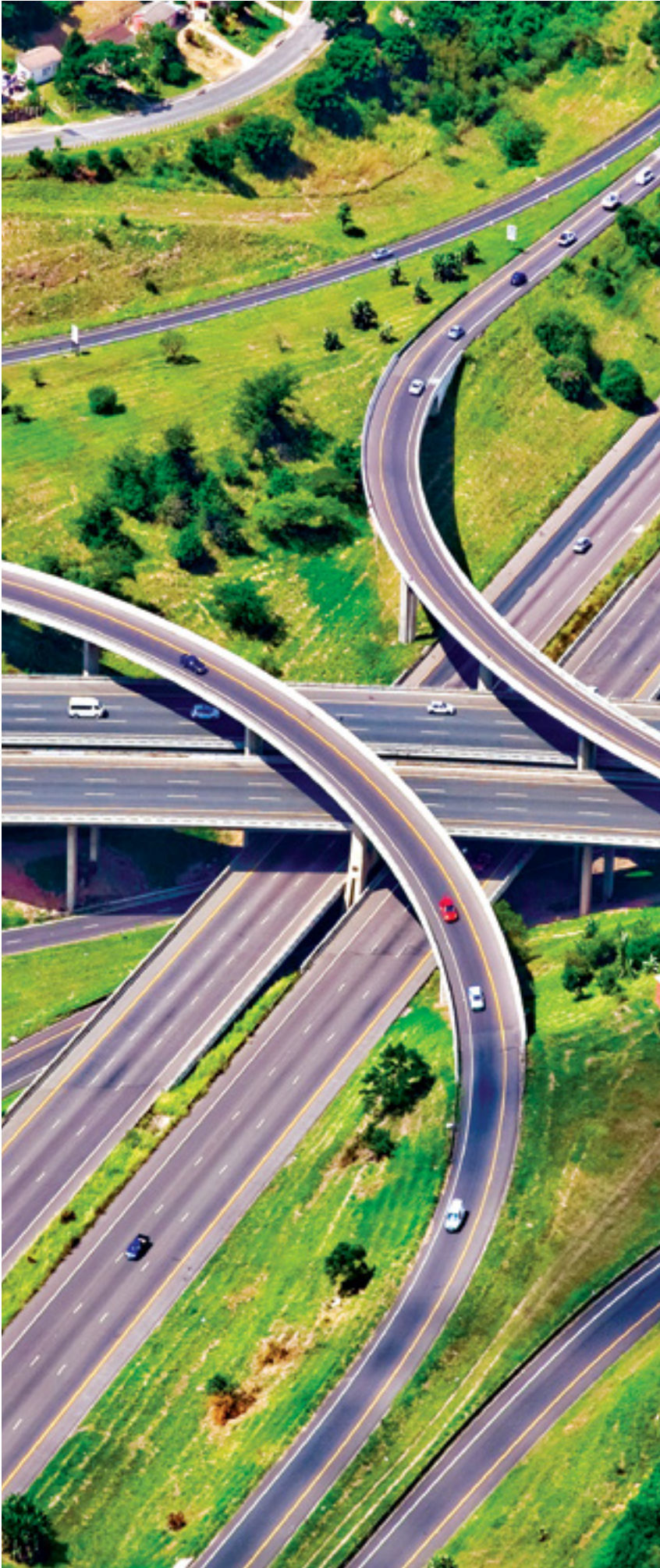
Finally, I would like to thank my Executive Management Team and each and every member of our staff for their sterling efforts during this year, which has been challenging and characterised by external uncertainties and internal capacity issues. In spite of such daunting constraints, 'team TIKZN' displayed true professionalism and dedication to the task at hand, ensuring another successful year in the history of Trade & Investment KwaZulu-Natal.

## CONCLUSION

Lastly, we look forward to the launch of the KwaZulu-Natal integrated investment and trade strategy which will assist the province as we begin a new chapter in South Africa's political history. Trade & Investment KwaZulu-Natal stands ready now to re-double its efforts in pursuit of local and international investment, the facilitation of ever-growing export opportunities for local enterprises and endeavours to ensure the retention and expansion of existing businesses here in KwaZulu-Natal.



.....  
**Mr Neville Matjie**  
 Chief Executive Officer  
 Trade & Investment KwaZulu-Natal



SUCCESSFUL  
PROMOTION  
OF BUSINESS  
INVESTMENT AND  
TRADE DEVELOPMENT



DURBAN

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

To the best of our knowledge and belief, we confirm the following:

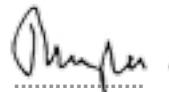
- All information and amounts disclosed in the Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General;
- The Annual Report is complete, accurate and free of any omissions;
- The Annual Report has been prepared in accordance with Annual Report guidelines, as issued by the National Treasury;
- The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to a Public Entity;
- The accounting authority is responsible for the

preparation of the Annual Financial Statements and for judgements made on this information;

- The accounting authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements;
- The external auditors are engaged to express an independent opinion on the Annual Financial Statements; and
- In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Public Entity for the financial year ended 31 March 2019.



.....  
**Mr Neville Matjie**  
Chief Executive Officer  
Date: 31 March 2019



.....  
**Ms Lingiwe Nyamande**  
Chief Financial Officer  
Date: 31 March 2019



# 05 STRATEGIC OVERVIEW

Operating in globally competitive markets, Trade & Investment KwaZulu-Natal is internationally acclaimed for positioning South Africa and KwaZulu-Natal as world-class investment destinations, while at the same time creating substantial and sustainable export opportunities for locally based industries.

Trade & Investment KwaZulu-Natal, the province's trade and inward investment agency is responsible for promoting KwaZulu-Natal as a leading investment destination and for the facilitation of trade by way of offering assistance to locally-based business enterprises regarding access to new international markets.

Trade & Investment KwaZulu-Natal is a Schedule 3C Public Entity, headed by Chief Executive Officer Mr Neville Matjie, who reports to the organisation's Board which, in turn, is appointed by the Provincial MEC for Economic Development, Tourism and Environmental Affairs.

Competition for Foreign Direct Investment is hugely intense and requires that Trade & Investment KwaZulu-Natal employ a team of specialists and professionals in the fields of investment promotion, strategy, research, project management, finance, marketing and human resources.

It is committed to developing in KwaZulu-Natal an operating environment conducive to business development and which has the ability to attract both local and international investors and traders by maximising the distinct competitive advantages this province enjoys and which give it the edge as a prime trade and investment destination in the international arena.

Strategically located on South Africa's East Coast, KwaZulu-Natal covers an area of in excess of some 94 000 square kilometres.

The warm waters of the Indian Ocean, world-class game reserves and rich history, biodiversity and major seaports, combine to make the province a

prime tourist destination and an important hub for industrial development... a crucial gateway to rapidly emerging sub-Saharan economies and markets.

KwaZulu-Natal delivers:

- Superb natural resources;
- Exceptional productive capacity;
- Highly developed first-world infrastructure;
- A valuable coastal location, featuring both South Africa's primary harbours - Durban, one of the busiest in Africa, and Richards Bay, the deepest break-bulk harbour in Africa;
- Dube TradePort Special Economic Zone, home to the King Shaka International Airport and the heart of South Africa's first purpose-built aerotropolis, or airport city; and
- An enviable lifestyle complemented by an idyllic climate.

KwaZulu-Natal provides for a wide range of economic activities, including capital-intensive manufacturing, transport, storage, communications, finance, business services, agriculture, forestry, fishing and accommodation sectors.

Against this background, Trade & Investment KwaZulu-Natal sets out to promote all the province's competitive advantages.

In so doing, it is able to leverage an ever-increasing share of the world's investment market.

Its ultimate goal is, therefore, to facilitate the establishment of both new local and foreign investment, to actively support the retention and expansion of existing businesses here and to provide professional after-care services to clients.

# 06 VISION, MISSION AND OBJECTIVES

## 6.1 VISION:

To be the leader in developing and promoting export trade in KwaZulu-Natal and to position the province as a premier destination for investment.

This will be undertaken on behalf of the Province of KwaZulu-Natal with a view to:

- Attracting new investments;
- Facilitating export opportunities; and
- Facilitating business retention and expansion programmes.

Ultimately, the success of Trade & Investment KwaZulu-Natal will assist in supporting sustainable growth in KwaZulu-Natal for the benefit of all its citizens.

## 6.2. MISSION:

The mission of Trade & Investment KwaZulu-Natal is to:

- Identify and package export trade and investment opportunities in KwaZulu-Natal;
- Brand and market KwaZulu-Natal as an investment destination;
- Link opportunities to the developmental needs of the KwaZulu-Natal community; and
- Ensure easy access to investment and export trade opportunities.

## 6.3. VALUES:

The values of Trade & Investment KwaZulu-Natal are to espouse:

- Professionalism;
- Integrity; and
- Passion.

## 6.4. OBJECTIVES:

In order to meet shareholder and stakeholder expectations, Trade & Investment KwaZulu-Natal sets out to deliver exceptional levels of professional services and support to clients and stakeholders by way of:

- Attracting, developing and retaining high-performing employees who have the skills and competencies required to manage key internal business processes, including the marketing of Trade & Investment KwaZulu-Natal as an investment promotion agency;
- Enhancing the research and knowledge capabilities of Trade & Investment KwaZulu-Natal and utilising technology as an enabler for the organisation's business;
- Ensuring compliance with corporate governance and financial reporting standards; and
- Advocating for a conducive business environment in KwaZulu-Natal and marketing the province as a premier business destination.

## 6.5. KEY SERVICES:

Trade & Investment KwaZulu-Natal undertakes a diverse range of key activities and, in addition, provides support services designed to ensure the successful promotion of business investment and trade development. Such activities and support services include:

- Joint venture facilitation;
- Business linkages between small and big businesses;
- The timely provision of relevant and reliable information to both potential and existing investors and traders;
- Assistance to both existing and new investors regarding applications for both investment and export marketing incentives;
- Applications for business permits for foreign investors;
- Negotiation for Local Government incentives on behalf of investors;
- The provision of project support and after-care services to investors;
- The provision of assistance to emerging international traders;
- International trade enquiry assistance;
- The location of suitable premises for investors; and
- Assistance in securing project and operational finance.

## 6.6. STRATEGIC PARTNERS:

We have, through strategic partnerships, aligned with a number of like-minded stakeholders in order to synergistically and consistently promote KwaZulu-Natal's attributes. Such partnerships have given effect to successful collaboration on projects, including inbound and outbound missions, events and promotional activities. Our strategic partners include:

- Public entities;
- Financial institutions;
- Tertiary educational and research institutions;
- Business, commerce and industry associations;
- The business chamber movement, at both provincial and national levels;
- Economic development agencies;
- Municipalities in KwaZulu-Natal;
- Other investment promotion agencies (national and international); and
- Provincial and National Government departments.

Trade & Investment KwaZulu-Natal has in place the professional expertise, experience and national and international networks required to maintain and expand KwaZulu-Natal's competitive advantages as a prime investment destination and leader in export trade.

# 07 LEGISLATIVE AND OTHER MANDATES

As a Schedule 3C Public Entity, Trade & Investment KwaZulu-Natal is required to comply with and adhere to the:

- Trade & Investment KwaZulu-Natal Act, Act No. 5 of 2010;
- Public Finance Management Act and Treasury Regulations;
- National Development Plan;
- Provincial and National priorities;
- Provincial Growth and Development Plan;
- Department of Economic Development, Tourism and Environmental Affairs Radical Economic Transformation Plan (including Operation Vula, Radical Agrarian Socio-Economic Transformation and the like);
- Policies and directives of the Department of Economic Development, Tourism and Environmental Affairs;
- Memoranda of Understanding signed with various countries around the world; and
- Bilateral and multi-lateral agreements signed by Department of International Relations and Co-Operation, Department of Trade & Industry and other National Government departments.

# 08 ORGANISATIONAL STRUCTURE

## BOARD OF DIRECTORS



**MS CM CRONJÉ**  
Chairperson



**MS LCZ CELE**  
Deputy Chairperson



**MR GW BELL**  
Member



**MR BD DLAMINI**  
Member



**MR CS GINA**  
Member  
(deceased 26/01/2019)



**MS U MAHARAJ**  
Member



**DR. VF MAHLATI**  
Member



**MR SK MPUNGOSE**  
Member



**MR S NAIDOO**  
Member



**MR MC NGCOBO**  
Member



**MR ZC NGIDI**  
Member



**MR K SHANDU**  
Member



**MS B MAPISA**  
Shareholder  
Representative



**MS F PUPUMA**  
Shareholder  
Representative



**MS NNC GUMBI**  
Company Secretary

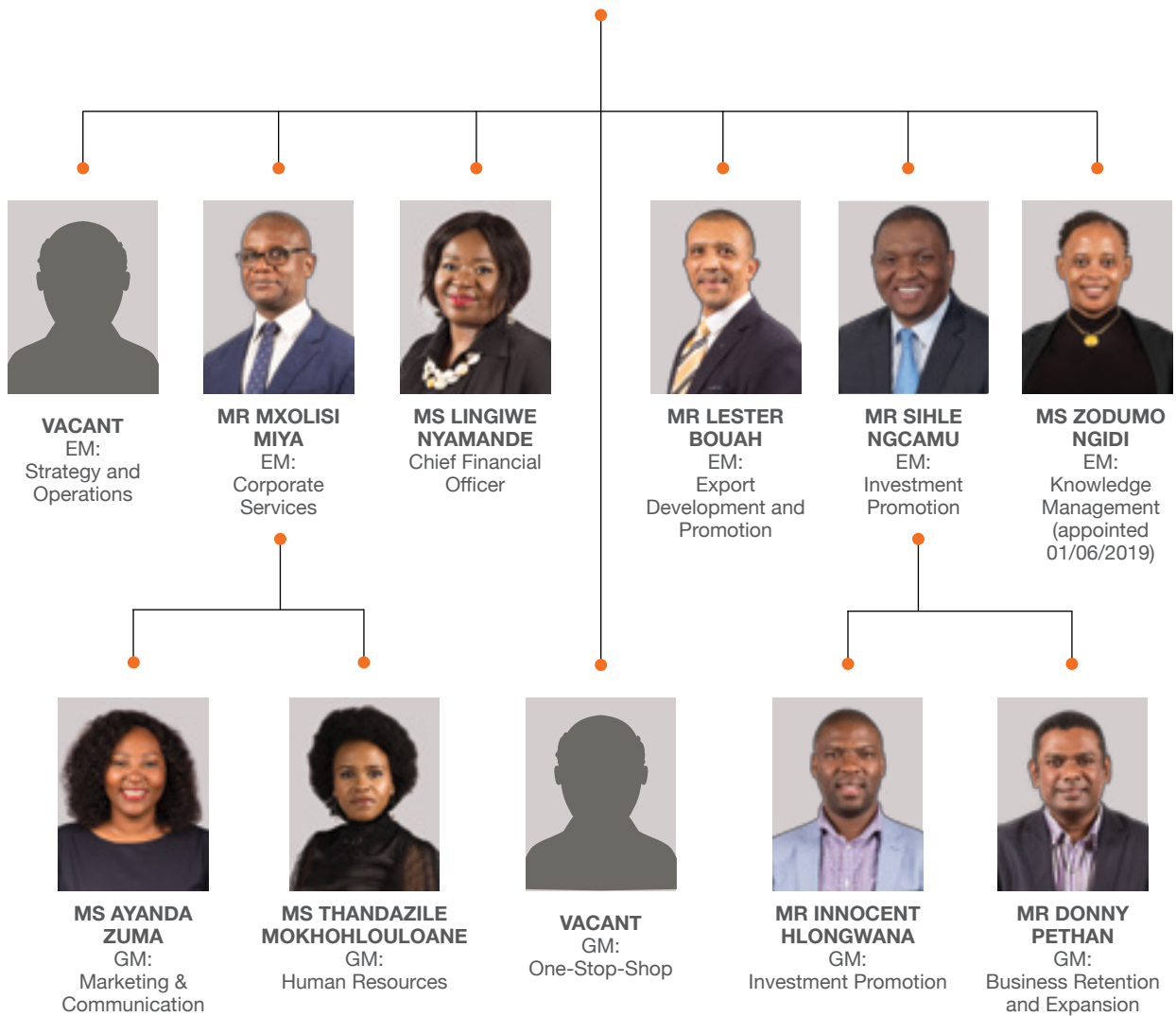
The Chief Executive Officer and Chief Financial Officer are Ex-Officio members of the Board

# 09 MANAGEMENT STRUCTURE

## MANAGEMENT TEAM



**MR NEVILLE MATJIE**  
Chief Executive Officer



**KEY:** EM = Executive Manager    GM = General Manager

BB

# PERFORMANCE INFORMATION

The environmental and organisational performance is contained in the following reports. The organisation's key strategic objectives are reviewed in its various programmes, with measurable indicators.

- 10** Overview of the Economic Environment
- 11** Overview of the Organisational Environment
- 12** Trade & Investment KwaZulu-Natal Programmes

# 10 OVERVIEW OF THE ECONOMIC ENVIRONMENT

## 10.1. Auditors Report

The Auditor-General of South Africa currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion.

The audit conclusion on the performance against pre-determined objectives is included in the report to management, with material findings being reported in the “Report on the annual performance report” section of the auditor’s report. Refer to the Auditor’s Report, published as Part E: Financial Information.

## 10.2. Situational Analysis

**GDP** - The estimate on Gross Domestic Product growth for last year remains at 0,7%, but the budget review reflects lower forecasts for 2019 (1,5% against 1,8% in February 2018) and 2020

(1,7% against 2,1%). Growth of 2,1% is forecast for 2021.

**Investment** - Investment fell by 0,3% year-on-year during the first three quarters of 2018, following a 0,7% expansion in the same period in 2017. Investment by private businesses and Government declined. As a percentage of GDP, investment has persistently declined, reaching a 13-year low of 17,7% in the third quarter of 2018. The combination of low growth in employment, investment and productivity continues to restrain economic growth.

**Inflation** - South Africa’s inflation remains higher than that of its trading partners. Headline inflation slowed from 5,3% in 2017 to 4,7% in 2018, as lower food and services inflation offset high petrol inflation in the second half of the year<sup>1</sup>.

### SOUTH AFRICAN AND KWAZULU-NATAL INDICATORS

Indicators	South Africa	KwaZulu-Natal
<b>Population</b>	57,73 million	11,4 million
<b>Economic Growth Rate</b>	0,80%	0,80%
<b>Unemployment Rate</b>	27,10%	23,20%
<b>Area of Land</b>	1,22 million sq. km	94 361 sq. km

KwaZulu-Natal ranks as South Africa’s second largest provincial economy, contributing almost one-fifth of the country’s GDP. Provincial economic growth has also consistently been recorded above national average rates, signalling its continued relevance and remarkable resilience.

Critically, KwaZulu-Natal is home to two of South

Africa’s largest and busiest seaports, being the Port of Durban and the Port of Richards Bay. The Port of Durban currently handles between 60% and 65% of all South Africa’s container traffic and almost 60% of all vehicle exports, whilst some 45% to 50% of the country’s bulk cargo goes through the Port of Richards Bay, which port is also home to the world’s largest stand-alone coal export facility<sup>2</sup>.

<sup>1</sup> <https://www.fin24.com/Budget/budget2019-tough-times-ahead-with-economic-outlook-worse-20190220>

<sup>2</sup> TIKZN APP (2019)



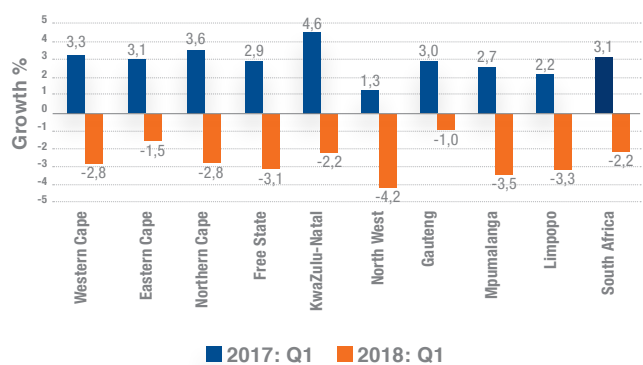
KwaZulu-Natal accounts for the following:



KwaZulu-Natal's imports and exports, between 2016 and 2018, are reflected in graphical format below.



Regional economic growth across South Africa between 2017 and 2018 is depicted in the graph below.



# 11 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT

THE DAY-TO-DAY BUSINESS ACTIVITIES OF TRADE & INVESTMENT KWAZULU-NATAL ARE MANAGED BY THE CHIEF EXECUTIVE OFFICER, WHO IS APPOINTED BY THE BOARD OF DIRECTORS. HE IS SUPPORTED IN THIS TASK BY A TEAM OF EXECUTIVE MANAGERS, WHO ARE CHARGED WITH RESPONSIBILITY FOR A NUMBER OF BUSINESS UNITS.

Each Business Unit comprises a professional team of staff members and they are responsible for the implementation of identified strategic indicators so as to ensure the successful achievement of Trade & Investment KwaZulu-Natal's strategic business objectives.

The implementation of the Trade & Investment KwaZulu-Natal strategy is focused on the generation of catalytic and high-impact investment opportunities, job creation, export promotion and marketing the destination. Trade & Investment KwaZulu-Natal has ensured its effectiveness through the implementation of various initiatives. Trade & Investment KwaZulu-Natal continuously reviews its strategy, identifying shortcomings and ensuring that required mitigation interventions are put into place to circumvent non-performance.

Trade & Investment KwaZulu-Natal's Business Units comprise the following:

- Finance (including Supply Chain Management);
- Corporate Services (incorporating both Human Resources and Marketing and Communication);
- Investment Promotion and Facilitation (including both Business Retention and Expansion and Destination Marketing);
- Export Development and Promotion;
- Knowledge Management (including Information Communications Technology); and
- The Office of the Chief Executive Officer (including Strategy and Operations, the One-Stop-Shop Investment Centre and Advocacy, and the Gauteng Office).

During the 2018/19 financial year, Trade & Investment KwaZulu-Natal's budget, approved by the Department of Economic Development, Tourism and Environmental Affairs for the medium-term expenditure framework, totalled R90,44 million. Such funding is managed and expended in

line with the Public Finance Management Act and Treasury Regulations.

Having undertaken its strategic planning session for the period 2014-19, the Board has ensured that Trade & Investment KwaZulu-Natal's vision, mission and strategic objectives are fully aligned with the five-year plan.

## 11.1. KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

There have been no policy changes to the entity's mandate.

## 11.2. STRATEGIC OUTCOME-ORIENTATED GOALS

Trade & Investment KwaZulu-Natal's strategic performance objectives, endorsed by the Board, include:

- Improving market visibility and increasing brand awareness of Trade & Investment KwaZulu-Natal's services, locally and internationally;
- Complying with national and provincial Treasury regulatory reporting standards;
- Improving human capability, so creating an effective and efficient organisation;
- Improving organisational effectiveness and efficiency through the use of information, communication and technology;
- Promoting and facilitating new fixed investments in KwaZulu-Natal;
- Developing and promoting exports from KwaZulu-Natal;
- Ensuring a conducive business environment in KwaZulu-Natal and ensuring organisational strategic performance compliance;
- Utilising international best practice in order to become a central point of contact to advocate and communicate regulatory guidelines to investors;
- Enhancing the entity's research and knowledge capabilities, so as to effectively disseminate comprehensive business intelligence to stakeholders; and
- Facilitating both trade and investment opportunities in KwaZulu-Natal, through the organisation's Gauteng Office.

## 11.3. PERFORMANCE INFORMATION BY PROGRAMME

Trade & Investment KwaZulu-Natal's key strategic objectives are entrenched in four programmes, with

measurable indicators, as follows:

- Corporate Services;
- Investment Promotion and Facilitation;
- Export Development and Promotion; and
- Strategy and Operations, Knowledge Management, One-Stop-Shop and Advocacy, and the Gauteng Office.

The achievements attained regarding the above-detailed strategic outcome-orientated goals are summarised in the following tables.

## PROGRAMME INDICATORS:

### 1. MARKETING AND COMMUNICATIONS

TO IMPROVE MARKET VISIBILITY AND INCREASE BRAND AWARENESS OF TRADE & INVESTMENT KWAZULU-NATAL'S SERVICES LOCALLY AND INTERNATIONALLY					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of public relations programmes implemented to enhance the TIKZN brand	28	25	34	9	During the review period, TIKZN hosted additional events, attracting great interest from the media. The relationship between the entity and media is one in which the entity has taken a keen interest so as to maximise media exposure. This resulted in the entity exceeding the indicator target
Number of advertising campaigns implemented to promote TIKZN services	17	10	18	8	In 2018/19 we placed advertising for road-shows, as requested by our partners. The social media campaign also showed an increase in frequency due to the number of events, the profiling of the destination and the exposure of a number of success stories
Number of activities from the stakeholder engagement plan implemented	New	7	14	7	TIKZN championed a number of events, such as a women-focused event and also revived the investment conference
Conduct a brand awareness and perception survey	1	0	0	0	The next survey will be undertaken in the 2019/20 financial year

# 11 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## 2. FINANCE

TO COMPLY WITH NATIONAL AND PROVINCIAL TREASURY REGULATORY REPORTING STANDARDS					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Clean audit achieved	Unqualified opinion	Clean audit	Unqualified opinion	Entity obtained an unqualified opinion	The entity achieved an unqualified opinion with one matter which related to the renewal of the Gauteng Office Lease which was treated as a single source without approval of Provincial Treasury as the value of the renewal exceeded R500 000
Percentage of procurement spend on BEE companies with 51% or more ownership by Black/African people	New	50%	41,94%	-8,06%	The organisation has developed a transformation plan which will assist in the achievement of the target. Procurement will be aggregated to ensure the exclusion of international subscriptions which were included in the assessment as such skewed the B-BBEE audit thus resulting in the non-achievement of the target
Percentage of internal audit findings resolved prior to Auditor-General's audit	100%	95%	96%	1%	The organisation continues to ensure that audit queries and risks are resolved and mitigated
Percentage of risks identified and properly mitigated or resolved (As identified through the risk management process and documented in the risk register)	95%	95%	100%	5%	The organisation continues to ensure that audit queries and risks are resolved and mitigated
Improve TIKZN'S B-BBEE rating level	Level 8 (Non-compliant)	Level 1	Level 8	Level 8	The organisation has developed a transformation plan which will be implemented to improve this score
Number of expenditure reports submitted to EDTEA by the prescribed deadline	New	12	1	-11	All the expenditure reports were submitted, however a few days post the dates required as a result of changes in the templates and movement of staff
Percentage of invoices from SMMEs, QSEs and AMEs paid within 30-days	New	90%	97,63%	7,63%	The organisation endeavours to ensure that companies are paid within 30 days
Percentage of actual budget versus expenditure to be not less than or more than 5%	New	+/- 5%	100%	Target achieved	The organisation achieved the annual target

### 3. HUMAN RESOURCES

TO IMPROVE HUMAN CAPITAL CAPABILITY TO CREATE AN EFFECTIVE AND EFFICIENT ORGANISATION					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Percentage of TIKZN's Workplace Skills Plan implemented	New	95%	95%	Target achieved	The organisation achieved the annual target
Number of learnership and internship programmes facilitated	New	10	10	Target achieved	The organisation achieved the annual target
Number of sessions hosted by change management facilitators	9	14	2	-12	The initiative experienced challenges during the year, due to limited capacity
Number of employee wellness programmes implemented	10	12	12	Target achieved	The organisation achieved the annual target
Percentage of performance reviews and appraisals completed annually	New	100%	100%	Target achieved	The organisation achieved the annual target

### 4. INFORMATION AND COMMUNICATION TECHNOLOGY

TO IMPROVE ORGANISATIONAL EFFECTIVENESS AND EFFICIENCY THROUGH THE UTILISATION OF INFORMATION, COMMUNICATION AND TECHNOLOGY					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of successfully implemented ICT business improvement initiatives	4	4	2	-2	The SAP upgrade and the back-up and Disaster Recovery Solution were both delayed during the procurement process. Service providers have been appointed
Number of projects implemented to enhance the organisation's digital presence	5	4	3	-1	The TIKZN mobile App for the website was completed but could not be launched due to technical challenges. This will be finalised during the first quarter of the new financial year
Enhanced ICT Operational Efficiencies: Percentage of IT systems uptime and availability Percentage of IT help-desk turn-around time	99,9%	98%	99,9%	1,9%	The organisation exceeded the annual target due to improved turn-around time for the help-desk
Monitoring, analysis and evaluation of ICT digital implemented initiatives	New	98%	98%	Target achieved	The organisation achieved the annual target

# 11 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## 5. INVESTMENT PROMOTION AND FACILITATION PROGRAMME

TO PROMOTE AND FACILITATE NEW FIXED INVESTMENTS IN THE KWAZULU-NATAL PROVINCE					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Rand value of new investment projects committed	R2,18 billion	R2,0 billion	R2,66 billion	R660 million	An additional R228 million was achieved through a high-value project of R1,3 billion regarding property development, including an uMhlanga Ridgeside development
Number of potential jobs created from new projects	3 650	2 750	2 549	-201	Medium-scale projects committed did not yield high employment levels
Number of projects added to the investment pipeline	74	80	71	-9	The high vacancy rate in the Investment Promotion Unit, coupled with limited outward missions, impacted negatively on this deliverable
Number of investment attraction missions facilitated (inward and outward)	22	30	32	2	Certain planned outward missions were not undertaken due to a delayed approval process
Number of investment projects facilitated for Black youth and women-owned businesses	New	5	10	5	Target was exceeded due to the drive aimed at developing projects for the youth

## 6. BUSINESS RETENTION AND EXPANSION

TO RETAIN AND EXPAND BUSINESSES IN THE KWAZULU-NATAL PROVINCE					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Rand value of company expansion projects committed	R1,26 billion	R900 million	R1,155 billion	R255 million	Continued business support and strategic interventions provided for KwaZulu-Natal companies resulted in this target being exceeded
Number of jobs created/retained from company expansion/retention projects facilitated	2 264	2 200	3 148	948	Support provided for business expansions resulted in additional jobs being created in, especially, the services and manufacturing sectors
Number of technical business support programmes implemented to improve business competitiveness and efficiency	New	12	19	7	The organisation received increased requests for technical support; work permits, grant funding applications, and technical assistance fund. Such support was successfully provided resulting in the target being exceeded
Number of distressed companies supported through business retention interventions	New	10	15	5	Good support from stakeholder partners for the business retention intervention programmes resulted in the target being exceeded

## 7. DESTINATION MARKETING

TO MARKET AND POSITION THE KWAZULU-NATAL PROVINCE IN KEY MARKETS					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of international destination marketing activities implemented (Investment Promotion and Exports)	9	10	10	0	The organisation achieved the annual target
Number of inward missions co-ordinated	18	20	21	1	Affirmative engagement with FERs and other international stakeholders and companies contributed to the target being exceeded
Number of qualified leads generated by Destination Marketing activities	16	15	11	-4	Limited outward missions undertaken and a decline of inward missions hosted, impacted negatively on this deliverable
Number of annual investment conferences hosted with the participation of international stakeholders	2	1	2	1	The organisation exceeded the annual target by one due to the BRICS Business Summit taking place in Durban

## 8. EXPORT DEVELOPMENT AND PROMOTION PROGRAMME

TO DEVELOP AND PROMOTE EXPORTS FROM THE KWAZULU-NATAL PROVINCE					
PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of export and intra-trade business opportunities secured for KwaZulu-Natal export companies	114	72	111	39	The KZN Export Week 2018 and local exhibitions in Cape Town and Gauteng in 2018 gave rise to additional opportunities for KwaZulu-Natal exporters
Number of KwaZulu-Natal exporters that have showcased products at trade events	143	90	143	53	The KZN Export Week 2018 and local exhibitions in Cape Town and Gauteng in 2018 gave rise to KwaZulu-Natal exporters being exposed to trade events
Number of KwaZulu-Natal companies assisted with provincial and national export incentives (SSAS, EMIA, BEEFA, TAF, etc.)	169	130	182	52	Access to incentives for international mentorship, as well as opportunities for emerging exporters gave rise to the Unit exceeding target
Number of KwaZulu-Natal export companies that have participated in TIKZN co-ordinated export training programmes	New	100	145	45	In partnership with the dti and the US Trade and Investment Hub, additional capacity-building sessions were offered to KwaZulu-Natal exporters (emerging and existing)
Number of Black youth and women-owned businesses that participate in trade events	New	10	12	2	An additional two companies participated in TIKZN's trade events

# 11 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## 9. OFFICE OF THE CHIEF EXECUTIVE OFFICER

TO ENSURE A CONDUCTIVE BUSINESS ENVIRONMENT IN THE KWAZULU-NATAL PROVINCE AND ORGANISATIONAL STRATEGIC COMPLIANCE

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of strategic plans and annual performance plans approved	2018/19 Strategy & APP	2019/20 Strategic Plan and APP	2019/20 Strategic Plan and APP	Target achieved	The organisation achieved the annual target
Number of quarterly Monitoring Reports generated	4	4	4	Target achieved	The organisation achieved the annual target
Number of quarterly Evaluation Reports produced	4	4	4	Target achieved	The organisation achieved the annual target
Number of approved, audited Annual Reports produced	1	2017/18 Annual Report	2017/18 Annual Report	Target achieved	The organisation achieved the annual target

## 10. ONE-STOP-SHOP INVESTMENT CENTRE AND ADVOCACY

THROUGH INTERNATIONAL BEST PRACTICE, TO BECOME A CENTRAL POINT OF CONTACT, ADVOCATE AND COMMUNICATOR OF REGULATORY GUIDELINES TO INVESTORS

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of development programmes implemented in partnership with SALGA/COGTA	10	9	5	-4	Due to the staff vacancy and employment freeze, this indicator was not achieved
Number of projects/companies assisted with regulatory compliance	11	12	14	2	A number of new projects were introduced to assist companies with regulatory compliance
Number of policy guidelines sessions hosted	7	6	6	Target achieved	The organisation achieved the annual target

## 11. KNOWLEDGE MANAGEMENT

TO ENHANCE TRADE & INVESTMENT KWAZULU-NATAL'S RESEARCH AND KNOWLEDGE CAPABILITIES TO EFFECTIVELY DISSEMINATE COMPREHENSIVE BUSINESS INTELLIGENCE TO STAKEHOLDERS

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of sector reports and fact sheets to key stakeholders within the economic development environment	21	12	18	6	Additional sector reports and updates on facts received from the Investment Promotion Unit and External Stakeholders led to the target being exceeded
Number of export-related research reports developed and disseminated	17	12	16	4	This emanates from additional requests received from the Export Unit



**TO ENHANCE TRADE & INVESTMENT KWAZULU-NATAL'S RESEARCH AND KNOWLEDGE CAPABILITIES TO EFFECTIVELY DISSEMINATE COMPREHENSIVE BUSINESS INTELLIGENCE TO STAKEHOLDERS**

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of concept documents developed that look at new investment trends, opportunities and catalytic projects	10	12	15	3	The Beef Sector has contributed to the additional projects, as there seems to be a drive to make it more accessible to Black entrants
Number of dialogue forums hosted to present research on sectoral and topical issues in collaboration with strategic partners	9	6	16	10	In collaboration with strategic partners and internal Units, an increased number of sessions was rolled-out. These were often upon request
Number of macro-economic reports developed, disseminated and sessions hosted, including trade and investment trend analyses, statistics and sector overviews to strategic Government Departments (e.g. OTP and EDTEA)	12	12	10	-2	This target was not met as a result of capacity constraints within the Unit.

## 12. GAUTENG OFFICE

**TO FACILITATE TRADE AND INVESTMENT OPPORTUNITIES IN THE KWAZULU-NATAL PROVINCE THROUGH THE GAUTENG OFFICE**

PERFORMANCE INDICATOR	ACTUAL ACHIEVEMENT 2017/18	PLANNED TARGET 2018/19	ACTUAL ACHIEVEMENT 2018/19	VARIANCE FROM TARGET 2018/19	COMMENT ON DEVIATIONS
Number of qualified trade and investment leads generated and handed over from Gauteng	61	50	54	4	Several leads generated from matchmaking and networking events attended and enquiries gained through Chambers of Commerce and Embassy Trade Offices resulted in target being exceeded
Number of international organisation/foreign investor sessions hosted	16	25	29	4	Several incoming delegations and events hosted
Number of inward investment and buying missions recruited for KwaZulu-Natal	14	12	15	3	Inward sector-specific delegations visiting KwaZulu-Natal
Number of business development initiatives undertaken in strategic foreign markets	9	10	8	-2	Indicator not met due to protracted approval process for business visits
Number of sector-specific business linkage sessions hosted for KwaZulu-Natal companies	14	12	18	6	Several multi-sectoral events were undertaken in conjunction with partners from public and private organisations

# 12 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES

## TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES

Trade & Investment KwaZulu-Natal's activities are executed through a number of programmes, inclusive of:

<b>PROGRAMMES</b>
<b>Programme 1: Marketing and Communications</b>
<b>Programme 2: Investment Promotion and Facilitation</b>
<b>Programme 3: Business Retention and Expansion</b>
<b>Programme 4: Export Development and Promotion</b>
<b>Programme 5: Knowledge Management</b>
<b>Programme 6: Gauteng Office</b>

# 12 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES

## 12.1. MARKETING AND COMMUNICATIONS

### 12.1.1. INTRODUCTION:

Trade & Investment KwaZulu-Natal's Marketing and Communications Business Unit works towards meeting all marketing needs, inclusive of, but not restricted to, the corporate brand, public relations, event management, stakeholder engagements and general marketing. The unit actively supports platforms for the branding and positioning of Trade & Investment KwaZulu-Natal both domestically and internationally.

The purpose of this programme is to conduct marketing and communication for the organisation's business Units and KwaZulu-Natal in terms of positioning the agency and the destination, to improve the position of the destination with shareholders, citizens, domestic and international businesses. The unit seeks to manage the reputation of the agency and destination through media opportunities.

The 2018/19 financial year saw increasingly positive and negative feedback on the 'economic' status of KwaZulu-Natal. This was done through four key mechanisms. The first, to generate earned media coverage through media releases and strategic media engagements. The second, to organise business engagements around important topics that facilitate 'B2B' relationship-building. The third, to sponsor key industry events that help inspire confidence in our economy. Lastly, to amplify the work we do on social media.

The unit also generated engagements that included interaction with the media, with the objective of obtaining media coverage. The organisation assisted in planning engagements, such as conferences, direct one-on-one interviews and strategic business events. As part of this effort, we also interacted with international media.

As part of our business-to-business engagements, we organised corporate events. Topics ranged from Women Business Dialogue and Export Week.

### 12.1.2. KEY HIGHLIGHTS: STAKEHOLDER PARTICIPATION:

In line with Trade & Investment KwaZulu-Natal's stakeholder engagement management plan, the Marketing and Communications Business Unit generated plans designed to achieve effective engagement with key strategic partners. In this regard, the 2018/19 financial year saw the Unit engage local and district municipalities through its Local and District Municipality Visitation Programme in preparation for its annual road-show campaign

and in an effort to improve relationships with such Municipalities. The full road-shows campaign was executed within the iLembe, King Cetshwayo and Harry Gwala Municipal areas.

### KWAZULU-NATAL INVESTMENT SEMINAR:

Trade & Investment KwaZulu-Natal hosted a Provincial Investment Seminar on behalf of the MEC for Economic Development, Tourism and Environmental Affairs. This event, amongst other objectives, was one the MEC had earmarked as a platform for the launch of a consolidated Investment Opportunities booklet and formed part of the National Investment Opportunities book launch at the Presidential National Investment Conference. The Investment Opportunities booklet was presented to Presidential Special Envoys on Investment with the aim of ensuring that envoys familiarise themselves with available KwaZulu-Natal investment opportunities and that said opportunities remain top-of-mind when envoys go about the business of executing their mandate.

**OUTCOME:** The Investment Opportunities booklet, handed to Presidential Envoy, Ms Langeni, has become the benchmark of investment packaging in South Africa. This was also acknowledged by President Ramaphosa during the State of the Nation address. Some of the projects showcased have advanced exponentially with an increase in interest noted. These projects are Cato Ridge Logistics Hub, Tinley Manor Developments and Fingingly Estate Development.

### SOUTH AFRICAN INVESTMENT CONFERENCE:

The 2018/19 fiscal year saw South Africa entering a new dawn. One of the main activities during this time was a Presidential Investment Drive to improve confidence in the country's economy and assist in spurring sustainable and inclusive growth. The Investment Conference was part of a long-term action plan to grow the South African economy. Trade & Investment KwaZulu-Natal was the lead agency and was responsible for co-ordinating the province's participation at the conference. This included co-ordinating an exhibition stand and business representation at the conference.

**OUTCOME:** The organisation led a business delegation of investors to the investment conference. Of the 46 investment commitments mentioned by the President, 15 are investment commitments we had packaged, as the Province of KwaZulu-Natal. The net effect of these investment commitments will see R25,5 billion out of R110 billion destined for the Province. KwaZulu-Natal investors also committed investments in the province within the next five years. Among these,

# 12 TRADE & INVESTMENT KWAZULU-NATAL PROGRAMMES CONTINUED

SAPPI committed R7,7 billion, TOYOTA (as part of NAMSA automotive industry collective) committed R40 billion, Sumitomo Rubber R1 billion, and Mondi R8 billion.

## **WOMEN IN BUSINESS DIALOGUE, 30 AUGUST:**

Trade & Investment KwaZulu-Natal works to align itself to national special celebrations. The first of these, with an alignment to Women's month, was South Africa's celebration of the centenary of Ma Sisulu, which saw Trade & Investment KwaZulu-Natal launch its inaugural 'Women in Business Dialogue' event. The now annual event aims to encourage KwaZulu-Natal's women to become active participants in the broader South African economy. It is envisaged that this will become one of the entity's flagship events.

**OUTCOME:** Key projects supported by the organisation for women-owned businesses were showcased. The platform was designed to showcase our services bouquet and the nature of support the organisation gives to businesses. A number of leads have been developed post-event, including a women-owned project looking at mineral beneficiation in partnership with Chinese investors.

## **REGIONAL MARKETING AND PUBLIC RELATIONS - CONNECTING AFRICA:**

The role of Public-Private Partnerships is to create an integral platform for the promotion and marketing of the province as an investment destination. During the year under review, Trade & Investment KwaZulu-Natal worked in partnership with Tourism KwaZulu-Natal and East Coast Radio, collaborating on a campaign known as 'Connecting Africa.' The campaign was aimed at promoting the province as a leading tourism, trade and investment destination in Zimbabwe, Botswana, Namibia and Ghana. The platform successfully expanded trade relations within the participating countries.

**OUTCOME:** Through this platform, we were able to showcase the participation of KwaZulu-Natal companies in exhibitions in Ghana and Egypt. This assisted with the one-on-one meetings, which were pre-arranged for companies.

## **EAST COAST RADIO/GORDON INSTITUTE OF BUSINESS PARTNERSHIP:**

The organisation's ongoing partnership with East Coast Radio continued providing a valuable marketing platform. In particular, Trade & Investment KwaZulu-Natal's sponsorship of the Gordon Institute of Business' Annual Breakfast has given effect to a widely-known and highly respected stakeholder session, enabling the organisation to

access a wide audience, increasing the prospects for extensive communication with the market.

**OUTCOME:** The marketing of Trade & Investment KwaZulu-Natal services to potential clients that may be interested in establishing businesses in KwaZulu-Natal.

## **ADVERTISING:**

During the year under review, the organisation embarked on a strategically-planned and concerted traditional and social media campaign. For the first time, Trade & Investment KwaZulu-Natal utilised outdoor media at Durban's King Shaka International Airport.

### **12.1.3. MEDIA PERCEPTION AUDIT:**

With the amount of effort invested in public relations, it was deemed imperative that the organisation implement a media perception survey. This snapshot survey was intended to provide an overview of how Trade & Investment KwaZulu-Natal is perceived by the regional and national media based in KwaZulu-Natal. It is intended that such a survey provide valuable insights with regard to, inter-alia:

- How accessible the organisation is;
- The frequency of communication;
- Response times to queries;
- Platforms used to communicate information (workshops, road-shows, conferences and exhibitions, and the like);
- What the organisation is doing well; and
- Where inefficiencies need to be improved.

**OUTCOME:** The recommendation was that the organisation needed to streamline our messages in order to clearly define the services offered. The survey found that brand visibility is good and that the media is aware of the brand. Going forward, we will host and develop closer media engagements in order to maximise public relations.

## **PARTNERSHIP WITH GAGASI FM:**

A partnership between Trade & Investment KwaZulu-Natal and Gagasi FM saw the station marketing the organisation through various radio platforms during the financial year under review. The period resulted in six interviews being staged, covering a wide variety of key issues and profiling the entity's organisational services.

### **12.1.4. INTERNATIONAL PLATFORMS:**

During the review period, the Marketing and Communications Unit was exposed to two international platforms. These platforms included the Annual Investment Meeting (AIM), hosted in Dubai, and the World Forum for FDI, hosted in

Liverpool. This constituted the first exposure by the organisation, or the province, on such platforms. Trade & Investment KwaZulu-Natal played a leading role in co-ordinating the province's participation through available platforms.

### 12.1.5. CSI PROJECT - DENDETHU PRIMARY SCHOOL:

As part of a community development initiative, Trade & Investment KwaZulu-Natal donated 18 desktop computers to a rural school in Dendethu, Mandeni, on the province's north coast. The donation will do much towards improving computer literacy amongst learners at Dendethu Primary School. The gesture is an indication of Trade & Investment KwaZulu-Natal's commitment to community development, upliftment and empowerment.

## 12.2. INVESTMENT PROMOTION AND FACILITATION

### INTRODUCTION:

The organisation's Investment Promotion Business Unit is responsible for delivering against three sub-programmes, being:

- **INVESTMENT FACILITATION** - Assuming responsibility for both domestic and foreign investment attraction and facilitation into KwaZulu-Natal;
- **DESTINATION MARKETING** - Undertaking the active promotion of KwaZulu-Natal as a premier investment destination; and
- **BUSINESS RETENTION AND EXPANSION** - Providing support and facilitation services with regard to the retention and expansion of businesses throughout the province.

### INVESTMENT FACILITATION:

The South African economy declined by 2,6% in the first quarter of 2018 and by a further restated 0,4% in the second quarter. Growth rebounded in the third quarter to 2,2%, as the country exited a technical recession. The national economy grew by 1,4% in the fourth quarter of 2018, resulting in annual real Gross Domestic Product increasing by 0,8% in 2018.

In 2018, mining production plunged by 1,6% compared against 2017, while manufacturing grew by 1,2% and retail trade sales saw a boost of 2,1%. Growth sectors included agriculture and financial services, which have pulled growth down in previous years. KwaZulu-Natal's economic growth and sector performance emulated, in many ways, the national economic performance. In leading the investment drive and igniting economic activity, President Cyril Ramaphosa appointed Investment Special Envoys, who were tasked with encouraging

investors to participate in the South African economy through Greenfield and Brownfield projects, supporting the President's \$100 billion in foreign investment target during the next five years.

In October 2018, President Ramaphosa led a South African Government programme, hosting an investment conference aimed at showcasing compelling investment opportunities available in the country, and which formed part of Government-based interventions geared to boosting economic growth, restoring investor confidence and creating new employment opportunities. Convened under the theme 'Accelerating Economic Growth by Building Partnerships', major local and international corporates pledged some R290 billion towards investment in South Africa in a range of sectors, such as mining, forestry, manufacturing, telecommunications, transport, energy, agro-processing, consumer goods, pharmaceuticals, infrastructure, financial services, energy and ICT.

Of this amount, some R10 billion in investment commitment was pledged for use in KwaZulu-Natal. Within Trade & Investment KwaZulu-Natal's operating environment, a regrettable sharp decline in inbound missions was noted, with the majority of committed projects being as a consequence of domestic investments.

Nevertheless, a total of eight investment projects, collectively valued at R2,66 billion, were committed during the 2018/19 financial year. These investment projects cut across a number of economic sectors, inclusive of agriculture, health-care, manufacturing, property and tourism and are set to bring on-stream a combined total of 2 536 new employment opportunities.

During the course of the 2017/18 financial year, Trade & Investment KwaZulu-Natal signed a Memorandum of Understanding with the National Department of Tourism, which agreement resulted in the appointment of Trade & Investment KwaZulu-Natal as an implementing agent of community-driven tourism projects to the value of R43 million.

- Lilani Hot Springs, located in the Umvoti Local Municipality area;
- The Umhlabuyalingana Hospitality Skills and Tourism Development Programme, in Mbazwana; and
- Bhanga Nek Community Lodge, in the Kosi Bay area.

The implementation of these projects progressed well during the 2018/19 financial year with community governance structures being formalised and consulting engineers, as principal implementing agents, being appointed.

# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## R2,28 BILLION



The following table details the eight committed investment projects in the 2018/19 financial year.

NO.	PROJECT NAME	PROJECT DESCRIPTION	LOCATION	RAND VALUE	POTENTIAL JOBS
1.	uMhlanga Ridgeside	Property Development	uMhlanga, eThekwini	R1,3 billion	1 100
2.	Celestial Holdings	Mixed-used Development	Umlazi, eThekwini	R41 million	33
3.	Virginia Wilfred PVT Hospital	Private Hospital	Harry Gwala	R262 million	180
4.	Afro Zonke	Chemical Production	Westmead, Pinetown	R60 million	40
5.	Jozini Mixed-use property development	Jozini Service Station	Jozini	R23 million	33
6.	Encogenix	Tyre Recycling Project	Newcastle	R60 million	50
7.	Insa Group	Cookware Manufacturing Facility	Shakas Kraal, KwaDukuza	R191 million	600
8.	King Cetshwayo Private Hospital	Private Hospital	Ulundi	R350 million	500
<b>TOTAL</b>				<b>R 2,28 billion</b>	<b>2 536</b>

### TECHNICAL ASSISTANCE FUND:

This fund is available to assist project promoters in KwaZulu-Natal to package investment projects appropriately, and thus enable qualification for funding by major financial institutions. The primary objectives behind the fund include:

- Assisting project promoters in identified selected priority areas with the development of bankable business plans;
- Assisting with preparing project feasibility studies in support of investment proposals to be submitted to financial institutions; and
- Addressing a range of technical needs and challenges related to the packaging or preparation of projects for both financing and implementation purposes. Included are technical viability assessments, financial analyses, market analyses, environmental impact assessments and business plan enhancements.

During the review period three projects were approved as follows:

- Goodlife Foods Pty Ltd, to conduct marketing strategy and brand development;
- African Lime - Feasibility studies for a mining licence; and
- Ubuhle Towels - Manufacturing of cotton towels in the Isithebe industrial area.

Such interventions have assisted in unlocking projects collectively valued at R5,7 billion and leading to the generation of some 3 200 new employment opportunities in the province.

Such support has led to the establishment of projects which have gone on to make positive impacts on overcoming development challenges in various economic sectors, including those of property development, agro-processing, electronics and business process outsourcing.

Strategically speaking, projects assisted by the Technical Assistance Fund have contributed appreciably towards import replacement, beneficiation, localisation, rural development and export trade.

#### **INVESTMENT OPPORTUNITIES BOOKLET AND VALUE OF PROJECTS BOOKLET:**

In preparation for the Presidential Investment Conference, Trade & Investment KwaZulu-Natal launched an Investment Opportunities Booklet, featuring 25 packaged investment opportunities considered bankable and investor-ready.

Development sites have already been secured for these projects and, to a large extent, they are in the process of implementation, inclusive of the acquisition of funding and the undertaking of feasibility studies.

These opportunities cover a variety of sectors, ranging from agro-processing, film and media, manufacturing, logistics, medical, property development and tourism and have a combined estimated investment value of \$19,1 billion.

Crucially, they have the potential to create some 800 000 temporary employment opportunities and a further 410 000 permanent jobs in the short to long-term.

These investment opportunities are located across the province, inclusive of the KwaDukuza, eThekweni, Mandeni, uMuziwabantu and uMhlathuze Municipal areas.

Highlights of the year include two projects which were promoted through the Black Industrialist Programme, being the Insa Group and Afro Zonke.

Insa Group is a cookware manufacturing project based in KwaDukuza Municipality with the capacity to produce 500 000 units per month of different steel cookware products.

The facility consists of three production lines with a staff complement of 600.

This manufacturing project will address unemployment issues within the Shakas Kraal area. Insa (Pty) Ltd will export to different European and African markets.

Afro Zonke is a chemical manufacturing plant based in Westmead Pinetown.

The company develops, manufactures and distributes a wide range of industrial chemical

solutions, ranging from industrial, mining, engineering, construction, homecare, agro-processing, water treatment, healthcare to personal care products.

Importantly, too, Trade & Investment KwaZulu-Natal also embarked on the promotion of both women-owned and youth-driven projects.

This facilitated working towards ensuring that a broad spectrum of society is seen to be actively participating in the growth of the provincial economy.

#### **DESTINATION MARKETING:**

**OUTWARD MISSIONS** - During the period under review, Trade and Investment KwaZulu-Natal continued efforts to position the province as a prime investment destination for foreign direct investment.

In this regard, the period saw the implementation of 10 international destination marketing activities.

These included engagements in Hamburg, Munich and Stuttgart, in Germany, and also in London, in the United Kingdom, as well as in China, Egypt and Russia.

**INWARD MISSIONS** - A trend of reduced inward missions continued during the 2018/19 financial year when compared against past years.

In an effort to attract significant levels of investment to KwaZulu-Natal, a total of 21 inward missions were hosted here during the year under review.

Our outward and inward missions are depicted by country in the graphics overleaf.

# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## OUTWARD MISSIONS



CHINA



EGYPT



GERMANY



RUSSIA



UNITED KINGDOM





## INWARD MISSIONS



NETHERLANDS



INDONESIA



QATAR



UNITED KINGDOM



USA



MOZAMBIQUE



TAIWAN



BRICS



ALGERIA



CHINA



EUROPEAN UNION



GERMANY



INDIA



# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## 12.3. BUSINESS RETENTION AND EXPANSION

### INTRODUCTION:

The mandate for the Business Retention and Expansion Unit is to develop and implement programmes aimed at retaining and expanding foreign and domestic investments in KwaZulu-Natal.

Such initiatives enable businesses to improve profitability and to reaffirm their commitment to remaining invested in KwaZulu-Natal.

Unfortunately, continued low economic growth during the 2018/19 financial year, matters relating to sustainable electricity supplies, the pricing of electricity, rising fuel costs and violent community protests, impacted on the operational sustainability of a number of KwaZulu-Natal businesses. Some were in distress and underwent business rescue processes, others took the decision to partially close operations or, in certain extreme instances, completely shut-down their operations.

Regions of the province most affected were the

The following table details companies which were expanded or retained

industrial areas of Cato Ridge, Mandeni, Richards Bay, Pietermaritzburg, Ladysmith, Newcastle and Durban. Companies assisted through the aforesaid difficult times included Corbo Concrete, Alkreem, SGS South Africa, Fox Bay Trade, Spilla Jeans, RRT Medcon, ASD Techno Tyre, SA Calcium Carbide, Metso, Sumitomo Rubber Industries, Crossley Carpets, South 32, Whirlpool and Iqlaas Foods.

### COMPANY RETENTION AND FACILITATION SERVICES:

In support of business expansion, Trade & Investment KwaZulu-Natal facilitated expansion projects by 22 companies, to a combined value of R1,13 billion, resulting in 3 037 employment opportunities being created. This was achieved through close collaboration with our strategic partners, such as industry associations, Municipalities, development finance institutions and dti.

Company expansions were realised in the manufacturing sectors of the white goods industry, agri-business industry, metals, medical environment, engineering industry, automotive industry and the call centre industry.

NO.	NAME OF COMPANY	SECTOR	LOCATION	JOBS	VALUE
1.	Defy	White Goods	Jacobs	100	R200 million
2.	DH Machines	Automotive	Newcastle	149	R200 million
3.	Precool Cold Storage	Agri-business	Hammarsdale	100	R155 million
4.	Glodina	Textile	Hammarsdale	211	R150 million
5.	Sacks Packaging	Packaging	eThekwini	205	R80 million
6.	SA Calcium Carbide	Chemicals	Newcastle	220	R75 million
7.	Retractaline	Consumer Goods	Dube TradePort	100	R60 million
8.	LC Packaging	Packaging	Pietermaritzburg	190	R60 million
9.	Venk-Pak	Packaging	Verulam	16	R18 million
10.	FreeHot Appliances	White Goods	Isithebe	150	R31 million
11.	Halaal Fresh Meats	Agri-processing	Richmond	120	R30 million
12.	Spell Industries	Consumer Goods	eThekwini	38	R30 million
13.	Monyetla Work Readiness	Call Centre Operations	eThekwini	1 240	R29,2 million

NO.	NAME OF COMPANY	SECTOR	LOCATION	JOBS	VALUE
14.	Nanxing Brick and Tiles	Construction	Ndwedwe	56	R10 million
15.	Winclo	Automotive	Ballito	50	R8 million
16.	SRF Flexipak	Packaging	Cato Ridge	0	R5,8 million
17.	Be Safe Paramedical	Medical	Pinetown	13	R3 million
18.	LM Health Solutions	Medical	eThekwini	50	R3 million
19.	Minnies Food Enterprises	Agri-processing	Riverhorse Valley	75	R3,1 million
20.	Rocky Brands	Consumer Goods	Mount Edgecombe	12	R2 million
21.	Thekwini Wire	Metals	eThekwini	23	R678 000
22.	Allimor Footwear	Footwear	Chatsworth	30	R662 000
Total				3 148	R1,155 billion

#### BUSINESS CONFERENCES AND EXHIBITIONS:

Trade & Investment KwaZulu-Natal, in collaboration with various strategic partners, facilitated the participation of a number of KwaZulu-Natal-based companies at key events, so supporting local enterprises with development opportunities in areas such as identifying potential dynamic business partners capable of providing new expertise, the identification of new technologies applicable in specific sectors and the provision of linkages between small and large-scale operations.

Platforms utilised included the Enterprise & Supplier Development Conference and Expo, the KwaZulu-Natal Manufacturing Indaba, the International Apparel, Textile and Footwear Trade Exhibition, the Cape Town Automotive Forum, the Africa Chemicals Imbizo, the Cape Town International Boat Show, Manufacturing and Composites, the Africa Energy Indaba, ProPak Africa and NAACAM.

#### BUSINESS TURN-AROUND SOLUTIONS:

Trade & Investment KwaZulu-Natal assisted some 20 companies with business turn-around solutions.

This entailed assisting and supporting local companies to access the PUM programme, PSA programme and in securing critical skills permits. These programmes provide expert consultants with technical industry experience and knowledge to

guide companies in improving business efficiencies and strategic planning for business operations. An expert consultant is based within a factory to study areas of operational efficiency which may be improved upon.

As a consequence of this critical programme, many local companies have benefited enormously, reducing losses and increasing both productivity and efficiency, thereby improving their overall competitiveness.

Companies to have realised the benefits of such assistance included Royal Vulcanizing, the Midmar Group, Kleens Music, Summerday Investments, PC Home Textile cc, AK's OK Foods, Vayej Bros, Kolor Kote, Flexotuff Plastics, Winclo, BE Safe Paramedical, Alkreem, Iqlaas Foods, Titan Innovation, LC Packaging, Saurer Spinning Solutions, LMN Health, Rohlig Grinrod, Halaal Fresh Meats and AdRenewables.

## 12.4. EXPORT DEVELOPMENT AND PROMOTION

#### EXPORT PROMOTION:

Export promotion proved a hive of activity for the majority of the 2018/19 financial year, with second and third quarter targets appreciably exceeded, as reflected in the graph below. This was the result of

# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

a sound mix of local and international events being co-ordinated by Trade & Investment KwaZulu-Natal on behalf of local exporters.

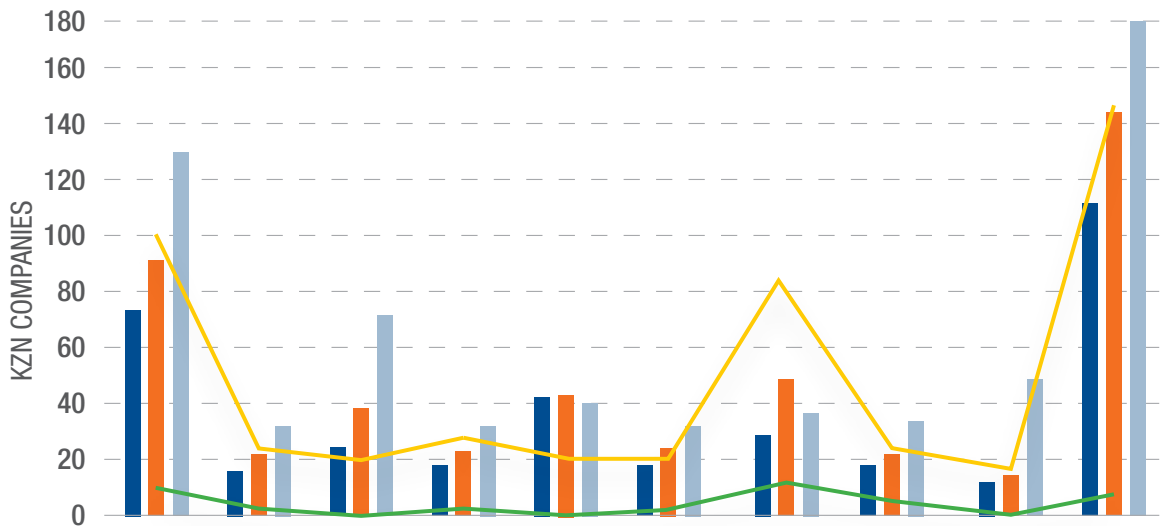
The organisation continued applying for incentive support and creating opportunities in new markets for local exporters and included African, BRICS, GCC and traditional markets. Pleasingly, Trade & Investment KwaZulu-Natal exceeded its 2018/19

export opportunities target by 41 and its market access target by 54.

With regard to accessing incentives for local business enterprises, Trade & Investment KwaZulu-Natal exceeded its support for KwaZulu-Natal clients by 50. Incentives afforded to clients took the form of market-access opportunities, training and mentorship applications.

## PERCENTAGE OF REAL GROSS DOMESTIC PRODUCT

### EDPU PERFORMANCE INDICATORS 2017/18



- EXPORT OPPORTUNITIES SECURED FOR KZN COMPANIES
- KZN EXPORT SHOWCASED TRACE EVENTS
- KZN COMPANIES ASSISTED WITH EXPORT INCENTIVES
- KZN COMPANIES PARTICIPATING IN TIKZN TRAINING PROGRAMMES
- EXPORT DEVELOPMENT OF BLACK YOUTH AND WOMEN-OWNED BUSINESS



SUCCESSFUL  
PROMOTION  
OF BUSINESS  
INVESTMENT AND  
TRADE DEVELOPMENT

# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

The organisation also facilitated access to, and secured approvals for provincial and national export incentives on behalf of a number of local

companies, enabling them to participate in a number of trade events, some of which are depicted in the table below:

EVENT	DATE	NUMBER OF COMPANIES	SECTORS
KZN Fashion Council "Pure London Delegates"	17 March 2018	10	Multi-Sectoral
Trade Mission to Mauritius	09-13 April 2018	9	Multi-Sectoral
DECOREX - Cape Town	27 April-01 May 2018	8	Homeware and Craft
Source Africa 2018	20-21 June 2018	12	Clothing and Textile
Pure London	22-23 July 2018	12	Clothing (Fashion)
Africa Fashion Week	08-12 August 2018	8	Clothing and Apparel
SARCD A Christmas 2018	23-26 August 2018	6	Homeware and Craft
FILDA - Angola	27 August-02 September 2018	3	Multi-Sectoral
Americas Food and Beverage 2018	01-02 October 2018	6	Food and Beverage
MSR Exhibition - Dongguan, China	24-28 October 2018	12	Multi-Sectoral
Destination Africa, Egypt	17-20 November 2018	10	Textiles and related

### EXPORT DEVELOPMENT:

During the year under review, Trade & Investment KwaZulu-Natal made available a number of training, mentorship and capacity-building programmes for the benefit of emerging, existing and seasoned exporters.

A total of 148 exporters took advantage of these programmes, exceeding target by 48.

The organisation also embarked on a new initiative to expose Black youth and women-owned companies to the world of export during a three to six-month period. The organisation provided exposure in the form of training and workshops, together with participation in trade-related exhibitions for 11 qualifying enterprises.

The review period also saw the graduation of 18 emerging exporters who had participated in an intensive four-month programme designed to detail all aspects of the export environment.

### EMERGING GRADUATION PROGRAMME:

Trade & Investment KwaZulu-Natal's Emerging

Graduation Programme's first session commenced in October 2018, with 25 companies, followed by a second session in November 2018, also attracting 25 company attendees. A third and fourth session was held in January and February 2019, with both being extremely well attended.

Attendees, comprising 11 Black women, seven Black men and five youth participants, were presented certificates at a special event in March 2019. Topics covered in the programme included:

- Desk research and market research;
- Finding the market;
- INCO terms 2010;
- The pro-forma invoice;
- Financing, letters of credit and getting paid;
- Sale contracts;
- Freight and shipping;
- Marine insurance;
- Packaging and labelling;
- The flow of goods and money in the export value chain;
- Completion of customs export documentation; and
- Trade fair participation.

The following table outlines a number of 2018/19 training programmes and workshops hosted:

EVENT	DATE	NUMBER OF COMPANIES	SECTORS
KZN Fashion Council "Pure London Delegates"	17 March 2018	10	Multi-Sectoral
Intellectual Properties Training	20 June 2018	9	Multi-Sectoral
PMB Chamber/ Msunduzi Municipality Exporter and TIKZN Portal Training	29-30 August 2018	11	Multi-Sectoral
DTI GEPP Introduction to Exporting in Richards Bay	17-19 September 2018	14	Multi-Sectoral
Trade Agreements Training	30 October 2018	12	Multi-Sectoral
DTI Planning for Exports Training held at the DCCI	12-15 November 2018	12	Multi-Sectoral
Subsequent Advanced Exporter Training	21-22 November 2018	7	Multi-Sectoral
Pricing and Costing Training	05 December 2018	29	Multi-Sectoral
DTI Doing Business in SADC Workshop	06 December 2018	26	Multi-Sectoral
Radical Socio-Economic Transformation Programme in Exports	March 2018-April 2019	11	Multi-Sectoral

#### PROGRESS ON STRATEGIC ACTIVITIES:

**KwaZulu-Natal Export Information Portal ([www.exportkzn.co.za](http://www.exportkzn.co.za))** - A number of updates were made to Trade & Investment KwaZulu-Natal's Export Information Portal during the 2018/19 financial year.

The registration process was upgraded to a built-in wizard, making the registration process more user-friendly, the result of which has seen the number of exporters registered on the portal rise to 201.

An information sharing session was held in Durban in July 2018 showcasing the portal updates. Useful changes included the look-and-feel and overall functionality of the landing page, the simplification of the client registration process and necessary content revisions.

It should be noted that further upgrades are imminent, with the process including the following features:

- A costing system for exports;
- Rules of origin information;

- An upgrade of the incoterms;
- A further upgrade to the look-and-feel of the portal; and
- The inclusion of a 5 x 360° virtual showroom.

#### DECISION SUPPORT MODEL:

The Decision Support Model has not only become a significant tool for assisting KwaZulu-Natal-based companies to be increasingly more targeted in accessing new markets, but it has also built capacity within Trade & Investment KwaZulu-Natal and created widespread awareness of the broader prevailing economic developmental issues.

During the year under review, three Decision Support Model training courses were undertaken for the benefit of the organisation's own staff.

These sessions not only focused on tool usage, but also provided context into the interpretation of data mined.

Some 144 Decision Support Model reports have been generated, comprising 54 Country Reports

# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

and 90 Product Reports. Trade & Investment KwaZulu-Natal also began training to acquire credits from the University of the North West in terms of the utilisation of the Decision Support Model programme, enabling staff to provide export reports and additional advice to KwaZulu-Natal's exporters.

The Decision Support Model Accreditation Examination is scheduled for June 2019 and accreditation will ensure the consistency and accuracy of Decision Support Model reports produced going forward.

## INTERNATIONAL MENTORSHIP PROGRAMMES:

The Export Development and Promotion Business Unit continued rolling-out international mentorship programmes through Programma Uitzending Managers (PUM), Swiss Import Promotion Programme and Senior Exporten Service during the 2018/19 financial year. The following companies have received mentorship:

### PUM MENTORSHIP:

**MORECARE ENGINEERING (22 OCTOBER-02 NOVEMBER 2018)** - One of the areas of focus of the PUM expert was to obtain clarity regarding the formalisation of and adherence to the company's key performance indicators, which had been found to be vague upon the expert's examination. The key performance indicators were revised and reformulated, with much more clarity, so enabling Morecare Engineering to comply and achieve them more easily.

**RETRACTALINE (22 OCTOBER-02 NOVEMBER 2018)** - Areas of management inefficiency and duplication were addressed, with 17 recommendations made by the mentor. A number of these were strategic in nature and were to be implemented over time, given the need for a capital injection. Other short-term recommendations, such as health and safety issues, were addressed immediately.

**ANTEX CC (04-15 MARCH 2019)** - Although the immediate cost benefit to the company was difficult to quantify, improved efficiency of production and ensuing reduction in reject rates in the production process resulting from the expert's recommendations may well be pegged at between R150 000 and R200 000 for the new financial year.

Reject material during the 2018 financial year was estimated at R600 000 and this was estimated to be reduced by some R200 000 during the next financial year.

### ZULULAND FILTERS (03-14 SEPTEMBER 2018)

- The expert demonstrated the need to divorce emotion from the business decision-making process and the need to make time for necessary activities, such as a 'to-do list' and machine cleaning activities. Post-mentorship, the company's key performance area is more defined, the job score-cards are more precise, there is regular follow-up from the mentor, the company's pricing structures have been reviewed, sales contracts have been reviewed resulting in their discounts being re-negotiated, new production systems have been put in place and environmental changes have been made, reducing environmental degradation.

The mentorship has resulted in a 6% increase in production flow, translating to an increase in production of some R1 152 per day, or R23 240 a month.

### SIPPO PROGRAMME:

Trade & Investment KwaZulu-Natal participated in a SIPPO pre-fair workshop at SIAL 2018 in Paris, France. The following aspects were covered during the session:

- Successful trade fair participation;
- BSO's support to companies by means of B2B meetings;
- Effective Customer Relationship Management to enhance services offered by BSOs to exhibiting companies;
- How to visit other exhibits at trade fairs, so as to learn from competitors; and
- Follow-up on trade leads accumulated during the trade show to benefit the exhibiting companies.

### SES GERMANY - MENTORSHIP PROGRAMME:

The organisation also embarked on a new mentorship programme with the German Government, known as SES. The programme operates similarly to the Dutch PUM programme, although it enjoys a larger pool of experts from which to draw and the mentorship sessions are longer, lasting for between 21 days and six months. Companies are also able to apply for multiple, or successive sessions, without incurring additional costs.

SES objectives include:

- The training and instruction of technical and executive staff;
- The development of sales and marketing strategies;
- Workflow optimisation;
- Improvement in environmental protection and occupational safety measures;
- Quality management of mentored companies; and



- Modernisation of mentored companies.

#### **KWAZULU-NATAL EXPORTER COMPETITIVENESS ENHANCEMENT PROGRAMME:**

The KwaZulu-Natal Exporter Competitiveness Enhancement Programme was launched in September 2018 and attracted 40 attendees.

A total of 20 KwaZulu-Natal-based companies participated in the programme which comprised two categories, namely an emerging category, in which 15 companies embarked on a six-month development programme, and an advanced category, in which five companies embarked on a 10-month development programme.

Some 65% of the participating companies were ranked Broad-Based Black Economic Empowerment Level 1 and 90% were majority Black-owned enterprises. Aspects covered by the programme included company assessment, value-stream analysis and capacity-building, the implementation of identified improvement initiatives and coaching and review initiatives.

The programme was implemented as a partnership between Trade & Investment KwaZulu-Natal, the Department of Economic Development, Tourism and Environmental Affairs, Small Enterprise Development Agency KwaZulu-Natal and Productivity SA.

The project cost amounted to R2,250 million, with 80% of funding covered by the Department and the balance by Small Enterprise Development Agency KwaZulu-Natal and participating companies.

#### **KZN EXPORT WEEK 2018:**

The 2018 KZN Export Week, the seventh to be staged, continued growing in strength. Held at the Durban ICC in October, the event aimed at creating awareness, unpacking challenges, showcasing current and future economic trends impacting on trade, presenting opportunities and building networks in the export sector.

The highly successful week culminated in a recognition ceremony for successful exporters, which was hosted by the Durban Chamber of Commerce and Industry.

Topics covered in the KZN Exporter Week included:

- Export essentials;
- A master-class in the utilisation of block chain in trade;
- Dialogue on inter-Africa trade;
- The trade war between China and the USA;
- The African Continental Free-Trade Area Agreement; and
- How to fund export transactions in Africa.

A total of 949 delegates participated in the event, the exhibition component of which attracted 30 companies, whilst 64 speakers delivered presentations or participated in panel discussions.

### **SPECIALISED TRAINING AND CAPACITY-BUILDING**

#	DATE	WHAT	WHO	NUMBER
1	09-10 October 2018	Emerging Graduation Programme	Emerging Exporters	25
2	12-15 November 2018	DTI GEPP Phase 2 Training	Emerging Exporters	12
3	20-21 November 2018	Emerging Graduation Programme	Emerging Exporters	25
4	21-22 November 2018	Advanced Exporter Training Session	Advanced Exporters	7
5	05 December 2018	Pricing and Costing Training	Emerging Exporters	30
6	06 December 2018	Doing Business in SADC	Advanced Exporters	26
7	22-23 January 2019	Emerging Exporter Graduation Programme	Emerging Exporters	25
8	28 January 2019	US FDA Regulations Workshop	Existing Exporters	30
9	19-20 February 2019	Emerging Exporter Graduation Programme	Emerging Exporters	25
10	20 February 2019	SEDA KZN Veltra Group Training	Emerging Exporters	17
11	19-20 March 2019	Advanced Exporter Training Programme	Advanced Exporters	11

# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

## LOCAL EXHIBITIONS:

In line with the need to create opportunities for KwaZulu-Natal-based exporters, several intra-trade opportunities were pursued at exhibitions. Through this medium, every effort was made to connect exporters with international buyers attending such events.

Exhibition activity during the review period is detailed below:

**AFRICA CHEMICAL IMBIZO (24-25 OCTOBER 2018)** - Trade & Investment KwaZulu-Natal, in collaboration with the Durban Chemical Cluster, facilitated participation for seven foreign buyers to participate in the Africa Chemical Imbizo 2018. eThekweni Municipality provided funding for these buyers' participation, who went on to conduct 62 meetings with KwaZulu-Natal companies and have requested 37 quotations for the supply of products.

**DECOREX CAPE TOWN (27 APRIL-01 MAY 2018)** - Eight companies participated in Decorex Cape Town and were successful in accessing new markets as a result. Trade & Investment KwaZulu-Natal assisted the companies with exhibition space.

**DECOREX JOHANNESBURG (8-12 AUGUST 2018)** Working with the Department of Small Business Development, eThekweni Municipality and the KwaZulu-Natal Department of Agriculture, Trade & Investment KwaZulu-Natal facilitated the selection of seven KwaZulu-Natal-based companies for participation in Decorex Johannesburg, covering exhibition space, travel, accommodation and freight components.

Participating companies achieved sales and orders with a collective value of R95 200.

**SARCD A CHRISTMAS (22-26 AUGUST 2018)** - Six KwaZulu-Natal-based companies participated in SARCD A, in Johannesburg. Again, the Department of Small Business Development, eThekweni Municipality and the KwaZulu-Natal Department of Agriculture and Trade & Investment KwaZulu-Natal assumed responsibility for exhibition space, travel, accommodation and freight elements on behalf of the selected participating companies.

Participants secured orders to the combined value of R80 000.

**AFRICA ENERGY INDABA (19-20 FEBRUARY 2019)** - A further six companies participated in the Africa Energy Indaba 2019, with five participants indicating that they had been successful in

accessing new markets. Trade & Investment KwaZulu-Natal assisted the selected companies with exhibition space.

Successes and Challenges:

- Department of Agriculture and Rural Development Business Summit workshop on export compliance took place in December 2018 with 40 women in attendance;
- The 'RASET' programme saw five companies from the RASET grouping attend Export Costing training, which was undertaken at the Durban Chamber of Commerce and Industry;
- 'Your Best Choice' indicated that it was in the final stages of negotiating a contract for Ghana which was derived from engagements emanating from the Americas Food and Beverage Show. The first export order to Ghana, comprising a container load of MO Fuel Moringa Energy Drink, totalled 72 000 cans. The company also linked with Nuriseed, a Gauteng-based company;
- Board Express, a 100% Black-owned and Level 1 B-BBEE contributor board-manufacturing company, confirmed five export orders to three countries, being Ghana, Zambia and Zimbabwe;
- Dick Whittington Shoe, a 51% Black-owned Level 1 B-BBEE contributor, confirmed receiving an order from Zambia Air Force as a direct result of a trade mission to Zambia, undertaken in early 2018; and
- Poison City Brewing enjoyed a successful exhibition at the USA's Americas Food and Beverage Show in 2018. The company received both international and local media coverage regarding its beer, which is manufactured via the fermentation of hemp, which coincides with the legalised use of marijuana in South Africa. One of South Africa's liquor giants showed interest in a stake in the company.

## 12.5. KNOWLEDGE MANAGEMENT

The year under review saw the Knowledge Management Business Unit develop a total of 22 knowledge outputs, which took the form of Sector Analyses and Fact Sheets, and which were developed and disseminated to both internal and external stakeholders. In addition, the Unit also contributed to the development of 10 packaged investment opportunities.

The organisation was also active in the field of export development and promotion, developing no fewer than 17 product and market opportunity studies during the 2018/19 financial year. Eight Dialogue Forums were also hosted during the period, during which packaged research was presented to internal and external stakeholders.

**PROJECT PACKAGING:**

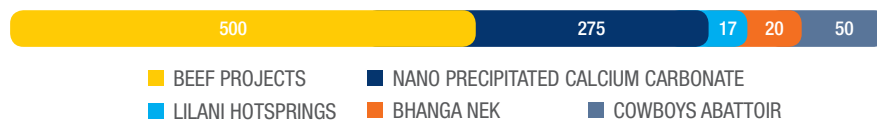
The following table reflects projects packaged by

Trade & Investment KwaZulu-Natal, with project promoters, during the 2018/19 financial year:

#	NAME	DESCRIPTION	VALUE
1	Lilani Hot Springs implementation programme	The National Department of Tourism has awarded Trade & Investment KwaZulu-Natal funds with which to implement phase 3 of the Lilani Hot Springs tourism development, situated in the Umvoti District. This is a multi-year project, with construction and business development elements to enhance the operational part of the project	R17 million claimed within the Investment Promotion Unit
2	Bhanga Nek Campsite upgrade	The National Department of Tourism has awarded Trade & Investment KwaZulu-Natal funds with which to implement an upgrade to the Bhanga Nek Campsite, situated within the iSimangiliso Wetlands Park in the Kosi Bay region. This is a multi-year project, with construction and business development elements to enhance the operational part of the project	R20 million claimed within the Investment Promotion Unit
3	uThukela Beef Project	This project emanates from the KwaZulu-Natal Beef Project Implementation Plan, which seeks to develop a comprehensive beef industry, with substantial Black participation in the province and forms part of a vertically integrated beef enterprise set up with the purpose of participating throughout the beef value chain, from feedlot to retail. The value chain will consist of farms, a feedlot, an abattoir and a meat processing plant. The project is located in the uThukela District and has been kick-started with the Cowboys Abattoir, located in Estcourt, details of which are provided in this report	R300 million Jobs TBD
4	King Cetshwayo Beef Project	This project emanates from the KwaZulu-Natal Beef Project Implementation Plan, which seeks to develop a comprehensive beef industry with substantial Black participation in the province. The project is structured similarly to that of the uThukela Beef Project. The aim is to create four similar projects in the four cattle districts of the province, namely the Zululand, King Cetshwayo, Uthukela and Umkhanyakude districts. The project seeks to enable Black participation throughout the beef value chain, from feedlot to retail. This project has already been kicked-started through Tahilla Trading, which is purchasing an abattoir. Tahilla Trading has developed a business plan and the project is at the capital-raising stage, awaiting hand-over to Investment Promotion	R100 million 100 jobs
5	Tahilla Beef Project	Tahilla Beef is a start-up company which plans to establish cattle farms, abattoirs and retail outlets (butcheries). The company and project is based in Empangeni, within the Umhlathuze Municipality, and King Cetshwayo District	R100 million 100 jobs
6	Cowboys Abattoir	This is a start-up project emanating from the KwaZulu-Natal Beef Industry Transformation Paper, commissioned by the Trade and Investment Committee. Cowboys Abattoir seeks to participate throughout the beef value chain, from breeding to feedlot to retail. The value chain will consist of breeding farms, a feedlot, an abattoir and a deboning plant. The enterprise also seeks to promote the creation of jobs, women and youth empowerment, economic development and poverty alleviation in surrounding communities. The project is at the fund-raising stage and has been handed over to Investment Promotion	R50 Million 50 jobs
7	Nano Precipitated Calcium Carbonate Manufacturing facility	This project concerns the establishment of a nanotechnology plant aiming to process calcium carbonate from limestone and quicklime and which will be situated within the Richards Bay Industrial Development Zone precinct. The funding required to establish and commercialise the Nano Precipitated Calcium Carbonate facility is estimated at R275 million and discussions have been held with the IDC as an anchor funder	R275 million Jobs TBD

# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

# + R862 MILLION



The Knowledge Management Business Unit's packaged projects were envisaged to generate in excess of R862 million in investment.

The overall estimated job creation figure will exceed 250 as it also includes temporary jobs and yet-to-be determined jobs.

HIGH-IMPACT PROJECTS			
#	NAME	DESCRIPTION	PROGRESS
1	KwaZulu-Natal Halaal Hub	The development of the KwaZulu-Natal Halaal Hub is a long-term initiative requiring a range of interventions before any consideration is given to developing the physical infrastructure. During the 2018/19 financial year the Department of Economic Development, Tourism and Environmental Affairs allocated R5 million over a three-year period for the implementation of the KwaZulu-Natal Halaal Initiative Programme	<ul style="list-style-type: none"> <li>The KwaZulu-Natal Halaal Project Steering committee has been formed and comprises key industrial organisations which have large business constitutions capable of supporting and adding value to the programme</li> <li>The international programme cannot continue, due to a lack of institutional support in signing-off the international travel programme</li> <li>The KwaZulu-Natal Halaal Forum has been identified to publicly announce the programme by the MEC for the Department of Economic Development, Tourism and Environmental Affairs. A proposed date awaits approval</li> <li>KwaZulu-Natal has been awarded World Halaal Day 2020, to be staged in Durban in November 2020. Trade &amp; Investment KwaZulu-Natal is a strategic partner providing support for the event</li> </ul>
2	Electronic Refurbishment Centre	The multi-year Electronic Refurbishment Centre project is progressing and aims to create meaningful job creation and small business development, making a positive impact on African youth and women in KwaZulu-Natal	<ul style="list-style-type: none"> <li>Trade &amp; Investment KwaZulu-Natal has provided funds to develop a comprehensive business plan to be completed in June 2019</li> </ul>
3	KwaZulu-Natal Aquaculture Project	The province has embarked on a massive drive to establish a viable aquaculture industry. To this end, about 10 small fishing enterprises have been identified in the province, which are currently being supported by the KwaZulu-Natal Department of Agriculture, as well as the Department of Economic Development, Tourism and Environmental Affairs	<ul style="list-style-type: none"> <li>A provincial technical delegation recently travelled to Egypt on a benchmarking exercise to take on board lessons from the vibrant Egyptian Aquaculture Sector</li> <li>The team also hosted a Guangdong University delegation in a bid to foster relationships and acquire greater industry knowledge</li> <li>Two sites have been identified, being Umkomaas and Mthunzini, whose ability to host a multi-million Rand aquaculture facility is being evaluated. The project value has not been determined as yet</li> <li>Impact: The project will provide employment to local communities, provide aquaculture skills in the province and create other down-stream enterprises, such as feed production, ice manufacturing, packaging material and others</li> </ul>



- A** KZN Agricultural performance, From Soybeans to superjets: the trade war between the USA and China, RSA and KZN Exports, Block Chain technology
- B** Macadamia Nuts, Pork Meat, Fowl Meat, Rabbit, Coal, Catfish, Insulator boards, Plastic/Rubber, Clothing & Amp; Textile, Coffee, Tea and Spices, Chemicals, Blood Plasma.
- C** Fuel Cells, Hemp, Artificial Intelligence, Beef Sector Study, Poultry, Pork, Aquaculture, Fertiliser, KZN Agriculture, Herbs & Spices, Clothing and Textile.
- D** 4IR (x10 presentations), Digital disruption (x4), The New Industrial Economy (x1), USA Food and Beverage, Knowledge Management SA Dialogue Session, China Economy and Trends, Egypt Economy and Trends.
- E** Construction Industry, Integrated Resources Plan, China: BRICS, AGOA, Nanotechnology, Digital Disruption: The Future of Food, Clothing and Shelter, E-Commerce, Tourism Macro Trends.
- F** Mozambique, Belgium, USA, Denmark, Malaysia, Georgia, Argentina, Chile, Oman, Ghana, Zimbabwe, Egypt, Russia.

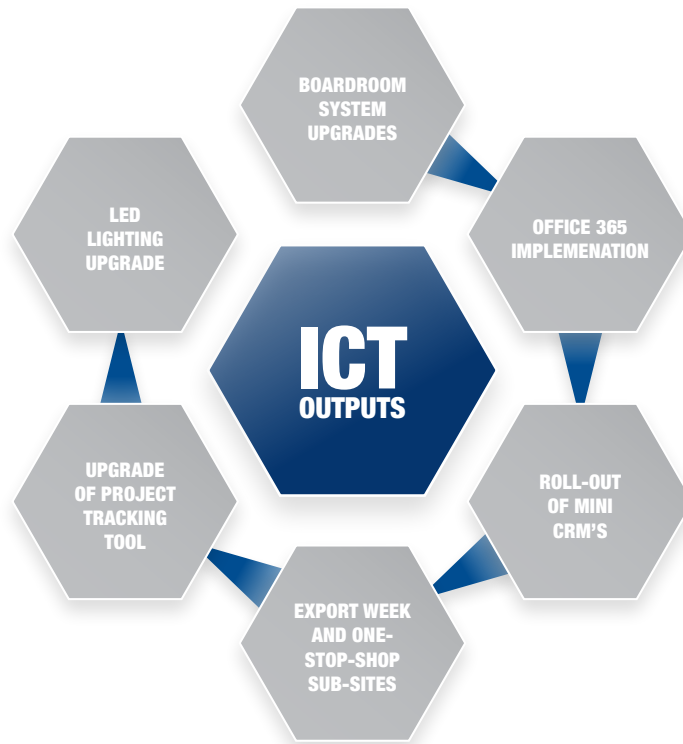
SECTOR ANALYSIS	FACT SHEETS	COUNTRY PROFILES	EXPORT PRODUCTS	MACRO TRENDS	DIALOGUE FORUMS
<ul style="list-style-type: none"> <li>• Fuel cells</li> <li>• Hemp</li> <li>• Artificial intelligence</li> <li>• Beef sector study</li> <li>• Poultry</li> <li>• Pork</li> <li>• Aquaculture</li> <li>• Fertiliser</li> <li>• KwaZulu-Natal Agriculture</li> <li>• Herbs and Spices</li> <li>• Clothing and Textiles</li> </ul>	<ul style="list-style-type: none"> <li>• KwaZulu-Natal agricultural performance</li> <li>• From soybeans to superjets: the trade war between the USA and China</li> <li>• South African and KwaZulu-Natal exports</li> <li>• Blockchain technology</li> </ul>	<ul style="list-style-type: none"> <li>• Mozambique</li> <li>• Belgium</li> <li>• USA</li> <li>• Denmark</li> <li>• Malaysia</li> <li>• Georgia</li> <li>• Argentina</li> <li>• Chile</li> <li>• Oman</li> <li>• Ghana</li> <li>• Zimbabwe</li> <li>• Egypt</li> <li>• Russia</li> </ul>	<ul style="list-style-type: none"> <li>• Macadamia nuts</li> <li>• Pork meat</li> <li>• Fowl meat</li> <li>• Rabbit</li> <li>• Coal</li> <li>• Catfish</li> <li>• Insulator boards</li> <li>• Plastic/Rubber</li> <li>• Clothing and textiles</li> <li>• Coffee, tea and spices</li> <li>• Chemicals blood plasma</li> </ul>	<ul style="list-style-type: none"> <li>• Construction industry</li> <li>• Integrated resources plan</li> <li>• China: BRICS</li> <li>• AGOA</li> <li>• Nanotechnology</li> <li>• Digital disruption: the future of food, clothing and shelter</li> <li>• e-Commerce</li> <li>• Tourism macro trends</li> </ul>	<ul style="list-style-type: none"> <li>• 4IR (x 10 presentations)</li> <li>• Digital disruption (x4)</li> <li>• The new industrial economy (x1)</li> <li>• USA food and beverage</li> <li>• Knowledge Management South African dialogue session</li> <li>• China economy and trends</li> <li>• Egypt economy and trends</li> </ul>

**INFORMATION AND COMMUNICATIONS SYSTEMS:**

The organisation’s information and communication function is considered to be a core enabler in terms of Trade & Investment KwaZulu-Natal being in a position to achieve its vision, mission and business objectives.

# 12 OVERVIEW OF THE ORGANISATIONAL ENVIRONMENT CONTINUED

During the 2018/19 financial year, the following projects were implemented by the organisation:



## 12.6 GAUTENG OFFICE

### INTRODUCTION:

Trade & Investment KwaZulu-Natal's Gauteng office is mandated to assist with marketing and image-building of KwaZulu-Natal as a premier investment location and trading partner with strategic stakeholders.

The Gauteng Office has built an impressive database of strategic international stakeholders who have a presence in Gauteng and has become an important lead-generation platform.

The strategic location of the Gauteng office allows efficient relationships between Embassies, Trade Offices, Funding Agencies, Corporate Head Offices and other foreign missions located in the province.

### QUALIFIED LEADS GENERATED:

During the review period, the Gauteng Office generated and presented a total of 54 business leads, against a target of 50.

Investment leads produced during the 2018/19 financial year emanated from South Africa, the

Czech Republic, the Netherlands, Hungary, the United Kingdom, the European Union and the United States of America.

Leads were generated across a range of sectors, inclusive of business process outsourcing, advanced manufacturing, renewable energy, resource processing, agri-processing, tourism, food processing and Information Communication Technology.

### DELEGATIONS:

Working against a target of 12, the Gauteng Office referred no fewer than 18 delegations to KwaZulu-Natal from China, Algeria, the European Union, Finland and the Netherlands during the review period. Highlights included:

- A seminar hosted with Finnpartnership, seeking companies keen to enter into joint ventures with Finnish partners or export products to the Finnish market;
- A visit from the European Union Trade Commissioners to KwaZulu-Natal to participate in Export Week, view strategic developments and identify areas of co-operation in identified sectors, such as agri-processing and the circular economy; and

- A visit by 50 delegates from the Hubei Province of China to Durban to view the seaport, Dube TradePort Special Economic Zone and a number of businesses for prospective investment opportunities.

#### HOSTED SESSIONS:

The Gauteng Office hosted 29 events with international organisations, trade offices and bilateral chambers, against a target of 25 during the 2018/19 financial year.

The presentation of opportunities was undertaken in partnership with a number of international partners, namely Rainbow/Push (USA), Eurochamber, Israel Trade, European Union Delegation, Business Finland and Finnpartnership, Business Sweden, Swedish Institute, Nordic-South African Business Association, Spanish Chamber, Israel Trade and the South African Netherlands Chamber of Commerce.

International delegations hosted in Gauteng included:

- A delegation from the United States of America, seeking opportunities in a variety of sectors, arranged by Rainbow/Push and led by Rev. Jesse Jackson;
- A Cleantech delegation from Germany, where the SA-German Chamber requested a KwaZulu-Natal session providing an overview of services and specific opportunities;
- A London Stock Exchange delegation, seeking to launch capacity-building programmes for KwaZulu-Natal companies; and
- An engineering delegation within the automotive component industry from Hungary, seeking partners in KwaZulu-Natal.

#### MAJOR HIGHLIGHTS:

- An International Organisations Event, which was attended by Ambassadors, Trade Commissioners and international organisation representatives from 120 countries;
- A networking reception hosted by Trade & Investment KwaZulu-Natal, together with the European Union and seven bilateral chambers, at the Nelson Mandela Foundation for 200 people in order to introduce Trade & Investment KwaZulu-Natal services and opportunities;
- A business networking reception event, in partnership with the European Union Chamber of Commerce, SA Tourism and Geneva Management Consulting, which afforded Trade & Investment KwaZulu-Natal the opportunity to showcase the latest advocacy initiatives within the province, as well as investment and trade opportunities; and
- A policy dialogue event, beneficial in promoting

Trade & Investment KwaZulu-Natal to international audiences (comprising CEOs and country managers) based in South Africa. The dialogue related to upcoming legislation - which will have an effect on temporary and permanent work permits - recognised critical skills - critical to inward investments - and domestic skills development initiatives, in partnership with foreign entities.

#### SECTOR-BASED EVENTS HOSTED:

The Gauteng Office is responsible for hosting sector-based events as a means of creating opportunities for showcasing the value proposition and opportunities in priority sectors.

During the 2018/19 financial year, the Gauteng Office hosted 18 such events against a target of 12.

Highlights included:

- The presentation of opportunities in the electronics sector, in partnership with the Association of Representatives of the Electronics Industry;
- A travel tech session, hosted with Israel Trade;
- Trade & Investment KwaZulu-Natal hosted sessions at both the Manufacturing Indaba and Global Trade Show, where multi-sectoral opportunities were show-cased;
- A Trade & Investment KwaZulu-Natal session, hosted with SA Tourism; and
- A KwaZulu-Natal panel discussion, hosted at the Africa Sustainability Summit, where major sectors were discussed.

#### BUSINESS OPPORTUNITIES GENERATED IN FOREIGN MARKETS:

Business opportunities generated in foreign markets by the Gauteng Office included:

- Leading a trade and investment mission, comprising six companies in manufacturing, agri-processing, information communication technology, renewable energy, management consulting and design, to the Nordic region, where seminars were hosted in Oslo in Norway, Lund and Stockholm in Sweden and Helsinki in Finland, as well as in both Lithuania and Denmark;
- A presentation about KwaZulu-Natal opportunities and Trade & Investment KwaZulu-Natal services, was delivered at the European Union Conference in Katowice, Poland; and
- Discussions with the Swedish Institute, to gain an overview of major synergies and areas of co-operation in cleantech, Internet of things, the circular economy and the like.





# CORPORATE GOVERNANCE

Trade & Investment KwaZulu-Natal is wholly-committed to adherence to sound governance practices and to the conducting of its business activities with integrity.

# 13 CORPORATE GOVERNANCE STATEMENT

## INTRODUCTION

Corporate Governance embodies the processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation and the Companies Act, corporate governance with regard to public entities is applied through the Public Finance Management Act (PFMA) and runs in tandem with the principles contained in the King IV Report on Corporate Governance for South Africa (King IV).

As a provincial Public Entity, Trade & Investment KwaZulu-Natal is governed by both the KwaZulu-Natal Trade and Investment Agency Act, 2010 (Act No. 05 of 2010) and the PFMA. The organisation's Board is, ultimately, responsible for ensuring high governance standards and is assisted in this endeavour by management, aiming to instil within the organisation a culture of compliance and good governance.

Trade & Investment KwaZulu-Natal is committed to the application of sound governance practices and to conducting its affairs with integrity. The Board regularly reviews its governance structures, practices and processes, thus ensuring continued alignment with legislative and regulatory changes and the continuous reflection of best practice.

## PORTFOLIO COMMITTEES:

The Provincial Government exercises its role over the entity by interrogating its annual financial statements and any other relevant documents which must be tabled from time to time. The Standing Committee on Public Accounts (SCOPA) reviews the annual financial statements and the audit reports of the external auditor, whilst the Portfolio Committee exercises oversight with regard to the service delivery performance of the entity and is further concerned with service delivery and enhancing economic growth. As such, it reviews the non-financial information contained in the annual reports of the entity. During the financial year under review, two Portfolio Committee meetings were held, being a Finance Portfolio Committee meeting and a SCOPA meeting. No issues were raised by the Portfolio Committees.

## EXECUTIVE AUTHORITY:

The Executive Authority of Trade & Investment KwaZulu-Natal is the MEC for Economic Development, Tourism and Environmental Affairs, who is responsible for appointing the organisation's Board. The Board reports to the Department of Economic Development, Tourism and Environmental Affairs through the annual report and quarterly performance reports, covering

performance targets set out in the business plan, strategic plan and the annual funding agreement. In addition, quarterly meetings are held with the Department of Economic Development, Tourism and Environmental Affairs to discuss performance reports. During the review period, performance reports were submitted within set time-frames and the Chief Executive Officer attended the quarterly meetings to discuss progress against set targets.

## THE ACCOUNTING AUTHORITY:

The Board is the Accounting Authority of Trade & Investment KwaZulu-Natal. It acts as the focal point for and custodian of corporate governance and constitutes a fundamental base for the application of corporate governance principles within the organisation, as well as ensuring the maintenance of the highest ethical standards. The Board has absolute responsibility for effective organisational performance, as per the entity's mandate, and is fully accountable to the Shareholder for such performance. The Board appreciates that strategy, risk, performance and sustainability are inseparable and gives effect to this by contributing to and approving the strategy, as well as satisfying itself that the strategy and business plans do not give rise to risks which have not been thoroughly assessed by management, identifying key performance and risk areas and ensuring that the strategy will result in sustainable outcomes.

## ROLE OF THE BOARD:

The Board has specific responsibilities set out in the KwaZulu-Natal Trade and Investment Agency Act, 2010 (Act No. 05 of 2010) ('the Act') and the PFMA, and are further guided by the principles of good corporate governance, as set out in King IV.

The role and responsibilities of the Board include the following:

- To make certain that the duty of utmost care ensures the reasonable protection of Trade & Investment KwaZulu-Natal's assets and records;
- To act with fidelity, honesty, integrity and in the best interests of the entity in managing the financial affairs of Trade & Investment KwaZulu-Natal;
- To provide strategic direction and leadership to Trade & Investment KwaZulu-Natal. The Board has a strategic function in terms of providing the vision, mission and goals of the entity. These are determined in conjunction with the Chief Executive Officer and the Executive Team;
- To formulate, monitor and review the corporate strategy, major plans of action, risk policy, annual budgets and business plans;
- To retain full and effective control and management over the affairs of Trade &

Investment KwaZulu-Natal;

- To provide effective leadership which is based on an ethical foundation, and which is characterised by acting responsibly, honestly, with integrity, accountability and transparency. This sets the tone from the top to promote an ethical culture within Trade & Investment KwaZulu-Natal;
- To ensure that the entity is and is seen to be a responsible corporate citizen by having regard for not only the financial aspects of the business of Trade & Investment KwaZulu-Natal, but also the impact that the business operations may have on the environment and the society within which it operates;
- To govern technology and information in a way that supports the organisation's setting and achievement of its strategic objectives;
- To consider and approve the Annual Financial Statements; and
- To ensure that Trade & Investment KwaZulu-Natal complies with all applicable laws, regulations, Government policy and codes of best practice.

#### **BOARD CHARTER:**

The Board has adopted a formal Board Charter setting out its role and responsibilities, composition and functioning. The Board Charter is reviewed annually to ensure its effectiveness and relevance. During the period under review, the Board continued its adherence to the Board Charter. The Charter confirms that Board members retain overall responsibility and accountability for:

- Approving strategic plans;
- Monitoring operational performance and management;
- Determining policy and processes to ensure the integrity of Trade & Investment KwaZulu-Natal's risk management and internal controls;
- Ensuring legislative, regulatory and governance compliance;
- Approving significant accounting policies and Annual Financial Statements;
- Monitoring transformation and empowerment;
- Determining appropriate remuneration policies and practices; and
- Providing balanced and transparent reporting to stakeholders.

As per the Board Charter, the Board meets a minimum of four times a year to discharge its duties. The Board deliberates over a range of key issues, ensuring the proper direction and management of Trade & Investment KwaZulu-Natal. The Chairperson provides the Board with leadership and guidance and encourages full and proper deliberation on all matters requiring the Board's attention.

The Chief Executive Officer is charged with the

day-to-day management of the organisation's operations and assists the Board in providing strategic and policy direction to the organisation.

Within the defined levels of authority, the Chief Executive Officer assumes responsibility for implementing the decisions of the Board and is accountable to the Board for the effective functioning of Trade & Investment KwaZulu-Natal within all Board-determined policy guidelines.

All Board members are entitled to seek independent professional advice concerning the affairs of the Public Entity, in appropriate circumstances, and have unrestricted access to the Company Secretary, Board records and any information that they may require to effectively discharge their duties.

#### **COMPOSITION OF THE BOARD:**

During the financial year under review, the Board comprised 12 Non-executive members and the Chief Executive Officer, as an ex officio member of the Board.

The Board members have extensive business experience and specialist skills across a range of sectors, including, inter alia, finance, legal, human resources, labour market, economics, investment and export.

This enables the members to provide balanced, independent advice and judgement in the decision-making process.

The Board was saddened during the year to learn of the untimely passing of one of its members, Mr CS Gina, who also served as the Chairperson of the Human Resources, Social and Ethics Committee, and whose immense contribution to the Board and its Committees will be missed.

Mr Gina diligently served on the Board from 2012 (re-appointed in 2017), until his passing and in that time provided great guidance and support to the organisation.

The responsible MEC has yet to appoint a Board member to fill the vacant position, in terms of section 5 of the Act, thus leaving 11 active members that constitute the Board.

During the 2018/19 financial year, four ordinary Board meetings and one strategy planning meeting (spanning one-and-a-half days) were held. In addition, a further two special meetings were convened to consider specific and urgent business issues which arose between the scheduled meetings.

# 13 CORPORATE GOVERNANCE STATEMENT CONTINUED

NAME	DESIGNATION	DATE APPOINTED	QUALIFICATION	AREA OF EXPERTISE	BOARD COMMITTEE MEMBERSHIP	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Ms CM Cronjé	Chairperson Non-executive Board Member	01/09/2014	BA (Hons), UED, BProc Dip. Environmental Law, LLM	Law, public finance, governance	Attends all Board meetings	7	7
Ms LCZ Cele	Deputy Chairperson	01/09/2014	BCom; Post-graduate Dip. Tax; Executive Leadership Dev. Programme; MAcc (Taxation)	Finance, corporate governance, business management	Chairperson of Audit, Risk & Compliance Committee	7	7
Mr GW Bell	Non-executive Board Member	01/09/2014	Mechanical Engineering Dip.	Business management, Investment and Export	Chairperson of Trade and Investment Committee	7	5
Mr DB Dlamini	Non-executive Board Member	15/11/2017	BA (Politics, Philosophy & Public Administration), MPA	Public administration, business management and community development	Trade and Investment Committee HR, Social and Ethics Committee (from 29/03/2019)	7	7
Mr CS Gina (Deceased 28/01/2019)	Non-executive Board Member	15/11/2017	BA (Human & Social Science), Executive Development Programme	Human resources, planning and development skills	Chairperson of HR, Social and Ethics Committee	7	7
Ms U Maharaj	Non-executive Board Member	15/11/2017	BAccot (Hons) Post-graduate Dip. Accounting	Finance, human resource strategy, training, coaching and leadership development skills	Audit, Risk & Compliance Committee HR, Social and Ethics Committee	7	7
Dr VF Mahlali	Non-executive Board Member	15/11/2017	PhD (Rural Economics); Master's in social policy and planning	Human resource, planning and development skills	Trade and Investment Committee	7	3
Mr SK Mpungose	Non-executive Board Member	15/11/2017	BCom (Economics & Management); BCom Honours (Economics); MCom (Economics)	Finance, economics and business management	Trade and Investment Committee	7	7
Mr S Naidoo	Non-executive Board Member	15/11/2017	BA; BAdmin, Honours (Industrial Psychology)	Human resources, investment and export, business management and community development	HR, Social and Ethics Committee	7	7
Mr MC Ngcobo	Non-executive Board Member	15/11/2017	BCom Accounting Honours; Chartered Accountant	Development Finance, Corporate and Investment Banking, Private Equity, Auditing, Venture Capital and Business Development	Audit, Risk & Compliance Committee	7	7
Mr ZC Ngidi	Non-executive Board Member	15/11/2017	BA (Law) and LLB	Legal, corporate governance and labour	Member of HR, Social & Ethics Committee (Chairperson from 29/03/2019)	7	7
Mr KS Shandu	Non-executive Board Member	15/11/2017	National Diploma (Chemical Engineering)	Business management and community development	Trade and Investment Committee	7	7
Mr NST Matjie	Ex-Officio	01/10/2018	MSc Investment Promotion & Econ., Post-graduate Dip. Business Management, BA Comm	Trade and investment, export, business management, policy advocacy, governance	Attends all Board and Committee Meetings	7	6
Ms L Nyamande	Ex-Officio		BSc Politics and Administration B Com Accounting Honours Bachelor of Accounting Science				
Ms F Pupuma	Shareholder Representative		MA Social Policy (Urban Development) B. Admin (Economics and Industrial Psychology)				
Ms B Mapisa	Shareholder Representative		B Compt, B Comm Honours, CA (SA)				

**BOARD COMMITTEES:**

The Board has delegated specific functions to its well-structured Committees, without abdicating its own responsibilities.

The delegation is recorded by formally-approved Terms of Reference for each committee, which are reviewed annually to ensure their effectiveness and relevance.

The committees are appropriately constituted with due regard to the skills required by each. The Board effectively monitors the activities of its sub-committees through comprehensive reports which are tabled at every meeting of the Board.

Trade & Investment KwaZulu-Natal has the following established Board Committees: the Audit, Risk and Compliance Committee, Human Resources, Social and Ethics Committee and the Trade and Investment Committee.

During the year under review, the Board also established a Board Selection Committee (an ad hoc Committee) to assist with the recruitment and selection process for the position of Chief Executive Officer.

The Board Selection Committee comprised the Board Chairperson and the Chairpersons of the Board Sub-committees, given that they constituted a holistic representation of the Board.

The Committee met six times during the review period to assist the Board in the discharge of its duties regarding the recruitment and selection process surrounding the Chief Executive Officer.

The Board, in consultation with the MEC for the Department of Economic Development, Tourism and Environmental Affairs, resolved to appoint Mr Neville Matjie as Chief Executive Officer, with effect from 01 October 2018, for a period of five years.

**Board Committee Membership and Attendance**

NAME OF BOARD MEMBERS	COMMITTEE MEETINGS						AD-HOC COMMITTEE	
	AUDIT, RISK AND COMPLIANCE		HUMAN RESOURCES, SOCIAL AND ETHICS		TRADE AND INVESTMENT		BOARD SELECTION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Ms CM Cronjé*			2	2			6	6
Mrs LGZ Cele	7	7					6	6
Mr MC Ngcobo	7	7						
Ms U Maharaj	7	6	5	5				
Mr CS Gina (Deceased 28/01/2019)			5	4			6	6
Mr ZC Ngidi**			5	5			1	1
Mr S Naidoo**			5	4			1	1
Mr GW Bell					3	3	6	6
Mr DB Dlamini					3	3		
Dr VF Mahlali					3	1		
Mr SK Mpungose					3	3		
Mr KS Shandu					3	2		

\* Attended X2 HRSEC meetings on invitation from the HRSEC Chairperson  
\*\* HRSEC members attended the first meeting of the Board Selection Committee by invitation from the Committee Chairperson

# 13 CORPORATE GOVERNANCE STATEMENT CONTINUED

## HUMAN RESOURCES, SOCIAL AND ETHICS COMMITTEE:

The role of the Committee is to assist the Board with the oversight of social and ethical matters relating to Trade & Investment KwaZulu-Natal, together with human resources matters relating to the attraction, retention, succession planning, training, development and remuneration of talent. The Committee has an independent role, with accountability to the Board, and operates as an overseer, making recommendations to the Board for its consideration and final approval.

The responsibilities of the Committee are recorded in its Terms of Reference and are summarised as follows:

- Evaluate and monitor the human resources policies regularly in order to ensure that policies remain up-to-date with the latest legislative requirements;
- Recommend Trade & Investment KwaZulu-Natal staffing requirements by regularly monitoring the organisation's staffing structure, ensuring it remains in line with the organisation's strategic plan and employment equity targets;
- Evaluate and monitor the performance management policy and implementation thereof on a regular basis in order to ensure that conditions are kept up-to-date with latest developments;
- Monitor the implementation of the performance management system;
- Deal with remuneration and incentives;
- Monitor Trade & Investment KwaZulu-Natal's activities regarding any relevant legislation, other legal requirements or prevailing codes of best practice pertaining to matters relating to social and economic development, as well as good corporate citizenship, including Trade & Investment KwaZulu-Natal's:
  - Promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - Contribution towards the development of communities in which its activities are predominantly conducted or within which its products and services are predominantly marketed; and
  - Record of sponsorship, donations and charitable giving.
- Monitor the environment, health and public safety, including the impact of the organisation's activities and its products or services on such issues;
- Monitor stakeholder relationships;
- Monitor labour and employment, inclusive of drawing matters within its mandate to the attention of the Board, as required;
- Monitor ethics and compliance with laws and regulations relevant to the Committee's areas of responsibility; and
- Ensure that the matter of ethics within Trade & Investment KwaZulu-Natal is managed in a manner that supports the establishment of an ethical culture.

The Committee met five times during the course of the year under review, of which two were special meetings. Key activities undertaken by the Committee during the review period included, inter alia:

- Development of an Ethics Strategy Implementation Plan. The Ethics Strategy, which provides a broad outline of the focus areas and activities for the management of ethics within Trade & Investment KwaZulu-Natal, was approved in the 2017/18 financial year and the Implementation Plan was accordingly developed to assist with the implementation of the approved strategy;
- Consistent with the activities contained in the Ethics Strategy Implementation Plan, Trade & Investment KwaZulu-Natal's values were translated into an aspirational statement of strategic ethical intent, which was aimed at creating an environment that encourages ethical behaviour;
- Consistent with the organisation's objective of aligning with both provincial and national B-BBEE mandates in implementing Broad-Based Black Economic Empowerment initiatives to positively impact on the lives of the broader community in which it operates, its employees and all other stakeholders, Trade & Investment KwaZulu-Natal's Broad-Based Economic Empowerment Strategy (Transformation Strategy) was developed and approved by the Board. The strategy will guide the organisation towards ensuring the achievement and promotion of economic transformation through its operational activities;
- Development and approval of the Trade Union Recognition Policy by the Board, which seeks to clarify the different circumstances in which Trade & Investment KwaZulu-Natal will grant organisational rights or recognise a Trade Union, chosen by its employees from time to time;
- Review quarterly reports regarding 'whistle-blowing' activities;
- Review quarterly B-BBEE reports, which provide an update of the procurement spend with Black Economic Empowerment (BEE) companies and BEE-compliant companies;
- Fill critical vacant positions, such as the appointment of the General Manager: Human Resources (transformation);

- Review and make significant recommendations regarding organisational performance to the Board, shifting into high performance;
- Review various human resources policies and review and recommend new policies to the Board; and
- Review the Committee's performance, with the assistance of an independent consultant, Busara Leadership Partners, during the financial year under review. The Committee's review covered the following focus areas:
  - An evaluation of the Committee's performance and efficacy on its advisory role to the Board and Management;
  - A review of the Committee's Terms of Reference;
  - A measure of the Committee's balance in performing its function pertaining to human resources, as well as to social and ethics matters; and
  - A workshop session which was facilitated by the Committee in order to set priority areas of focus in support of the organisation's mandate. The performance review resulted in a detailed output report, which made sound recommendations that had an impact on the review of the Committee's Terms of Reference and a recommended comprehensive work plan for the Committee.

#### **TRADE AND INVESTMENT COMMITTEE:**

The role of the Committee is to assist the Board with the oversight of the execution of the trade and investment mandate and related activities of the entity, such as:

- Business operational strategy and policy advocacy, investment promotion and facilitation, export development and promotion, business retention and expansion, research and innovation enterprise development and organisational performance monitoring;
- Advice to and support for the Export and Investment Promotion Operational Business Units in the fulfilment of the organisation's mandate and their key objectives; and
- Present to the Board new proposals relating to trade and investment initiatives.

The Committee has an independent role, operating as an overseer, making recommendations to the Board for its consideration and final approval. The Committee's key responsibilities, as contained in its Terms of Reference, include, inter alia:

- Providing strategic direction to and support for the development and implementation of trade and investment strategies for Trade & Investment KwaZulu-Natal; and
- Monitoring and overseeing the entity's activities

with regard to:

- Reviewing and monitoring organisational performance;
- Implementing One-Stop-Shop services in promoting the ease of doing business;
- Developing and managing partnerships;
- Investment promotion and facilitation;
- Export Development and Promotion;
- Research and information; and
- Policy advocacy and operational efficiency.

During the year under review, the Committee held three ordinary meetings and considered presentations and reports on the following:

- Development of an Enterprise Development Framework and its Implementation Plan, which was approved by the Board. The framework enables co-ordination and orientation, and provides guidance regarding Trade & Investment KwaZulu-Natal's support intervention programmes for small enterprise development in the province;
- Drafted KwaZulu-Natal Integrated Trade and Investment Strategy, which was considered and endorsed by the Board. This is a provincial strategy aimed at boosting export trade and investment within KwaZulu-Natal and increasing provincial growth and development, thus assisting to reduce poverty and inequality and create employment;
- Reviewed progress reports in terms of the implementation of the National Department of Tourism projects;
- Developed a KwaZulu-Natal International Investment and Trade Outreach programme and plan for 2018/19;
- Conceptualised KwaZulu-Natal Export Week 2018 and developed a post-event report;
- Reviewed quarterly organisational performance reports;
- Presented presentations on business studies/ value chain analyses, such as the Electronic Refurbishment Initiative, KwaZulu-Natal Halaal Initiative, Red Meat (Beef) Sector Analysis, inclusive of the KwaZulu-Natal Red Meat (Beef) Sector Transformation Paper;
- Presented a presentation on the state of the sugar industry in South Africa;
- Reviewed the Decision Support Model tool and its effectiveness;
- Reviewed the Committee's Terms of Reference and recommended revised Terms of Reference to the Board for approval; and
- Developed the Trade & Investment KwaZulu-Natal Business Support Fund Policy to manage the implementation of the Business Support Fund provided by the Department of Economic Development, Tourism and

# 13 CORPORATE GOVERNANCE STATEMENT CONTINUED

Environmental Affairs to assist with the retention and expansion of businesses in KwaZulu-Natal. The Policy explores support intervention measures that the organisation might utilise to rescue distressed manufacturing companies and support business expansions in order to stimulate economic growth and avert de-industrialisation. This policy is still under review and will be approved by the Board during the 2019/20 financial year.

in line with National Treasury guidelines regarding Board remuneration.

Trade & Investment KwaZulu-Natal schedules five Board meetings per annum and members are remunerated for attendance at such scheduled Board and/or quarterly Board committee meetings. Board members are also reimbursed for travel and related expenses in line with the entity's subsistence and travel policy.

## REMUNERATION OF BOARD MEMBERS:

The Board is remunerated in terms of a directive issued by the MEC for the Department of Economic Development, Tourism and Environmental Affairs,

Members of the Board are paid a retainer fee quarterly and for special meetings are paid at an hourly rate.

NAME	REMUNERATION (R)	TRAVEL AND OTHER ALLOWANCE (R)	TOTAL (R)
Ms CM Cronjé	543 182	47 530	590 712
Ms LCZ Cele	454 043	15 798	469 841
Mr GW Bell	163 915	-	163 915
Mr DB Dlamini	131 716	15 396	147 112
Mr CS Gina (Deceased 28/01/2019)	164 281	30 614	194 895
Ms U Maharaj	197 895	18 457	216 352
Dr VF Mahlati	72 192	-	72 192
Mr SK Mpungose	127 800	-	127 800
Mr S Naidoo	135 092	-	135 092
Mr MC Ngcobo	156 286	-	156 286
Mr ZC Ngidi	132 281	5 104	137 385
Mr KS Shandu	139 284	1 227	140 511

## RISK MANAGEMENT:

A disciplined approach to evaluating risks and developing appropriate strategies to mitigate and manage risk is adopted by Trade & Investment KwaZulu-Natal.

Risk management methodology is considered by the Audit, Risk and Compliance Committee, and enhancements during the 2018/19 financial year were recommended and adopted.

The Board is responsible for the oversight of risk management and has delegated this responsibility to the Audit, Risk and Compliance Committee. This Committee is responsible for ensuring that Trade & Investment KwaZulu-Natal has implemented an effective policy and plan to manage risk, and disclosure regarding risk is comprehensive, timely

and relevant.

Whilst the line Managers of the organisation's Business Units assume primary responsibility for identifying and managing risks inherent to the operations of their Units, the Audit, Risk and Compliance Committee reviews risk management strategies, policies and procedures, so ensuring that they remain appropriate. The Committee advises the Board and management with regard to the entity's risk management and also independently monitors the effectiveness of the system of risk management.

Trade & Investment KwaZulu-Natal annually conducts a risk assessment designed to determine the effectiveness of its risk management strategy and to identify new and emerging significant risks



which could hinder the achievement of its strategic objectives.

Risk management, or mitigation strategies adopted in an effort to strengthen the control environment for the identified risks within the organisation, are implemented and monitored by management, with the assistance of internal audit, which body provides assurance to both the Audit, Risk and Compliance Committee and Board, on a quarterly basis, in terms of the effectiveness and efficiencies of such controls. The entity's management of risk is maturing steadily.

#### **INTERNAL CONTROL UNIT:**

The key to effective internal control mechanisms is seen as regular management reporting.

In this regard, the Chief Financial Officer is responsible for reporting, on a quarterly basis, on the operations of the financial and accounting control frameworks. In addition, the Board receives assurance from the Audit, Risk and Compliance Committee, which derives its information through regular audit reports relating to risk and internal control across the organisation.

During the year under review, several initiatives were undertaken to ensure enhanced internal control. These included:

- An annual review of all finance policies and procedures;
- The implementation of action plans for internal and external audit findings;
- Compliance with policies and procedures within the prescribed accounting framework;
- A review of the controls designed to ensure that assets are safeguarded; and
- A review of risk management and related policies.

#### **INTERNAL AUDIT:**

The Audit, Risk and Compliance Committee assumes responsibility for ensuring that the internal audit function is independent and enjoys the requisite resources, standing and authority within the entity to enable it to effectively discharge its duties.

Internal audit's role is clearly outlined in both the Terms of Reference pertaining to the Audit, Risk and Compliance Committee and the Internal Audit Charter.

The Committee oversees interaction between internal audit, external audit and management, ensuring that these relationships remain productive and add value to the organisation.

The Audit, Risk and Compliance Committee is also charged with monitoring, guiding and supervising the functioning of internal audit, so ensuring that the services of both internal and external audit are adequately clarified and co-ordinated. This provides an objective overview of the entity's operating systems of internal control and reporting.

In terms of the period under review, these included:

- Approval of the internal audit plan and work undertaken by internal audit towards ensuring that appropriate action plans are in place to mitigate risks on matters reported to the Audit, Risk and Compliance Committee;
- A review of the Internal Audit Charter;
- A review of the adequacy of corrective action taken in response to significant internal audit findings;
- A review of significant matters reported by the internal audit function;
- An assessment of the adequacy of the performance of the internal audit function;
- A review of co-operation and co-ordination between the internal and external audit functions; and
- An evaluation of the independence and effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Audit.

Internal audits undertaken during the 2018/19 financial year included:

- An Annual Financial Statements review;
- An Interim Financial Statements review;
- Human Resource Management;
- A follow-up review with regard to Asset Management and Supply Chain Management;
- Knowledge Management; and
- Performance Information.

#### **AUDIT, RISK AND COMPLIANCE COMMITTEE:**

The Audit, Risk and Compliance Committee comprises a minimum of three Non-executive members, appointed from the Board. The primary function of the Committee is to assist the Board in fulfilling its oversight functions with regard to the PFMA, inclusive of ensuring the integrity of financial reporting and the audit process, together with the maintenance of sound risk management and internal control systems.

In pursuit of these objectives, the Committee oversees relations with external auditors, the scope of work, the annual audit and the applicable levels of materiality. The Committee monitors development in corporate governance, so ensuring that the organisation continues applying

# 13 CORPORATE GOVERNANCE STATEMENT CONTINUED

high and appropriate standards. The Committee's primary functions involve, inter alia, reviewing and recommending to the Board the following:

- An examination and review of the Annual Financial Statements with management and the external auditors, so as to ensure that they are complete and consistent with information provided to them, prior to submission to the regulators;
- The effectiveness of the organisation's internal control system and information technology security and control;
- The control procedures followed by management and an assessment of their effectiveness, such as safeguarding organisational assets;
- The implementation of a fraud and prevention plan for the detection of fraud;
- An annual review of the risk management plan and related policies and framework;
- Compliance with the prescribed accounting framework, legal, statutory and regulatory matters;
- A review of the external auditors' proposed audit scope, approach and the co-ordination of the audit undertaking with an internal audit;
- A review and confirmation of the independence of the external auditors;
- A review and assessment of the adequacy of the Internal Audit Charter and Audit, Risk and Compliance Committee's Terms of Reference on an annual basis;
- The execution of all responsibilities, as outlined in the Audit, Risk and Compliance Committee's Terms of Reference; and
- An evaluation of the Committee's and individual member's performance on a regular basis.

The following table reflects relevant information regarding the Audit, Risk and Compliance Committee members.

NAME	QUALIFICATIONS	INTERNAL/ EXTERNAL	IF INTERNAL, POSITION IN PUBLIC ENTITY	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
Ms LCZ Cele	B.Com; Post-graduate Diploma Tax; Executive Leadership Dev. Programme; MAcc (Taxation)	Internal	Independent Non-executive Board member	7	7
Ms U Maharaj	B.Acct Honours; Post-Graduate Diploma Accounting Chartered Accountant	Internal	Independent Non-executive Board member	7	6
Mr MC Ngcobo	B.Com Accounting Honours; Chartered Accountant	Internal	Independent Non-executive Board member	7	7

#### COMPANY SECRETARY:

Trade & Investment KwaZulu-Natal's Company Secretary assumes responsibility for ensuring that Board procedures and all regulatory and governance codes are correctly observed.

Functions include, inter alia:

- Being the central source of guidance and advice to Board members and within the entity regarding matters of good governance and changes in legislation, compliance and the members' fiduciary responsibilities;
- Being responsible for Board and Committee Charters; and
- Being responsible for the preparation of annual work plans and meeting schedules, Board induction, orientation and the ongoing training and development of Board members, as well as

the facilitation of Board evaluations.

The Company Secretary also acts as the secretariat to the Board and its Committees and undertakes the preparation of meeting agendas, the circulation of Board and Committee papers and ensures that accurate records of Minutes are maintained.

#### COMPLIANCE WITH LAWS AND REGULATIONS:

The Board assumes overall responsibility for ensuring that the organisation complies with all applicable laws and regulations.

The Board has delegated this responsibility to the Audit, Risk and Compliance Committee, charging it with ensuring that the task is correctly and appropriately executed. In this respect, the

Company Secretary provides assistance to the Audit, Risk and Compliance Committee in terms of monitoring the entity's compliance with all relevant laws and regulations and that such compliance is considered by the internal audit function, as well as by the Audit, Risk and Compliance Committee.

Compliance with the KwaZulu-Natal Trade & Investment Agency Act received close attention during the 2018/19 financial year, together with attention being paid to adherence to the PFMA and Treasury Regulations.

Regular compliance updates are submitted to the Audit, Risk and Compliance Committee through detailed legal and regulatory compliance checklists which are designed to properly assess the organisation's level of compliance with relevant laws, regulations, codes and standards. This ensures that where non-compliance is detected, in terms of internal controls, corrective measures may be implemented so addressing weaknesses in a timely manner. Organisational policies are reviewed annually, ensuring alignment with legislation, whilst also giving effect to adequate governance and operational effectiveness.

#### **FRAUD AND CORRUPTION:**

The highest ethical standards of business conduct are employed by Trade & Investment KwaZulu-Natal.

The organisation has in place a set of values, together with a Code of Business Conduct, contained in the organisation's Code of Ethics Policy. Accordingly, members of staff are required to display integrity, respect and openness in all their business dealings. This also vests in them both the right and obligation to challenge those who fail to live up to these values.

Trade & Investment KwaZulu-Natal also has in place an approved Fraud Prevention Policy and Plan, together with a whistle-blowing policy. Together, these policies provide the means by which employees and external stakeholders may raise concerns, either through the relevant line manager or via the externally-driven Tip-Offs Anonymous hotline, if they have reasonable grounds to believe that irregular activities exist involving the organisation. The whistle-blowing hotline is managed by Deloitte & Touché and the hotline may be used to report any offence or suspected fraudulent activity without fear of occupational detriment and/or victimisation.

Further, members of the Board and members of the organisation's staff are required to make annual declarations regarding any financial and business

interests they may have.

Both the Human Resources, Social and Ethics Committee and the Audit, Risk and Compliance Committee perform an oversight role with regard to issues of fraud and corruption, whilst also being responsible for the implementation and maintenance of the organisation's Fraud Prevention Plan.

#### **CONFLICTS OF INTEREST:**

On an annual basis, both Board members and staff members are obliged to provide a declaration of their financial and business interests.

At every Board and Committee meeting, a second-stage of declaration is applied with regard to potential conflict of interest in terms of matters on the Agenda for the meeting. In this regard, each Board member is required to complete a Declaration of Interest form prior to meetings.

Should a conflict of interest occur, the affected Board member may not vote on any matter in which that individual has an interest.

Additionally, the Board member is recused from any meeting where such matters may be discussed. A register of declarations of interest is maintained by the Company Secretary and is updated on an annual basis.

Management team members and members of staff are encouraged to disclose any gifts they may receive. Such disclosures are entered into the organisation's Gift Registry, which is managed by the Chief Financial Officer. With regard to external parties, Trade & Investment KwaZulu-Natal's procurement processes require that potential service providers complete and sign forms indicating any conflicts of interest in the process or any linkages they may have with a member of Trade & Investment KwaZulu-Natal's staff.

#### **HEALTH, SAFETY AND ENVIRONMENTAL ISSUES:**

Trade & Investment KwaZulu-Natal maintains a close watch on matters of health, safety and the environment which might impact on its business operations.

The organisation's Environmental Management Policy provides guidelines reflecting its commitment to environmental protection and complete adherence to sound health and safety practices, as well as the safeguarding of the organisation's image, credibility and sustainability as a responsible and reputable corporate citizen within KwaZulu-Natal.

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# HUMAN RESOURCE MANAGEMENT

Through the delivery of sound human resource services, approaches and practices, Trade & Investment KwaZulu-Natal remains committed to the attraction, development and retention of talent.

# 14 HUMAN RESOURCE STATISTICS

## OVERVIEW OF HUMAN RESOURCE MATTERS:

The Human Resource Business Unit is concerned with the attraction, development and retention of talent.

The organisation's human resources strategy aims at creating an environment suitable for the achievement of this objective. Policies are designed such that total inclusion and buy-in from members of staff is secured through a genuine consultation process during their formulation.

The Unit's continued commitment to providing leading human resources services, approaches and practices through a concrete plan, or roadmap, positions the organisation as a good benchmark point for other entities.

Every effort is made to develop and motivate members of staff as a means of ensuring the achievement of the organisation's goals and objectives. People development is achieved via individual training programmes, succession planning, career path development and a comprehensive performance management system.

Crucially, the development of staff members remains a priority given the shortage of skills in the investment promotion space and, to this effect, the period under review saw the development of critical competencies, giving effect to a number of staff members embarking on training activities in the fields of project packaging, financial modelling, market intelligence, business report-writing and the like.

## SKILLS DEVELOPMENT:

Skills development is core to ensuring that competencies are enhanced on an ongoing basis within the organisation. This ensures that members of staff are developed to a level where they are more than capable of delivering against the organisational mandate. The achievement of the organisational objectives will, therefore, always be driven by the capabilities of the organisation's staff team.

Importantly in this respect, the organisation budgeted R979 651 for skills development, meeting a most credible 95% of the target set. This amount represents almost 3% of the personnel budget and was invested in areas identified through performance reviews, whose outcomes formed the basis for the development of the training plan. Such areas included managing in a unionised environment - which brought together management and the union - project financial modelling, pharmaceutical industry medicine registration and financial management for engineers and project managers.

A percentage of this was also allocated to the continuation of studies, which provides opportunities for staff to further enhance their knowledge-base.

A training feedback template was developed, allowing for post-training reporting by participants, thus providing for the recording of feedback, the monitoring of progress and, crucially, return on investment.

The recent promotion of certain members of staff into more senior positions may be attributed, in no small measure, to the emphasis the organisation places on staff development.

## HUMAN RESOURCES PRIORITIES:

Priorities embedded in the organisation's human resources strategy address both short and long-term organisational challenges including:

- ISO 9001 accreditation;
- Remuneration strategy;
- Organisational capacity/workforce planning;
- Performance management;
- Change management processes;
- Skills development; and
- Job profiling.

## ORGANISATIONAL CAPACITY/WORKFORCE PLANNING:

During the past two years, the organisation has struggled with limited capacity and the review period proved to be no different.

Necessary cost control measures continued putting a strain on the ability to effectively facilitate manpower planning. Requests to fill 10 positions were submitted during the period resulted in eight receiving approval. This provided a degree of relief, although gaps which had existed for some three years remained a challenge.

The gravity of the organisational capacity situation cannot be over-emphasised and while cost control measures are regarded as being necessary, they have impeded the organisation's ability to recruit top talent and resulted in the need for strategies revolving around the best utilisation of existing members of staff. A number of initiatives were implemented, ensuring that the organisation was able to continue delivering against its mandate and business objectives, in spite of staff constraints faced.

Such initiatives included staff rotation, where possible, the transfer and distribution of workloads amongst certain staff members and the implementation of acting positions involving a number of members of staff. The pressure such interventions placed on the organisation is

undeniable, but - from a positive perspective - they did create opportunities for a number of members of staff.

### **STRATEGIC ALIGNMENT AND CHANGE MANAGEMENT PROCESS:**

The organisation's Change Management Process, internally referred to the Continuous Improvement Process, continued designing, implementing, facilitating and supporting comprehensive and sustainable organisational alignment, enhancing its ability to deliver against its mandate and strategy.

In essence, the process involves working interactively with the social (human) platform of the organisation and the business, or technical platform. The focus is directed on becoming a high-performance enterprise, through the entrenchment of a high-performance culture and the promotion of high-performance teams. This is a process of substantial introspection, engagement, envisioning and planning at every level; a process which, ultimately, allows for a 'transformational dynamic'.

The empowerment of internal facilitators has sought to ensure the transfer of skills in terms of process technology. A number of challenges identified ahead of the process implementation were successfully addressed and progress is being closely monitored to ensure sustainability.

### **EMPLOYEE WELLNESS PROGRAMME:**

Trade & Investment KwaZulu-Natal has in place a comprehensive Wellness Programme, which continued to play a vital role in ensuring that staff members lived a healthy and balanced life during the course of the 2018/19 financial year.

Wellness in the workplace is vital, given the challenging demands of the prevailing operating environment, combined with staff shortages. We acknowledge that many members of staff have gone well beyond their normal duties in the quest to meet expectations and, importantly, targets. This can take its toll on the health of individuals.

Given earlier identification of poor eating habits and weight issues within the organisation's staff complement, Trade & Investment KwaZulu-Natal introduced a series of voluntary physical activities.

Our wellness programme continues to gain momentum and creates a high level of awareness amongst our employees around the issues of health. A recent report produced by Careways has provided statistics that are a demonstration that the employees continue to take the programme seriously and appreciate the support provided by management.

Testimony to this is the increased number of employees that participated in health screenings, especially with regard to HIV Testing.

The report has identified areas that require attention. Amongst these, is the issue of weight. As a strategy of addressing this, Weighless has been introduced as an intervention to mitigate concerns.

Going forward, a number of focus areas have been identified for implementation in order to further enhance the overall health of the organisation's members of staff. These include:

- Health risk screenings;
- Marketing and communication of health-related topics;
- Psycho-social and behaviour change programmes;
- Physical activities/campaigns; and
- Mental and spiritual well-being.

### **POLICY DEVELOPMENT:**

The organisation believes that well-developed policies form part of the organisation's retention strategy, ensuring - as they do - compliance, whilst also being user-friendly.

### **ACHIEVEMENTS:**

- It is pleasing to note that despite the challenges in obtaining approval for recruitment, a total of five positions were filled in the review period.

### **CHALLENGES:**

- Vacant positions continue to challenge the organisation's ability to operate optimally.

### **FUTURE HUMAN RESOURCES PLANS:**

- Implementation of an ISO 9001 Quality Management System;
- Implementation of a Succession Plan;
- Review of policies;
- Recruitment of personnel in critical and approved positions; and
- Active or vigorous marketing of the Trade, Investment Promotion and Economic Development programme.

### **TRAINING AND DEVELOPMENT:**

A number of members of staff were identified for training interventions during the 2018/19 financial year. Such interventions were identified and acted upon during performance appraisals and then included in the organisation's Workplace Skills Plan.

### **HUMAN RESOURCE OVERSIGHT STATISTICS:**

The following tables reflect Trade & Investment KwaZulu-Natal's human resources statistics for the 2018/19 financial year.

# 14 HUMAN RESOURCE STATISTICS

TRAINING INTERVENTIONS			
PROGRAMME/ACTIVITY/OBJECTIVE	AVERAGE TRAINING COST PER EMPLOYEE	NO. OF EMPLOYEES TRAINED	TRAINING EXPENDITURE
Trade and Investment Promotion and Economic Development Programme	R15 130	3	R45 390
Certified Information Systems Security Professional Course	R17 819	1	R17 819
Introduction to Good Manufacturing Practices in the Pharmaceutical Industry	R2 300	1	R2 300
Pharmaceutical Industry Medicine Registration - Part 2	R17 500	1	R17 500
Managing a Unionised Environment	R6 780	10	R67 800
Introduction to SAMTRAC	R8 180	1	R8 180
SAMTRAC - Part 2	R18 360	1	R18 360
Ethics Officer Certification	R30 763	1	R30 763
Financial Management for Engineers and Project Managers	R8 232	6	R49 392
Advanced Excel and Financial Modelling	R14 145	2	R28 290
Facilities Management	R22 857	1	R22 857
Business Writing and Presentation Skills	R8 550	1	R8 550
Introduction to Computers MS WORD, EXCEL, OUTLOOK	R5 060	1	R5 060
Skills Development Facilitation	R5 865	1	R5 865
Office Best Practice Training Executive/PAs Secretaries and Administrators	R7 999	1	R7 999
Community Relations Development Communication	R8 772	2	R17 544
Project Financial Modelling	R20 999	2	R41 998
Transformational Leadership and Change Management Training	R27 840	1	R27 840
Premier Payroll Basic	R7 516	1	R7 516

PIVOTAL TRAINING		
		COST
Master's in Business Administration	MANCOSA	R73 505
Master's in Business Administration	University of KwaZulu-Natal	R72 640
Diploma in International Trade Management for Exports	ITRISA	R29 411
Bachelor of Public Administration	MANCOSA	R41 220
CIMA	Chartered Institute of Management Accountants	R37 150
PhD in Foreign Direct Investment	University of Stellenbosch	R13 938
Advanced Project Management	University of Cape Town	R10 845
PhD in Agriculture	University of KwaZulu-Natal	R36 960
BCOM Financial Management	MANCOSA	R15 807
BA in Disaster Management	Lyceum College	R16 980
Foundation Project Management	University of Cape Town	R14 900



EMPLOYMENT AND VACANCIES			
PROGRAMME/ACTIVITY/OBJECTIVE	2018/19 APPROVED POSTS	2018/19 NO. OF EMPLOYEES	2018/19 VACANCIES
Office of the Chief Executive Officer and Gauteng Office	11	5	6
Knowledge Management	9	6	3
Investment Promotion and Business Retention	17	12	5
Finance	9	8	1
Corporate Services (Marketing and Human Resources)	11	9	2
Export Development and Promotion	8	6	2

EMPLOYMENT AND VACANCIES			
PROGRAMME/ACTIVITY/OBJECTIVE	APPROVED POSTS	NO. OF EMPLOYEES	VACANCIES
Top management	7	5	2
Senior management	5	4	1
Professionally qualified	18	13	5
Skilled	26	16	10
Semi-skilled	8	7	1
Unskilled	1	1	0
<b>TOTAL</b>	<b>65</b>	<b>46</b>	<b>19</b>

EMPLOYMENT CHANGES			
SALARY BAND	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF THE PERIOD
Top management	1	1	5
Senior management	2	0	4
Professionally qualified	1	2	13
Skilled	2	1	16
Semi-skilled	0	0	7
Unskilled	0	0	1
<b>TOTAL</b>	<b>6</b>	<b>4</b>	<b>46</b>

REASON FOR LEAVING	
REASON	NUMBER
Death	0
Resignation	1
Dismissal	0
Retirement	0
Ill-health	0
Expiry of contract	0
<b>TOTAL</b>	<b>1</b>

LABOUR RELATIONS - MISCONDUCT AND DISCIPLINARY ACTION	
NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	0
Written warning	0
Final written warning	0
Disciplinary Action	0
Dismissal	0
<b>TOTAL</b>	<b>0</b>

# 14 HUMAN RESOURCE STATISTICS

## EQUITY TARGET AND EMPLOYMENT EQUITY STATUS:

Workforce profile for all employees, including people with disabilities

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top management	2	2	0	0	1	0	0	0	0	0	5
Senior management	1	0	1	0	2	0	0	0	0	0	4
Professionally qualified and experienced specialists and mid-management	3	2	1	1	4	0	1	1	0	0	13
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	1	1	1	1	7	0	4	1	0	0	16
Semi-skilled and discretionary decision-making	0	0	0	0	3	0	3	1	0	0	7
Unskilled and defined-decision making	0	0	0	0	1	0	0	0	0	0	1
<b>TOTAL PERMANENT</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>18</b>	<b>0</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>46</b>
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
<b>GRAND TOTAL</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>18</b>	<b>0</b>	<b>8</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>46</b>



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INVESTMENT AND  
TRADE DEVELOPMENT

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# ANNUAL FINANCIAL STATEMENTS

# 15 GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Legal form of entity	Schedule 3C PFMA - Provincial Public Entity established in terms of the Trade and Investment Act No.5 of 2010
Nature of business and principal activities	Trade and Investment Promotion Agency
Board Chairperson	Ms CM Cronjé
Registered office	Trade & Investment House 1 Arundel Close Kingsmead Office Park Durban, 4000
Business address	Trade & Investment House 1 Arundel Close Kingsmead Office Park Durban, 4000
Postal address	Trade & Investment KwaZulu-Natal PO Box 4245 Durban, 4000
Bankers	The Standard Bank of South Africa Limited
Auditors	Auditor-General of South Africa
Secretary	Ms NNC Gumbi
Company registration number	KwaZulu-Natal Trade and Investment Agency Act, 2010 (Act No.5 of 2010)
Preparer	The financial statements were internally compiled by: Ms Lingiwe Nyamande Chief Financial Officer

The reports and statements set out below comprise the consolidated Annual Financial Statements to be presented to the Provincial Legislature:

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# 16 BOARD'S RESPONSIBILITIES AND APPROVAL

The Members of the Board are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the responsibility of the Members of the Board to ensure that the Annual Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The Annual Financial Statements have been prepared in accordance with prescribed South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The Annual Financial Statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Members of the Board acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment.

To enable the Members of the Board to meet these responsibilities, they ensure that the entity complies with best standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk is maintained.

These controls are monitored throughout the entity and all employees are required to maintain the highest

ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is identifying, assessing, managing and monitoring all known forms of risk across the entity. Whilst operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Members of the Board are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements. However any system of internal financial control can provide only reasonable and not absolute assurance against material misstatements.

The entity is wholly dependent on the Department of Economic Development, Tourism and Environmental Affairs for continued funding of its operations. The Annual Financial Statements are prepared on the basis that the entity is a going concern and that the Provincial Government has neither the intention nor the need to liquidate or curtail materially the scale of operation.

Although the Members of the Board are primarily responsible for the financial affairs of the entity, they are supported by the entity's internal auditors.

The external auditors are responsible for the audit of the entity's Annual Financial Statements and reporting at year end.

The Annual Financial Statements set out on pages 83 to 124, which have been prepared on the going concern basis, were approved by the Members of the Board.



**Ms Ina Cronjé**  
Board Chairperson  
Trade & Investment KwaZulu-Natal

# 17 AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial period ended 31 March 2019.

## AUDIT COMMITTEE RESPONSIBILITY, MEMBERSHIP AND ATTENDANCE

The entity has a functional Audit, Risk and Compliance Committee which oversees the audit, risk management and compliance functions including IT risk.

The primary role of the Committee is to ensure integrity of financial reporting and audit processes and maintaining sound risk management and internal controls.

The Committee has a formal Terms of Reference

which are reviewed annually and has regulated its affairs in compliance with Section 51 (1)(a)(ii) of the Public Finance Management Act (PFMA) and Treasury Regulation 27.1. The Committee comprises three independent non-executive members: Ms LCZ Cele (Chairperson), Ms U Maharaj and Mr MC Ngcobo who are appointed by the Board.

The Audit Committee reports that it has discharged its responsibilities as stipulated in Section 38(10) (1) of the PFMA of 1999 and Treasury Regulation Section 3.1. The table below discloses relevant information on the Audit, Risk and Compliance Committee members:

NAME	QUALIFICATIONS	INTERNAL/EXTERNAL	IF INTERNAL, POSITION IN PUBLIC ENTITY	NO. OF ORDINARY MEETINGS ATTENDED	NO. OF SPECIAL MEETINGS ATTENDED
Ms LCZ Cele	MAcc, Taxation	Internal	Independent Non-Executive Board Member	4/4	3/3
Ms U Maharaj	CA (SA)	Internal	Independent Non-Executive Board Member	4/4	2/3
Mr MC Ngcobo	CA (SA)	Internal	Independent Non-Executive Board Member	4/4	3/3

## THE EFFECTIVENESS OF INTERNAL CONTROLS

The Audit Committee is responsible for overseeing the following:

### ASSESSING THE EFFECTIVENESS OF INTERNAL CONTROLS:

- The Committee is tasked with ensuring that the entity has adequate and effective systems of internal controls, risk management and information technology;
- Controls to ensure that assets are safeguarded adequately;
- Fraud and prevention plan is implemented to detect fraud;
- Assess the scope of the work covered by Internal Auditors;
- Ensuring that the entity adheres to best practice which is in line with the PFMA of 1999 and the King IV Report on Corporate Governance which require that management maintains and enforces strict internal controls. These are achieved by means of the implementation of a risk management process, as well as the identification of corrective actions, suggestions and enhancements to the controls and processes;
- The Committee also reviews various reports issued by the Internal Auditors, and the

Management Report of the Auditor-General South Africa, in order to identify any matters that were reported that indicate any material deficiencies in the system of internal controls or any deviations therefrom;

- The quality of in year monitoring and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act. The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the entity during the period under review; and
- The Committee can report that the system of internal control over financial reporting for the period under review was efficient and effective.

## EVALUATION OF ANNUAL FINANCIAL STATEMENTS:

The Audit Committee has:

- Reviewed the audited Annual Financial Statements included in the Annual Report with the Auditor-General South Africa; internal auditors and the Chief Executive Officer;
- Reviewed the Auditor-General of South Africa's Management report thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions; and



- Reviewed significant adjustments and noted the nature of the transactions and ensured that these were dealt with appropriately.

#### **INTERNAL AUDIT:**

- OMA Chartered Accountants were appointed as Internal Auditors since the 23 January 2018;
- The Committee continuously assesses the effectiveness of the Internal Audit function;
- Ensures Committee meetings are held with both internal and external auditors in order to identify any potential weaknesses so that management can rectify them in a timely manner;
- The Committee is satisfied with the functions of the internal audit and the quality of the reports issued; and
- Discussions are held with the Committee and internal auditors around achievement of the Internal Audit Plan, staffing constraints and unresolved audit findings and seeking meaningful solutions to any deficiencies identified.

#### **RISK MANAGEMENT:**

The Committee:

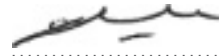
- Has overall responsibility for risk management whilst management is accountable for designing, implementing and monitoring this process;
- Assesses Management's reports on the progress made in order to obtain assurance on the overall system of risk management;
- Assesses the effectiveness of the overall system of the risk management process. This includes assessing if; there are any major incidents/losses attributable to the failure of the risk management process, and any major successes/gains achieved, or losses/incidents avoided; and
- Ensured that the appointment of new internal auditors was finalised at the beginning of January 2018.

#### **COMPLIANCE:**

The Committee:

- Undertakes reviews of the entity's compliance with legal and regulatory provisions;
- Reviews the state of any unresolved issues raised and not adequately addressed by the entity;
- Reviews the information on predetermined objectives to be included in the annual report and ensures that such information is verifiable, meaningful and relevant;
- Monitors Supply Chain Management (SCM) related submissions and that all the relevant Treasury circulars are adhered to; and
- Is instrumental in ensuring that the organisation's Information Technology (IT) maturity improves and provides key suggestions to assist the entity in this regard.

The Committee continues to apply itself and to focus on critical and key deliverables of the entity and to ensure that the entity continues to work towards attainment and sustainability of good audit results.



.....  
**Ms LCZ Cele**  
**Chairperson**

# 18 REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE ON TRADE AND INVESTMENT KWAZULU-NATAL

We are pleased to present our report for the financial period ended 31 March 2018.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OPINION

1. I have audited the financial statements of Trade and Investment KwaZulu-Natal set out on pages 86 to 124, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Trade and Investment KwaZulu-Natal as at 31 March 2019, and its financial performance and cash flow statement and statement of comparison of budget information with actual information for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) 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.

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

6. The Board of Directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditor-General's responsibilities for the audit of the financial statements

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

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) 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 programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
11. 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.

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

Programmes	Pages In the annual performance report
Programme 2 - investment promotion and facilitation	28
Programme 3 - export development and promotion	29
Programme 4 - knowledge management	30

13.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.

14.I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

#### Other matter

15.I draw attention to the below.

#### Achievement of planned targets

16.The annual performance report on pages 25 to 31 sets out information on the achievement of planned targets for the year and explanations provided for the under and over-achievement of a significant number of targets.

#### Adjustment of material misstatements

17.I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of investment promotion and facilitation and knowledge management. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and scope

18.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 entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

19.The material finding on compliance with specific matters in key legislations are as follows:

### Procurement and contract management

20.The goods and services of a transaction value above R500 000 were procured without inviting competitive bids and deviations were approved by the accounting authority without obtaining prior written approval from relevant treasury as required by treasury regulations 16A6.1 and 16A6.4. The entity renewed the Gauteng office lease rental and a deviation as a single source was approved by the chief executive officer without obtaining prior written approval from the relevant treasury.

### Other information

21.The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

24.If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.

25.I have nothing to report in this regard.

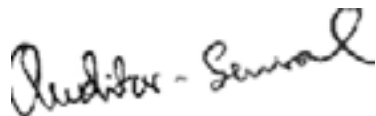
### Internal control deficiencies

26.I considered internal control relevant to my audit

# 18 REPORT OF THE AUDITOR GENERAL

of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation.

27. Leadership did not exercise adequate oversight over compliance with laws and regulations relating to procurement and contract management.
28. Non-compliance with key legislation could have been prevented, had management updated and monitored adherence to their SCM compliance checklists.



Pietermaritzburg  
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 financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

### **Financial statements**

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
  - Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain

audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors, which constitutes the accounting authority;
- Conclude on the appropriateness of the Board of Directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Trade & Investment KwaZulu-Natal'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 financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### **Communication with those charged with governance**

3. 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.

# 19 BOARD'S REPORT

The members submit their report for the year ended 31 March 2019.

## 1. Incorporation

Trade & Investment KwaZulu-Natal (TIKZN) is a Provincial Public Entity listed under Schedule 3C of the Public Finance Management Act (PFMA). The entity reports directly to the Department of Economic Development, Tourism and Environmental Affairs (EDTEA).

## 2. Review of activities

### Main business and operations

Trade & Investment KwaZulu-Natal is a provincial Public Entity established to promote the province of KwaZulu-Natal as a premier investment destination and to develop and promote trade by assisting KwaZulu-Natal companies to access new markets. The entity also assists KwaZulu-Natal companies in distress facing challenges with turnaround strategies as well as to support those organisations that want to expand their operations. The entity has posted a net deficit of (R5,364,667) for the period under review. This comprises mainly of unspent conditional grants. The request by management to rollover the funds to the 2018/2019 financial year was approved by Treasury and EDTEA in the current year.

## 3. Going concern

The Annual Financial Statements have been prepared on the basis of GRAP and 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 settlements of liabilities and commitments will occur in the ordinary course of business. To date KwaZulu-Natal Treasury through EDTEA has committed to provide funding for the 2019/2020 financial year in terms of the Medium Term Expenditure Framework (MTEF) and MOU signed with EDTEA.

The ability of the entity to continue as a going concern is dependent on a number of factors which include adequate cashflow to run operations, skilled management as well as a fully functional Board which provides direction to management to ensure that the entity fulfills its mandate in terms of its enabling legislation (TIKZN Act No.5 of 2010) and in terms of its MOU with EDTEA which is signed annually. This will ensure that funding is guaranteed and the entity continues as a going concern.

## 4. Subsequent events

As at the date of reporting the Members of the Board were not aware of any matters or circumstances that can impact on the entity's business and status as a going concern.

## 5. Members' interest in contracts

Members of the Board are required to complete declaration of interest forms in every meeting. As at the year ended 31 March 2019, no conflict of interest was recorded.

## 6. Accounting policies

The Annual Financial Statements were prepared in accordance with the prescribed South African Standards of Generally Recognised Accounting Practice (GRAP) as issued by the Accounting Standards Board.

## 7. Members of the Board

The members are as follows:

Name	Nationality	Changes
Ms CM Cronje' (Chairperson)	SA	
Ms LCZ Cele (Deputy Chairperson)	SA	
Mr GW Bell	SA	
Mr CS Gina	SA	(Mr CS Gina passed in January 2019)
Dr VF Mahlali	SA	
Ms U Maharaj	SA	
Mr SK Mpungose	SA	
Mr MC Ngcobo	SA	
Mr ZC Ngidi	SA	
Mr KS Shandu	SA	
Mr S Naidoo	SA	
Mr DB Dlamini	SA	

## 8. Secretary

The secretary of the entity is Ms NNC Gumbi

### Business address

Trade and Investment House  
1 Arundel Close  
Kingsmead Office Park  
Durban  
4000

### Postal address

Trade & Investment KwaZulu-Natal  
PO Box 4245  
Durban  
4000

# 19 BOARD'S REPORT

## 9. Corporate Governance

### General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment the Members of the Board support the highest standards of corporate governance and the ongoing development of best practice. The Board monitors the entity's compliance with Good Corporate Governance Practices as recommended by the King IV Report on Corporate Governance for South Africa 2016 (King IV) on an ongoing basis. The salient features of the entity's adoption of King IV are outlined below:

### Members of the Board

The Board:

- Retains full control over the entity, its plans and strategy;
- Acknowledges its responsibilities regarding review of the entity's strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- Is of an unitary structure comprising:
  - Non-executive Directors, all of whom are independent directors as defined in King IV.
  - Executive Director (CEO - Ex Officio).

### Chairperson and Chief Executive Officer

The Chairperson is a non-executive and independent director as defined by the PFMA, TIKZN Act and the King IV report.

The roles of the Chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

### Remuneration

The upper limits of the remuneration of the Executive Managers of the entity are determined by the Human Resources, Social and Ethics Committee in consultation with the Members of the Board.

### Board meetings

Five (5) Board ordinary meetings and two (2) Board special meetings were held during the period. The Board is scheduled to meet at least four times per annum.

Non-executive Directors have access to all members

of management of the entity.

### Audit, Risk and Compliance Committee

The Chairperson for the Audit, Risk and Compliance Committee (Audit Committee) for the period ended 31 March 2019 was Ms LCZ Cele who is an independent Member of the Board. The Committee met four (4) times during the period under review.

The Board is satisfied that the Audit Committee was properly constituted and that it executed its responsibility as expected of it in terms of the PFMA, TIKZN Act and King IV report.

### Internal audit

OMA Chartered Accountants Inc. will continue as Internal Auditors until the end of their term in 2020.

### 10. Bankers

The Standard Bank of South Africa Limited.

### 11. Auditors

The Auditor-General of South Africa will continue as the external auditors of the entity in the ensuing year.

# 20 COMPANY SECRETARY'S CERTIFICATION

## Declaration by the Company Secretary

Trade & Investment KwaZulu-Natal has been operating as a Provincial Public Entity for the period ended 31 March 2019. The Annual Financial Statements were prepared on the basis of Generally Recognised Accounting Practice (GRAP).



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**Ms NNC Gumbi**  
**Company Secretary**

# 21 STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

Figures in Rand	Note(s)	2019	2018
<b>Assets</b>			
Current assets			
Receivables from exchange transactions	4	2 845 910	1 515 958
Cash and cash equivalents	5	49 740 533	44 181 873
		<b>52 586 443</b>	<b>45 697 831</b>
Non-current assets			
Property, plant and equipment	2	7 435 403	9 354 037
Intangible assets	3	77 029	115 895
		<b>7 512 432</b>	<b>9 469 932</b>
<b>Total Assets</b>		<b>60 098 875</b>	<b>55 167 763</b>
<b>Liabilities</b>			
Current liabilities			
Finance lease obligation	6	14 218	106 054
Payables from exchange transactions	7	6 747 757	10 009 161
Unspent conditional grants and receipts	8	34 003 741	18 887 308
Provisions	27	3 481 555	2 964 574
		<b>44 247 271</b>	<b>31 967 097</b>
Non-current liabilities			
Finance lease obligation	6	-	11 379
<b>Total Liabilities</b>		<b>44 247 271</b>	<b>31 978 476</b>
<b>Net Assets</b>		<b>15 851 604</b>	<b>23 189 287</b>
Accumulated surplus		15 851 604	23 189 287

Restated

Restated



## 22 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 MARCH 2019

Figures in Rand	Note(s)	2019	2018	
<b>Revenue</b>				
Other income	28	125 315	104 589	
Interest received - investment	12	961 026	424 531	
Government grants and subsidies	9	88 340 783	94 804 585	
<b>Total revenue</b>	9	<b>89 427 124</b>	<b>95 333 705</b>	
<b>Expenditure</b>				
Employee-related costs	11	(40 010 881)	(39 938 891)	<b>Restated</b>
Depreciation and amortisation		(2 708 908)	(981 423)	
Finance costs	13	(8 126)	(32 874)	
Bad debts written-off		-	(170 430)	
Repairs and maintenance	35	(593 992)	(731 818)	
Other operating expenses	10	(51 469 884)	(41 691 717)	
<b>Total expenditure</b>		<b>(94 791 791)</b>	<b>(83 547 153)</b>	
Loss on disposal of assets		-	(1 498)	
<b>Surplus for the year ended 31 March 2018</b>		<b>(5 364 667)</b>	<b>11 785 054</b>	<b>Restated</b>

# 23 STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand

Note(s)

Accumulated  
surplusTotal net  
assets**Balance at 01 April 2017**

Changes in net assets

Surplus for the year

Prior year adjustment

Total changes

**Balance at 01 April 2019**

Changes in net assets

Deficit for the year

Surplus transfer to TAF

Total changes

**Balance at 31 March 2019**

34

8

11 404 233

11 785 054

26 984

11 812 038

23 216 271

(5 364 667)

(2 000 000)

(7 364 667)

15 851 604

11 404 233

11 785 054

26 984

11 812 038

23 216 271

(5 364 667)

(2 000 000)

(7 364 667)

15 851 604

**Restated****Restated**

# 24 CASH FLOW STATEMENT

Figures in Rand

Note(s)

2019

2018

## Cash flows from operating activities

### Receipts

Government grants and subsidies	5	101 457 217	95 754 850
Interest income	9	961 026	424 531
Other receipts	9	125 315	104 589
		<b>102 543 558</b>	<b>96 283 970</b>

### Payments

Employee costs	11	(39 155 648)	(39 352 554)
Payments to suppliers		(51 461 443)	(38 422 456)
Finance costs	13	(8 126)	(32 874)
Other payments		(2 552 087)	(2 037 075)
Payment from provisions	27	(2 964 567)	(2 021 574)
		<b>(96 141 871)</b>	<b>(81 866 533)</b>

### Net cash flows from operating activities

15 **6 401 687** **14 417 437**

## Cash flows from investing activities

Purchase of property, plant and equipment	2	(731 463)	(9 461 584)
Purchase of other intangible assets	3	(8 349)	(138 168)
		<b>(739 812)</b>	<b>(9 599 752)</b>

## Cash flows from financing activities

Finance lease payments		(103 215)	(120 591)
------------------------	--	-----------	-----------

### Net increase/(decrease) in cash and cash equivalents

**5 558 660** **4 697 094**

Cash and cash equivalents at the beginning of the year

44 181 873 39 484 779

### Cash and cash equivalents at the end of the year

5 **49 740 533** **44 181 873**

# 25 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis						
Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Revenue from exchange transactions	-	-	-	125 315	125 315	
Other income	-	-	-	961 026	961 026	9
Interest received - investment	-	-	-	-	-	
<b>Total revenue from exchange transactions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 086 341</b>	<b>1 086 341</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	85 935 000	46 109 000	132 044 000	88 340 783	(43 703 217)	9 & 33.1
<b>Total revenue</b>	<b>85 935 000</b>	<b>46 109 000</b>	<b>132 044 000</b>	<b>89 427 124</b>	<b>(42 616 876)</b>	
<b>Expenditure</b>						
Personnel	(46 229 573)	-	(46 229 573)	(40 010 881)	6 218 692	33.2
Travel and accommodation	(3 721 551)	-	(3 721 551)	(3 123 376)	598 175	33.3
Administration and operational costs	(13 557 028)	-	(13 557 028)	(20 179 121)	(6 622 093)	33.3

## Budget on Accrual Basis

Figures in Rand	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	Reference
Project specific consultancy fees	(4 609 937)	(41 859 000)	<b>(46 468 937)</b>	(7 247 409)	<b>39 221 528</b>	33.5
Depreciation and amortisation	-	-	-	(2 708 908)	<b>(2 708 908)</b>	33.4
International Marketing	(7 168 831)	-	<b>(7 168 831)</b>	(7 142 131)	<b>26 700</b>	33.6
Export development and promotion	(3 146 661)	(2 150 000)	<b>(5 296 661)</b>	(7 133 144)	<b>(1 836 483)</b>	33.7
Marketing and communication	(6 568 825)	(2 100 000)	<b>(8 668 825)</b>	(7 246 821)	<b>1 422 004</b>	33.8
Capital costs	(932 594)	-	<b>(932 594)</b>	(739 812)	<b>192 782</b>	33.9
<b>Total expenditure</b>	<b>(85 935 000)</b>	<b>(46 109 000)</b>	<b>(132 044 000)</b>	<b>(95 531 603)</b>	<b>36 512 397</b>	
<b>Deficit</b>	-	-	-	<b>(6 104 479)</b>	<b>(6 104 479)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	-	-	<b>(6 104 479)</b>	<b>(6 104 479)</b>	
<b>Reconciliation</b>						
Capital Costs				739 812		33.9
<b>Actual Amount in the Statement of Financial Performance</b>				<b>(5 364 667)</b>		

# 26 ACCOUNTING POLICIES

## 1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the prescribed South African Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 55 of the Public Finance Management Act (Act 1 of 1999) as amended.

### Accrual Basis

These Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The principal accounting policies adopted in the preparation of these Annual Financial Statements are set out below.

### Offsetting

Assets and liabilities, revenue and expenses have not been offset, except where offsetting is required or permitted by GRAP.

### Comparability

Comparative information represents the results of the financial year ended 31 March 2019 which were presented on the same basis as the previous year. In the preparation of the Annual Financial Statements, the entity has taken into consideration the guidelines, the list of standards and pronouncements in terms of GRAP Reporting Framework. There were new relevant standards issued which were not taken into account as the effective date is still to be determined and some to be applied in 2019/2020 financial year.

- GRAP 20 - Related-party disclosure - Effective date 1 April 2019
- GRAP 34 - Separate financial statements - Effective date - To be determined
- GRAP 38 - Disclosure of interests in other entities - Effective date - To be determined
- GRAP 108 - Statutory receivables - Effective date - 1 April 2019
- IGRAP 19 - Liabilities to pay levies - Effective date - 1 April 2019

### 1.1 Property, Plant and Equipment

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

#### Initial Recognition

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

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

#### Initial Measurement

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet

the definition of property, plant and equipment.

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

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

#### Subsequent Measurement

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

The useful life of all categories of property, plant and equipment are assessed on an annual basis.

The useful lives of items of property, plant and equipment was assessed at the end of March 2019.

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 - 8 years
Office equipment	Straight line	5 - 12 years
IT equipment	Straight line	3 - 6 years
Leasehold improvements	Straight line	5 years

The residual value, useful life and depreciation method of each asset is reviewed at the end of each annual reporting date.

Where expectations differ from previous estimates, the change is accounted for 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 method used reflects the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the entity.

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

#### Derecognition

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

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

A finance leased asset is depreciated over the shorter of the leased term and its useful life unless there is reasonable certainty that the lessee will obtain ownership of the asset by the end of the lease term in which case the entity depreciates the asset over its useful life.

In line with the National Treasury Regulations, it is organisational policy to donate items of computer equipment to identified educational institutions.

#### Leasehold Improvements

Leasehold improvements are defined as permanent improvements constructed or installed on property that is leased under an operating lease or rental agreement. Permanent improvements to lease property are those items that cannot be removed without causing substantial damage to the leased premises such as built in cabinet, wiring, carpeting, flooring and electricity, etc.

Leasehold improvements are initially recognised at cost.

#### Subsequent Measurement

The leasehold improvements are capitalised and amortised over the lesser of the remaining life of the leased term or the estimated useful life of the improvements.

### 1.2 Intangible Assets

An asset is identified as an intangible asset when it:

- Is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, or
- Arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

#### Initial Recognition

An intangible asset is recognised when:

# 26 ACCOUNTING POLICIES

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

Intangible assets are carried at cost less any accumulated amortisation and any impairment loss. Intangible assets are initially recognised at cost.

## Measurement

An intangible asset that is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

Item	Depreciation method	Average useful life
Computer software	Straight line	3 years

Intangible assets are derecognised:

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

## 1.3 Financial instruments

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

### Initial Recognition and Measurement

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

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

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

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

### Derecognition

Derecognition is the removal of a previously

recognised financial asset or financial liability from an entity's Statement of Financial Position.

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- Deliver cash or another financial asset to another entity; or
- Exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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



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

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

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

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

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

- The entity designates at fair value at initial recognition; or
- Are held for trading.

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

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

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

#### Classification

The entity has the following types of financial assets

(class and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

#### Class

Staff control accounts (travel advances)  
Prepayments  
Deposits  
Other receivables

The entity has the following types of financial liabilities (class and category) as reflected on the face of the Statement of Financial Position or in the notes thereto:

#### Class

Trade payables  
Staff control account  
Accrued expenses  
Long-term finance leases

Financial liabilities and financial assets are initially measured at fair value subsequently at:

- Amortised cost; or
- Cost depending on their nature.

The entity's financial liabilities and financial assets are required to be amortised (except for financial leases). However, these were not amortised due to the following reasons:

#### Other Receivables

Other receivables include a combination of deposits for rentals, municipal rates and staff mission advances. Staff mission advances were not amortised because they are expected to be received before the end of 2019/2020 financial period. The deposit amount is insignificant and therefore was not amortised.

#### Liabilities

Leases - These are included at amortised cost as per the amortisation table.

Trade Liabilities - These are expected to be settled within the initial credit period in line with the Government sector norm.

Leave - Leave costs are expected to be settled at fair value.

#### Initial Recognition

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

#### Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that

# 26 ACCOUNTING POLICIES

are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

## Subsequent Measurement of Financial Assets and Financial Liabilities

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

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

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

## Impairment and Uncollectibility of Financial Assets

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

### Financial Assets Measured at Amortised Cost

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

The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

### Financial Assets Measured at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset

and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

## Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the Statement of the Financial Performance.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in the Statement of the Financial Performance.

## 1.4 Leases

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

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

### Finance Leases - Lessee

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessee is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### Operating Leases - Lessee

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

## 1.5 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- The proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- The proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- An entity's decision to terminate an employee's employment before the normal retirement date; or
- An employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

### Post-employment Benefits: Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered a service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- As a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- As an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

## 1.6 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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

# 26 ACCOUNTING POLICIES

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

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

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

## 1.7 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method. Investment income comprises interest from deposits placed with a reputable financial institution.

## 1.8 Translation of Foreign Currencies Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any

exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## 1.9 Fruitless and Wasteful Expenditure

Fruitless and wasteful 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 financial performance for the period concerned after 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 financial performance.

## 1.10 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:

- (a) This Act; or
- (b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) 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 period and which was condoned before period 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 required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial period and for which condonement is being awaited at period end must be recorded in the irregular expenditure register. No further action is 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.

### 1.11 Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement.

To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The entity has the following Conditional Grants:

- Technical Assistance Fund (TAF);
- One-Stop-Shop;
- Youth in Manufacturing Sector-Focused;
- Tourism Fund; and
- Business Rescue Fund.

### 1.12 Budget Information

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

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

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/04/01 to 2019/03/31.

The annual financial statements are done on accrual basis and budgets are done on the cash basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

### 1.13 Related Parties

The entity operates in an economic sector currently dominated by public entities directly or indirectly owned by the South African Government.

Management are those persons responsible for

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

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by management in their dealings with the entity.

Related parties are disclosed in terms of GRAP 20.

### 1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity - therefore salary commitments relating to employment contracts or social security benefit commitments are not included.

# 27 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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## 2. Property, Plant and Equipment

	2019			2018		
	Cost/ valuation	Accumulated depreciation & accumulated impairment	Carrying value	Cost/ valuation	Accumulated depreciation & accumulated impairment	Carrying value
Furniture and fixtures	1 685 229	(1 042 355)	642 874	1 600 580	(836 234)	764 346
Office equipment	1 315 390	(889 413)	425 977	957 610	(712 216)	245 394
IT equipment	1 985 217	(1 774 405)	210 812	1 987 217	(1 576 411)	410 806
Leasehold improvements	8 696 192	(2 540 452)	6 155 740	8 429 334	(495 843)	7 933 491
<b>Total</b>	<b>13 682 028</b>	<b>(6 246 625)</b>	<b>7 435 403</b>	<b>12 974 741</b>	<b>(3 620 704)</b>	<b>9 354 037</b>

### Reconciliation of property, plant and equipment - 31 March 2019

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Furniture and fixtures	764 346	80 766	-	(202 238)	642 874
Office equipment	245 394	373 167	11 596	(204 180)	425 977
IT equipment	410 806	10 672	-	(210 666)	210 812
Leasehold improvements	7 933 491	266 858	-	(2 044 609)	6 155 740
	9 354 037	731 463	11 596	(2 661 693)	7 435 403

### Reconciliation of property, plant and equipment - 31 March 2018

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	198 857	660 359	-	(94 870)	764 346
Office equipment	322 397	87 838	-	(164 841)	245 394
IT equipment	331 848	284 053	(1 498)	(203 597)	410 806
Leasehold improvements	-	8 429 334	-	(495 843)	7 933 491
	<b>853 102</b>	<b>9 461 584</b>	<b>(1 498)</b>	<b>(959 151)</b>	<b>9 354 037</b>

The entity assesses the useful lives of assets in use at the end of every financial year. During the 2017/2018 financial period, the entity undertook an exercise to assess the useful lives of assets written-off which were mainly consisting of Furniture and Office Equipment items. Management took a decision not to revise the fixed asset register with new estimated values as these were regarded as immaterial to make adjustments to PPE. The values indicated were informed by the price of similar items which were sold internally as well as comparison with market prices on the internet.

Table A depicts classes and total value of assets that were bought from the previous tenant in 2008. Most of these assets were recorded into books at low values and have since reached the end of their economic lives and are fully depreciated. Computer equipment consists of items that are in the process of being replaced in the 2019/2020 financial year, some of these items will be donated to education institutions in line with the PFMA regulation. The entity took a decision to host software programmes externally on cloud as a measure to minimise risk. Most of the software programmes reflected at nil values were tailor-made for the entity and there is no market price to benchmark with.

2018

Table B depicts leased assets that were acquired through a finance lease arrangement and are depreciated over 3 years being the shorter of the useful life and leased term in accordance with GRAP 13. Three (3) of these office automated items have reached the end of their finance lease term and the entity is in the process of replacing them through a transversal agreement with EDTEA. A new service provider will be appointed during the course of the 2019/2020 financial year. The initial cost price of the three machines was R324,208.

Table C depicts values of assets donated in the 2017/2018 financial year which were fully depreciated. This is in line with the Treasury Regulation directive which requires that such items should be donated to a registered and recognised educational institution.

The entity undertook improvements to the leased building in the 2017/2018 financial year. The purpose of the internal improvements of the leased building was to accommodate the One-Stop-Shop facility. The improvements meet the definition of Leasehold Improvements and were therefore capitalised in terms of the relevant GRAP Standard. The Leasehold Improvements amounted to R8,429,334 and were amortised on the shorter of the useful lives of the improvements and the lease term. At the time the improvements were completed, the entity had 4 years and 3 months remaining on the lease.

**Table A - Historical Value of Fully Depreciated Assets Still in Use.**

Computer equipment	1 553 554	1 076 719
Computer software	1 381 135	-
Furniture and fittings	653 426	-
Office equipment	403 216	-
	<b>3 991 331</b>	<b>1 076 719</b>

**Table B - Value of New Leased Assets**

Xerox W7855 Multi-Functional Copier - 391 407 8694	-	28 529
Xerox W7855 Multi-Functional Copier - 391 955 3730	-	28 529
Xerox W7855 Multi-Functional Copier - 391 955 2823	-	28 529
Xerox X6655i Multi-Functional Copier - 315 955 3174	18 710	25 121
	<b>18 710</b>	<b>110 708</b>

**Table C - Value of Assets Donated at Cost**

Historical value of donated assets in 2017/2018 financial year	-	845 824
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**3. Intangible Assets**

	2019			2018		
	Cost/ valuation	Accumulated amortisation & accumulated impairment	Carrying value	Cost/ valuation	Accumulated amortisation & accumulated impairment	Carrying value
Computer software, other	1 527 652	(1 450 623)	77 029	1 519 109	(1 403 214)	115 895

**Reconciliation of intangible assets - 31 March 2019**

	Opening balance	Additions	Amortisation	Total
Computer software, other	115 895	8 349	(47 215)	77 029

Some of the entity's intangible assets were fully amortised as at the end of March 2019. The entity resolved to host most of its software programmes on cloud. The cost associated with the offsite hosting of the software programmes, such as PABX, Windows 365 and SAP Business One proved to be cost-effective in terms of space, upgrading and safety of the information.

**4. Receivables from Exchange Transactions**

Travel advances	66 920	124 788
Prepayments	1 395 540	778 125
Deposits	452 310	452 310
Other receivables - main account	931 140	160 735
	<b>2 845 910</b>	<b>1 515 958</b>



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## 5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

Cash on hand	3 000	3 000
Standard Bank Account (Main Bank)	24 639 536	36 939 362
Standard Bank Account (Main Bank - NDT Tourism Projects)	19 605 953	-
Standard Bank Account (TAF)	5 492 044	7 239 511
	<b>49 740 533</b>	<b>44 181 873</b>

### Preliminary, deposits and short-term interest-bearing accounts

Opening balance (cash and cash equivalents)	36 942 363	29 697 737
Receipts for the period from Government Grants	101 457 217	95 754 850
Other receipts for the period (interest income, refunds and other income)	2 649 448	499 039
Payments for the year including transfers	(116 406 492)	(89 009 263)
	<b>24 642 536</b>	<b>36 942 363</b>

### Standard Bank (Technical Assistance Fund)

Opening balance (cash and cash equivalents)	7 239 511	9 787 042
Payments for the year including transfers	(1 747 467)	(2 547 531)
	<b>5 492 044</b>	<b>7 239 511</b>

A total of 5 accounts are held with Standard Bank and these are mainly used for day-to-day transactions of the entity, such as payment for staff salaries, short-term interest-bearing account, tourism growth projects (NDT funding) and Technical Assistance Fund account (TAF).

A sum of R405,428 was held as a guarantee deposit in the 2017/2018 financial year and was withdrawn in the same year. The rental deposit is now held with the landlord.

### Standard Bank (NDT Tourism Projects)

Opening balance	6 477 783	-
Receipts for the period from Government Grants	13 522 217	6 477 783
Payments for the year including transfers	(394 047)	-
	<b>19 605 953</b>	<b>6 477 783</b>

### Deposits

Rental guarantee	-	405 428
Interest on rental guarantee	-	146 638
Transfer to main bank account	-	(552 066)
	<b>-</b>	<b>-</b>

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**6. Finance Lease Obligation****Minimum lease payments due**

- within one year	15 745	114 833
- in second to fifth year inclusive	-	12 264
	15 745	127 097
less: future finance charges	(1 527)	(9 664)
<b>Present value of minimum lease payments</b>	<b>14 218</b>	<b>117 433</b>

**Present value of minimum lease payments due**

- within one year	14 218	106 054
- in second to fifth year inclusive	-	11 379
	14 218	117 433

Non-current liabilities

-

11 379

Current liabilities

14 218

106 054

**14 218****117 433**

The total liability of the entity is in respect of the finance lease agreements with regard to four (4) office automated solutions copiers that are used by the Durban and Gauteng office. The finance lease agreement for three (3) machines in Durban came to an end in December 2018, the process of replacing these machines was concluded at year end. The new machines will be delivered early in 2019/2020 financial year.

It is entity policy to lease certain equipment such as copiers and all these are treated as finance lease. The average lease term was three (3) years and the rate implicit in the lease was determined at 15,23% p.a. Interest rates are linked to prime rate at the contract date. The entity's obligations under finance leases are secured by the lessor's charge over the leased asset.

**7. Payables from Exchange Transactions**

Trade payables	799 036	3 195 975
Staff claims	-	24 582
Accrued expense	2 152 701	3 945 335
Leave liability (provision)	3 580 402	2 725 169
Sundry suppliers	215 618	118 100
	<b>6 747 757</b>	<b>10 009 161</b>

The following balances were settled within 30 days after the end of the periods 31 March 2019 and 31 March 2018 respectively.

**Accounts settled within 30 days**

Trade payables	799 036	3 220 557
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	2019	2018
<b>8. Unspent Conditional Grants and Receipts</b>		
Technical Assistance Fund (TAF)	3 245 770	2 641 511
Industrial symbiosis	-	349 138
One-Stop-Shop	3 979 951	2 246 809
Youth in manufacturing	3 048 000	3 048 000
Business Rescue Fund	4 124 067	4 124 067
NDT Tourism Projects Fund	19 605 953	6 477 783
	<b>34 003 741</b>	<b>18 887 308</b>

The closing balance of unspent conditional grants and receipts for the year ended 31 March 2018 were included in the rollover request submitted to EDTEA, Treasury and National Department of Tourism.

#### Reconciliation - Technical Assistance Fund (TAF)

Opening balance	2 641 511	5 187 042
Transferred from rollover funds (Industrial Symbiosis)	349 138	-
Transferred from surplus funds	2 000 000	-
Less: expenses incurred during the year	(1 744 879)	(2 545 531)
	<b>3 245 770</b>	<b>2 641 511</b>

#### Reconciliation - Industrial Symbiosis

Opening balances	349 138	2 750 000
Transferred to Technical Assistance Fund	(349 138)	-
Less: expenses incurred during the year	-	(2 400 862)
	<b>-</b>	<b>349 138</b>

#### Reconciliation - One-Stop-Shop

Opening balance	2 246 809	10 000 000
Conditional grant received	2 000 000	2 000 000
Less: expenses incurred during the year	(266 858)	(9 753 191)
	<b>3 979 951</b>	<b>2 246 809</b>

#### Reconciliation - Youth Manufacturing Sector-Focused

Opening balance	3 048 000	-
Conditional grant received	-	3 048 000
	<b>3 048 000</b>	<b>3 048 000</b>

Figures in Rand

**Reconciliation - Business Rescue Fund**

	2019	2018
Opening balance	4 124 067	-
Conditional grant received	-	4 124 067
	<b>4 124 067</b>	<b>4 124 067</b>

**Unspent conditional grants and receipts - Reconciliation - National Department of Tourism (NDT) Fund**

Opening balance	6 477 783	-
Conditional grant received	13 522 217	6 477 783
Less: expenses incurred during the year	(394 047)	-
	<b>19 605 953</b>	<b>6 477 783</b>

**Technical Assistance Fund**

The purpose of the fund is to assist project promoters to prepare and package their projects to the level of quality that will allow them to access funding from main financial institutions. The fund has proved beneficial as some of the projects funded have moved closer to operational stages and some are already operational. An amount of R2,000,000 was approved from the prior year surplus funds to fund TAF projects. The Technical Assistance Fund (TAF) was accounted for as a conditional grant in the year ended 31 March 2019.

**Industrial Symbiosis**

Industrial Symbiosis was identified by KwaZulu-Natal Provincial Government to assist the province in achieving the alternative energy targets as well as waste reduction and greenhouse gas emission targets. The project was finalised in 2017/2018 financial year and the remaining balance was included in the approved rollovers and has been channelled towards TAF projects.

**Youth in ICT and manufacturing sector-focused**

An amount of R3,048,000 was received from EDTEA to be channelled towards youth development projects across all ICT sectors.

**One-Stop-Shop (OSS)**

The One-Stop-Shop centralises the execution of a number of regulatory compliance and value-added services through a combination of a virtual and physical facility. The facility houses regulatory offices of the Government for investor assistance, such as help desks for Department of Home Affairs, SARS, Visa application and the Department of Trade and Industry (DTI). In 2017/2018 financial year the entity spent R9,7 million towards the construction and launching of the facility. This virtual and physical facility was launched in November 2017 and is now operational. The remaining funds were approved as rollover funds for marketing and advertising of the facility in 2017/2018.

A further R2,000,000 was received towards the end of 2018/2019 financial year for the same purpose in line with the agreement with dti. Part of this budget is meant to absorb the salary of the OSS Manager who will be appointed during the 2020 financial year. An amount of R266,858 was spent in the 2018/2019 financial year to complete the construction of the One-Stop-Shop facility.

2019

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### Business Rescue Fund

A total amount of R4,124,067 was provided to TIKZN from EDTEA at the end of March 2018. The purpose of this fund is to assist local companies who are in distress who may end up closing down or require strategic intervention. This fund will therefore assist the affected companies to remain operational and save jobs.

### NDT Tourism Fund (NDT)

A total funding of R20 million for two identified sustainable tourism projects aimed at tourism growth and promotion have been received to date from the National Department of Tourism (NDT). The funding will assist in tourism growth and promotion of tourism in KwaZulu-Natal Province. Rehabilitation plans of the two tourism sites are being finalised and work will commence soon after all procurement processes have been completed. To date the entity has made payment of R394,047 relating to travel and accommodation of TIKZN officials tasked with the facilitation of these projects as well as costs relating to legal fees for setting up a community trust that will be responsible for the tourism sites.

### 9. Revenue

Other income	125 315	104 589
Interest received - investment	961 026	424 531
Government grants and subsidies	88 340 783	94 804 585
	<b>89 427 124</b>	<b>95 333 705</b>

#### The amounts included in revenue arising from exchanges of goods or services are as follows:

Other income	125 315	104 589
Interest received - investment	961 026	424 531
	<b>1 086 341</b>	<b>529 120</b>

#### The amounts included in revenue arising from non-exchange transactions are as follows:

Government grants and subsidies - TAF	1 744 879	2 545 531
Government grants - Industrial Symbiosis	-	2 400 863
Government grants and subsidies - main	85 935 000	80 105 000
Government grants - One-Stop-Shop	266 858	9 753 191
Government grants - NDT Tourism Projects	394 046	-
	<b>88 340 783</b>	<b>94 804 585</b>

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**10. Other Operating Expenses**

Advertising, marketing and communication costs	7 246 821	4 365 982
Auditors remuneration	1 555 028	923 001
Bank charges	53 243	41 516
Cleaning	286 719	258 744
Computer expenses	449 644	497 851
Project-specific consulting fees (note 32.5)	7 247 409	8 515 137
Consumables	98 824	112 110
Lease rentals on operating lease	5 334 076	5 069 028
Entertainment	176 024	94 267
Recruitment costs	543 321	86 735
Exhibition costs	3 417 321	2 885 326
Insurance	404 423	373 738
Conferences and seminars	323 685	528 571
IT expenses	236 070	118 924
Promotions and sponsorships	3 715 823	2 287 965
Board emoluments and allowances	2 552 087	2 037 075
Board training and other costs	289 142	74 339
Board travel and accommodation	283 973	262 666
BEE financial assistance	1 076 822	405 427
Postage and courier	21 957	37 773
Printing and stationery	208 058	191 698
Security for office premises	464 741	419 361
Staff welfare	205 100	259 399
Subscriptions and membership fees	2 890 248	2 335 138
Telephone and fax	738 083	1 025 637
Training	848 055	1 001 129
Travel - local	3 123 376	2 996 249
International marketing	7 142 131	3 020 513
Electricity	514 937	567 517
Office refurbishment (One-Stop-Shop)	-	898 901
Lease rentals on finance lease	22 743	-
	<b>51 469 884</b>	<b>41 691 717</b>

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**11. Employee Related Costs**

Basic	21 146 889	20 836 585
Bonus	1 892 605	1 802 481
Medical aid - company contributions	800 791	838 420
UIF	167 933	176 114
WCA	55 147	72 152
SDL	329 453	360 830
Leave pay provision charge	855 233	(169 397)
Pension fund contributions	5 379 285	5 291 013
PAYE	9 383 545	10 730 693
	<b>40 010 881</b>	<b>39 938 891</b>
Number of employees	46	44

The entity has a Defined Contribution Plan with Alexander Forbes. Employees contribute a minimum of 7,5% and the employer contributes 13,065%. For the period ended 31 March 2019 (31 March 2018) Trade & Investment KwaZulu-Natal made contributions as follows:

**Employee contributions**

Pension contributions	4 871 191	4 791 069
Group life and disability	298 787	293 995
Administrations costs	209 307	205 949
	<b>5 379 285</b>	<b>5 291 013</b>

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Trade & Investment KwaZulu-Natal made pension contributions, life cover, disability, funeral and administration contributions for its Executive Managers for the period ending 31 March 2019

<b>Executive Managers contributions - 31 March 2019</b>	<b>Pension contribution</b>	<b>Group life and disability</b>	<b>Funeral and administration</b>	<b>Total</b>
NST Matjie	299 967	18 572	13 010	331 549
L Nyamande	227 267	14 071	9 857	251 195
IM Miya	227 267	14 071	9 857	251 195
RN Ngcamu	227 237	14 069	9 856	251 162
LG Bouah	227 267	14 071	9 857	251 195
	<b>1 209 005</b>	<b>74 854</b>	<b>52 437</b>	<b>1 336 296</b>

Trade & Investment KwaZulu-Natal made pension contributions for its Executive Managers for the financial year ending 31 March 2018 as follows;

<b>Executive Managers contributions - 31 March 2018</b>	<b>Pension contribution</b>	<b>Group life and disability</b>	<b>Funeral and administration</b>	<b>Total</b>
ZA Gwala (term ended 28 Feb 2018)	319 263	19 767	13 847	352 877
NST Matjie	212 399	13 151	9 212	234 762
L Nyamande	212 399	13 151	9 212	234 762
IM Miya	212 399	13 151	9 212	234 762
RN Ngcamu	212 371	13 149	9 211	234 731
LG Bouah	212 399	13 151	9 212	234 762
LBU Sibanyoni (resigned 31 May 2017)	36 875	2 283	1 599	40 757
	<b>1 418 105</b>	<b>87 803</b>	<b>61 505</b>	<b>1 567 413</b>

## 12. Investment Revenue

Interest revenue

Bank	961 026	424 531
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Interest received from the entity's short-term investment account held with Standard Bank of South Africa.

## 13. Finance Costs

Finance lease costs	8 126	32 874
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2018

**14. Auditors' Fees**

Fees	1 555 028	923 001
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**15. Cash generated from operations**

(Deficit)/surplus	(5 364 667)	12 540 788
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**Adjustments for:**

Depreciation and amortisation	2 708 908	981 423
Loss on disposal of assets	-	1 498
Bad debts written-off	-	(170 430)
Movements in provisions	516 981	(2 021 574)
Transfer from surplus funds (TAF)	(2 000 000)	-

**Changes in working capital:**

Receivables from exchange transactions	(1 329 952)	2 319 005
Payables from exchange transactions	(3 261 404)	(183 539)
Other payments from non-exchange transactions	15 388	-
Unspent conditional grants and receipts	15 116 433	950 266
	<b>6 401 687</b>	<b>14 417 437</b>

**16. Operating Lease**

- Within one year	5 166 295	4 783 659
- In second to fifth year inclusive	12 563 233	17 743 928
	<b>17 729 528</b>	<b>22 527 587</b>

Figures in Rand

2019

2018

**17. Commitments - Trade & Investment KwaZulu-Natal Main Activities****Approved and Contracted**

Operational

14 397 735

23 896 582

**18. Commitments - Technical Assistance Funds**

In 2018/2019 year ended 31 March 2019, value of the approved TAF projects including net values from prior year was recorded as R3,755,203 (2017/2018 - R5,822,083) and an amount of R1,744,879 (2017/2018 - R2,545,531) was disbursed for 2018/2019 approved TAF projects. The total commitment relating to this fund at the end of 31 March 2019 was R2,852,088.

**19. Related Parties****Related party transactions****Income received from related parties**

Department of Economic Development, Tourism and Environmental Affairs (EDTEA)

112 044 000

80 105 000

Richards Bay Industrial Development Zone (RBIDZ)

-

107 516

**Expenditure transactions with related parties**

Durban Chamber of Commerce and Industry (DCCI)

-

102 774

Ithala SOC Limited

35 000

25 000

Richards Bay Industrial Development Zone (RBIDZ)

117 138

107 516

KwaZulu-Natal Tourism Authority (Tourism KZN)

1 752 529

-

**Receivable balances with related parties**

Richards Bay Industrial Development Zone (RBIDZ)

117 138

-

Department of Economic Development, Tourism and Environmental Affairs (EDTEA)

356 224

-

2019

2018

### Department of Economic Development, Tourism and Environmental Affairs (EDTEA)

EDTEA is the sole shareholder of Trade & Investment KwaZulu-Natal (TIKZN). The entity receives two funds in the form of grants which are conditional on the terms stipulated in the Memorandum of Understanding (MOU) signed with EDTEA. The grants are received for the purpose of supporting the delivery of services as set out in the MOU. Conditions stipulated in the main grant were met, hence the grant was recognised as revenue. R85,935,000 was received in tranche payments from EDTEA in line with the funding agreement for the financial year 2018/2019.

An amount of R356,224 was raised against EDTEA at year ended 31 March 2019. In terms of the 2018/2019 funding agreement a further R1,000,000 was supposed to be transferred by EDTEA to Trade & Investment KwaZulu-Natal to cater for expenses relating to the development of the KwaZulu-Natal provincial strategy for export and investment projects. The entity appointed the service provider through its procurement process on the premise that the funding will be received during the course of the financial year 2018/2019 and the entity will recoup the expenses already paid to the supplier. At the year ended 31 March 2019 no additional funding was received by the entity. The entity resolved to raise an account receivable amount to the extent of the expenses already incurred.

### Durban Chamber of Commerce and Industry (DCCI)

In 2017/2018 financial year the Chief Financial Officer for Trade & Investment KwaZulu-Natal was a member of the Finance, Investment and Audit Risk, and Compliance Committee of the Durban Chamber of Commerce and Industry.

No disclosure was required in 2018/2019 for related parties, as the term for the Chief Financial Officer came to an end during the course of the financial year 2017/2018.

### Richards Bay Industrial Development Zone (RBIDZ)

The comparative amount indicated relates to the 50% recovery of costs paid on behalf of RBIDZ for shared services relating to the annual internet subscription for standardised international trade and industry database. The primary objective of the shared database is to firmly maintain and distribute a comprehensive and up-to-date set of data through which the two entities often need to monitor the economy of South Africa.

### Ithala Development Finance Corporation

The comparative figure relates to expenses for brokerage services offered by Ithala Development Finance Corporation to provide for indemnity insurance cover for senior Executive and Non-Executive Members of the entity. Ithala SOC Limited is a 100% owned subsidiary of Ithala Development Finance Corporation Limited (IDFC).

Ithala Development Finance Corporation Limited is one of the entities in the group of entities that are controlled by EDTEA.

### KwaZulu-Natal Tourism Authority (Tourism KwaZulu-Natal)

Tourism KwaZulu-Natal is a sister entity of Trade & Investment KwaZulu-Natal. Both entities are funded by EDTEA and belong to one cluster. From time to time the entities enter into MOUs on strategic initiatives. The current period expenditure of R252,529 is in respect of expenses incurred in a partnership agreement to collaborate on efforts to boost tourism and identify investment opportunities for the growth of both local and international investment and trade in the Province of KwaZulu-Natal.

An additional amount of R1,500,000 was paid to KwaZulu-Natal Tourism Authority to honour a partnership agreement to collaborate in a marketing drive for British Airways to firmly establish a route between London Heathrow and Durban for trade and investment purposes.

Figures in Rand

2019

2018

### Key Management Personnel

Transactions with key management personnel are disclosed in note 20 of the Annual Financial Statements.

### Other entities controlled by EDTEA

Trade & Investment KwaZulu-Natal is a member of a group of entities controlled by EDTEA. The following entities are related parties as defined in terms of paragraph 10 (b) (i) of GRAP 20 as they are all controlled by EDTEA.

- (1) KZN Tourism Authority
- (2) KZN Liquor Authority
- (3) KZN Sharks Board
- (4) KZN Growth Fund
- (5) Dube TradePort Corporation
- (6) Richards Bay IDZ
- (7) Moses Kotane Institute
- (8) KZN Film Commission
- (9) Ithala Development Finance Corporation
- (10) KZN Ezemvelo Wildlife

### 20. Non-Executive Directors' Emoluments and Executive Managers' Remuneration

Members of the Board were paid Directors fees/emoluments for the period ended 31 March 2019 as prescribed by the KZN Provincial Treasury. Mr CS Gina passed in January 2019.

#### Non-executive

#### 31 March 2019

	Emoluments	Travel and allowances	Total
Ms CM Cronjé (Chairperson)	543 182	47 531	590 713
Ms LCZ Cele (Deputy Chairperson)	454 043	15 798	469 841
Mr GW Bell	163 915	-	163 915
Mr BD Dlamini	131 716	15 396	147 112
Mr CS Gina (passed in January 2019)	164 281	30 615	194 896
Dr VF Mahlali	72 192	-	72 192
Ms U Maharaj	197 895	18 458	216 353
Mr SK Mpungose	127 800	-	127 800
Mr MC Ngcobo	156 286	-	156 286
Mr ZC Ngidi	132 281	5 105	137 386
Mr KS Shandu	139 274	1 227	140 501
Mr S Naidoo	135 092	-	135 092
	<b>2 417 957</b>	<b>134 130</b>	<b>2 552 087</b>

2019

2018

**31 March 2018**

	<b>Emoluments</b>	<b>Travel and allowances</b>	<b>Total</b>
Ms CM Cronjé (Chairperson)	505 607	16 796	522 403
Ms LCZ Cele (Deputy Chairperson)	390 774	-	390 774
Mr GW Bell	129 415	-	129 415
Mr MA Tarr	97 231	4 342	101 573
Dr JJ Van Zyl	6 123	-	6 123
Mr CS Gina	173 486	1 207	174 693
Cllr DCP Mazibuko	50 256	1 775	52 031
Dr VF Mahlali	78 074	-	78 074
Dr NS Msomi	60 097	-	60 097
Prof W Viviers	63 903	1 507	65 410
Dr MAI Vela	64 100	-	64 100
Ms U Maharaj	76 565	4 235	80 800
Mr SK Mpungose	56 884	-	56 884
Mr M Ngcobo	55 997	-	55 997
Mr ZC Ngidi	36 315	2 868	39 183
Mr K Shandu	56 884	-	56 884
Mr S Naidoo	56 884	-	56 884
Mr BD Dlamini	43 237	2 513	45 750
	<b>2 001 832</b>	<b>35 243</b>	<b>2 037 075</b>

Executive managers remuneration is on a Total Cost to Company and includes travel allowances and medical contributions. Mr NST Matjie was appointed as a new CEO for Trade & Investment KwaZulu-Natal effective 1 October 2018.

In the 2017/2018 financial year, Mr ZA Gwala's (previous CEO) benefits included salary and leave pay.

In the 2018/2019 financial year, the Total Cost to Company includes performance bonuses paid for the 2018 financial year. In the 2017/2018 financial year, the Total Cost to Company includes performance bonuses paid for the 2017 financial year.

Figures in Rand

	2019				2018
<b>Executive Members - 31 March 2019</b>	<b>Salary</b>	<b>Medical aid</b>	<b>Travel and allowances</b>	<b>Performance bonus</b>	<b>Total</b>
NST Matjie - CEO (appointed on 1 October 2018)	2 071 684	-	233 026	171 006	2 475 716
L Nyamande - CFO	1 452 947	-	18 860	113 989	1 585 796
RN Ngcamu	1 291 616	76 388	213 220	154 700	1 735 924
LG Bouah	1 495 396	61 086	80 897	171 006	1 808 385
IM Miya	1 413 500	55 545	25 973	154 700	1 649 718
	<b>7 725 143</b>	<b>193 019</b>	<b>571 976</b>	<b>765 401</b>	<b>9 255 539</b>

<b>Executive Members - 31 March 2018</b>	<b>Salary and leave pay benefits</b>	<b>Medical aid</b>	<b>Travel and allowances</b>	<b>Performance bonus</b>	<b>Total</b>
ZA Gwala - CEO (contract ended on 28 Feb 2018)	2 728 735	74 370	113 726	328 096	3 244 927
L Nyamande - CFO	1 578 320	-	21 253	171 502	1 771 075
NST Matjie	1 565 702	-	108 459	171 502	1 845 663
LBU Sibanyoni (resigned on 31 May 2017)	2 321 058	-	17 385	-	2 338 443
RN Ngcamu	1 446 385	62 724	175 283	171 480	1 855 872
LG Bouah	1 622 429	61 377	58 190	171 502	1 913 498
IM Miya	1 543 684	64 017	17 459	171 502	1 796 662
	<b>12 806 313</b>	<b>262 488</b>	<b>511 755</b>	<b>1 185 584</b>	<b>14 766 140</b>

## 21. Fruitless and Wasteful Expenditure

Opening balance	14 339	-
Fruitless and wasteful expenditure incurred	-	14 339
Condoned expenditure	(14 339)	-
	<b>-</b>	<b>14 339</b>

In the 2017/2018 financial year an amount of R14,339 was reported as Fruitless and Wasteful Expenditure. This expenditure related to flight bookings that were missed due to circumstances that were beyond the traveller's control. The Board resolved that the expenditure must be written-off as irrecoverable as circumstances under which the expenditure was incurred could not be avoided.

2019

2018

## 22. Irregular Expenditure

Opening balance	275 967	-
Irregular expenditure incurred	351 838	275 967
Irregular expenditure condoned by relevant authority	(275 967)	-
	<b>351 838</b>	<b>275 967</b>

An amount of R351,838 was disclosed as irregular expenditure during the 2019/2020 financial year. This relates to the Gauteng Office lease which was renewed as a single source and approved by the Accounting Officer. However, the total lease exceeds R500,000 and should have been approved by Treasury. Management will rectify this matter in the 2020 financial year.

Expenditure of R275,967 was incurred in the 2017/2018 financial year for service providers contracted to provide training to TIKZN staff members. This process was regarded as flawed. The staff member implicated was disciplined and resigned thereafter. The matter was reported to the South African Police Service (SAPS) as required by the Treasury Regulations. This information was submitted to Treasury, EDTEA and the Executive Authority, as required by the applicable legislation.

## 23. Budget Differences

### Material differences between budget and actual amounts

The differences between budget and actual expenditure are mainly due to changes in prices, activities, as well as foreign exchange differences. The changes are mainly noted in the following items: international travel, consultancy fees (project-specific), as well as subscriptions. Budget for project-specific consulting fees was materially underspent. This is due to the lengthy process of appointing a principal agent to facilitate the rehabilitation of the two (2) tourism projects, Lilani Hotsprings and Bhanganek tourism sites and hospitality tourism skills development in Umhlabuyalingana. The process of appointing a principal agent was finalised at year-end and work will be carried out in the financial year 2019/2020. Budget for other project-specific consulting fees, such as business rescue, aimed at assisting local companies in distress, and route development, which aimed at creating awareness for direct flights between King Shaka International Airport (KSIA) and London Heathrow to boost trade and investment, were partially utilised at year-end due to other activities being scheduled to be completed in the financial year 2019/2020. Other detailed explanations are provided under note 32.

### Differences between budget and actual expenditure

There are differences between budget and actual amounts as the basis of preparation and presentation differ. The Annual Financial Statements for the entity are prepared on the accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance. Budget is prepared on a cash basis and the details of the differences between actuals and approved budget are indicated in the Statement of Comparisons of Budget and Actual Amounts. Detailed explanations have been included under note 32.

### Changes from the approved budget to the final budget

The changes between the approved budget appropriation for 2018/2019 resulted from the approved utilisation of the 2017/2018 surplus funds. Provincial Treasury approved R26,1 million of the retained surpluses for the entity to provide technical support for business propositions and funding for request for small businesses to enhance the KZN export information portal and export promotion, funding to support youth in ICT and manufacturing sector, operational and marketing activities for the One-Stop-Shop facility, retention programmes to support distressed companies, funding for route development projects relating to international direct flights, funding for export initiatives and funding in connection with recruitment costs.

Figures in Rand

	2019		2018
<b>Period ended 31 March 2019</b>	<b>Total budget</b>	<b>Final budget (adjusted budget)</b>	<b>Actual expenditure</b>
Trade & Investment KwaZulu-Natal - Public Entity	85 935 000	132 044 000	94 791 791
<b>Period ending 31 March 2018</b>	<b>Total budget</b>	<b>Final budget (adjusted budget)</b>	<b>Actual expenditure (restated)</b>
Trade & Investment KwaZulu-Natal - Public Entity	80 105 000	122 093 374	83 547 153
			<b>Restated</b>

#### 24. Financial Statements Preparation

The Annual Financial Statements were prepared on the basis of GRAP as required by the PFMA.

#### 25. Contingent Liability

##### Contingent Liability

Contingent liability from retained surplus and roll-over funds	10 054 121	14 148 389
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##### Contingent Liability from the Retained Surplus and Roll-over Funds

The entity has disclosed an amount of R10,054,121 as a Contingent Liability for the 2018/2019 financial year. This relates to surplus funds and unspent conditional grants as required by GRAP 19.

In 2017/2018 an amount of R14,148,389 was disclosed as a Contingent Liability in terms of GRAP 19 and Treasury Regulations which require that any surpluses must be approved by relevant Treasury. The entity was approved for the total amount of R26,1 million for rollover funds which included conditional grants and surplus funds for the prior period.

#### 26. Reporting Period

The reporting period of the entity is for 12 months ended 31 March 2019.

#### 27. Provisions

##### Reconciliation of provisions - 2019

	Opening balance	Additional provisions and adjustments	Utilised during the year	Reversed during the year	Total
Pro-rata bonus provision and performance bonus provisions	-	3 481 555	2 954 573	(2 954 573)	3 481 555

The four (4) months pro-rata bonus provision (13th cheque) for the amount of R368,733 owed to employees was recognised as a liability at year-end. An amount of R3,112,802 was provided in the financial year 2018/2019 for payment of staff performance bonuses to be made in the following financial year.



2019

2018

**28. Other Revenue**

Other income	125 315	104 589
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Other income comprises refunds from suppliers and approved sale of assets to staff.

**29. Going Concern**

The entity had an accumulated surplus of R15,851,604 for the year ended 31 March 2019 (31 March 2018, R26,153,861). The entity's total assets exceeded its total liabilities by R15,851,604 for the year ended 31 March 2019 (31 March 2018, R26,153,861). The 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 the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. To date KZN Treasury has committed to provide funding for the 2019/2020 financial year in terms of the Medium-Term Expenditure Framework (MTEF).

**30. Events After the Reporting Date**

Events after reporting date are classified into two (2) categories, adjusting and non-adjusting.

**Adjusting Events After the Reporting Date**

At reporting date, 31 March 2019, the entity recorded a provision of R100,000 in respect of the Workmens Compensation contribution for its employees. On 29 May 2019 the actual assessment by the Department of Labour came to R55,147 which consequently required the entity to adjust the estimated amount to the correct figure as disclosed in the employees-related costs note 11.

**Non-adjusting**

These will be events that have taken place after the reporting date, but before the Annual Financial Statements were sent for review. One of the Board Members who was also the TIKZN's HRSE Committee Chairperson passed away a few days before the end of January 2019.

Figures in Rand

2019

2018

**31. Financial Instruments****31 March 2019 - Total Financial Assets**

	1 year or less	1 to 5 years	Total
TAF cash and cash equivalents	5 492 044	-	5 492 044
TIKZN cash and cash equivalents	24 642 537	-	24 642 537
NDT Tourism Projects cash and cash equivalents	19 605 953	-	19 605 953
Receivables	2 845 910	-	2 845 910
	<b>52 586 444</b>	<b>-</b>	<b>52 586 444</b>

**31 March 2019 - Total Liabilities**

	1 year or less	1 to 5 years	Total
Accruals and payables	6 747 757	-	6 747 757
Finance lease liability	14 218	-	14 218
	<b>6 761 975</b>	<b>-</b>	<b>6 761 975</b>

**31 March 2018 - Total Assets**

	1 year or less	1 to 5 years	Total
TAF cash and cash equivalents	7 239 511	-	7 239 511
TIKZN cash and cash equivalents	36 942 362	-	36 942 362
Receivables	1 515 968	-	1 515 968
	<b>45 697 841</b>	<b>-</b>	<b>45 697 841</b>

**31 March 2018 - Total Liabilities**

	1 year or less	1 to 5 years	Total
Accruals and payables	10 009 161	-	10 009 161
Finance lease liability	106 054	11 378	117 432
	<b>10 115 215</b>	<b>11 378</b>	<b>10 126 593</b>

**Credit Risk**

The items indicated under trade and other receivables refer to subscriptions and rental prepayments in the operating leases for the Durban and Gauteng Offices and advance payments for employees for travelling costs. The cash and cash equivalents are deposits which are placed with highly reputable financial institutions. These deposits comprise grants received from the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and these grants are deposited as drawdowns every quarter. The entity limits its exposure by dealing with well-established financial institutions.

**Liquidity Risk**

The entity's exposure to liquidity risk is very minimal as it is 100% funded by the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). The annual budgets are approved at the beginning of each fiscal year and drawdowns are requested on a monthly basis. Cashflows are monitored monthly and against budgets and adjustments are made where necessary. Risk management assessments are conducted bi-annually to assist with identifying any possible cashflows, liquidity or other risks.

2019

2018

### Interest Rate Risk

Although the entity's funds are subject to interest rate risk, these funds are placed with reputable financial institutions. The entity does not hedge any of its funds, but monitors the fluctuations in interest rates and obtains advice from bank officials on a regular basis. Although the Rand has fluctuated in recent months, the risks arising out of the decline in the Rand have not been passed onto the entity.

### Currency Risk

Although the entity's funds that are placed with financial institutions may be subject to currency risk this does not affect the cashflows of the entity as the majority of our liabilities are Rand denominated.

## 32. Reconciliation of Amounts in Terms of GRAP 24

### Period ended 31 March 2019

Actual amount on comparable basis in the budget and actual comparative statement

Operating activities	Financing activities	Investing activities	Total
6 401 687	(103 215)	(739 812)	5 558 660

### Period ended 31 March 2018

Actual amount on comparable basis in the budget and actual comparative statement

Operating activities	Financing activities	Investing activities	Total
14 417 437	(120 591)	(9 599 752)	4 697 094

## 33. Actual Operating Expenditure Versus Budget Operating Expenditure

### 33.1. Government Grants and Subsidies

The initial approved appropriation for the entity was R85,935,000 which was adjusted by the approved rollover funds of R26,1 million from 2017/2018 surplus funds. A further R20 million was approved by the National Department of Tourism (NDT) for rehabilitation of the two (2) sites for tourism attraction, as well as hospitality and tourism skills development initiatives. The additional funds resulted in the adjusted budget of R132,044,000 in 2018/2019 financial year.

The entity received the full funding for its operational activities from EDTEA in tranche payments for the period ended March 2019. A further R1,000,000 for investment and export strategy project, as per funding agreement, was not paid by EDTEA at year-end. This amount is expected to be received in the 2019/2020 financial year. Other amounts received in 2018/2019 financial year came from the National Department of Tourism (NDT) for tourism growth projects.

### 33.2. Personnel Costs (Compensation of employees)

Compensation of employees spent 86% of the adjusted budget. The entity is currently awaiting approval for the filling of the critical posts such as the Executive position for Knowledge Management, Investment Promotion Officers' positions, Compliance Officer's position, Personal Assistant to the CEO and others.

### 33.3. Travel and Accommodation

Travel and accommodation was underspent at year-end as some travel and accommodation were sponsored by EDTEA and other sister entities, such as Richards Bay IDZ and Dube TradePort Corporation. Other travel and accommodation costs were not initially planned, but were strategically important in support of the entity's mandate.

### 33.4. Administration and Operational Costs

The administration and operations budget was overspent due to a number of reasons, which include: subscriptions, most of which are foreign

Figures in Rand

	2019	2018
• • •		

denominated, payments for Internal Auditors, of which the service was previously provided by Provincial Treasury at no cost. Leave cost which is higher than usual as less people took leave. In addition operating lease relating to the Durban and Gauteng Offices increased due to new rates applicable during the renewal of the respective lease agreements.

Depreciation and amortisation for the period fall under this category and they are recognised as a non-cash items. The 2018/2019 figure was significantly higher than the prior year comparative figure. This is due to the additional capital costs from leasehold improvements related to the One-Stop-Shop facility that is being depreciated over the lease term.

### 33.5. Project Specific Consultancy Fees

The overall consultancy fees budget was underspent for the year ended 31 March 2019. This was due to some committed costs relating to initiatives of the entity, such as the project on electronic records management system, to enhance and effectively manage a systematic filing process and storing and retrieval of documents which is not yet finalised. The budget for consultancy fees includes expenditure relating to reviewing the existing Organisational Strategic Plan, crafting of the new five-year Organisational Strategy Plan and the Annual Performance Assessment Plan for the years 2019/2020 to 2024/2025.

Digital and PR campaigns were conducted by the entity with the assistance of the external service provider to enhance awareness about the entity's services, as well as the services of the integrated One-Stop-Shop.

The items reported under this category include projects that have not yet fully taken off the ground.

#### (a) Technical Assistance Fund (TAF)

A total amount of R1,744,879 was disbursed for TAF projects approved in the 2018/2019 financial year and a total amount of R2,852,088 was committed, including the balance of costs not yet settled at year-end. The TAF budget was adjusted by R4,641,000 from the approved surplus funds by EDTEA in order to meet the demand of the fund.

#### (b) Youth in ICT and Manufacturing

An amount of R3,048,000 was provided to TIKZN by EDTEA with the purpose of assisting youth projects in ICT and manufacturing. The fund was not utilised pending the finalisation of an MOU with EDTEA.

#### (c) Business Rescue Fund

An amount of R4,124,067 which was provided to TIKZN in the prior financial year. The purpose of this fund is to assist local companies who are in distress who may end up closing. This is to ensure that they can remain operational and to save jobs. Approval was attained to roll-over funds to the 2018/2019 financial year.

#### (d) Route Development Fund

The Route Development Fund was approved from the rollover funds. To date the entity has made a partial payment of R1,5 million as a contribution towards a route development strategy which is aimed at raising awareness on the direct flights between King Shaka International Airport (KZIA) and London Heathrow in an attempt to attract more visitors to KwaZulu-Natal.

#### (e) National Department of Tourism

The total budget appropriation for the entity was adjusted by R20 million funding received from NDT. The main purpose of the fund is to identify sustainable tourism projects with the objective of creating a world-class destination that will attract business investment and ensure tourism growth in the Province of KwaZulu-Natal. This project is at a preliminary planning stage.

### 33.6. International Marketing

The increase in the international marketing costs is largely attributed to the increased number of trade and investment initiatives undertaken during the year under review. To keep within the budget, the entity collaborated with EDTEA on certain strategic trade and investment missions, such as Russia Trade and Investment Mission, as an effort to stimulate the economic growth in KwaZulu-Natal. Other trade and investment initiatives included a mission to the Nordic Region which aimed to undertake a business mission to highlight opportunities for trade and investment to a large number of international corporates, investors and trade experts through dedicated investment seminars.

2019

2018

### 33.7. Export Development and Promotion

The budget for export development and promotion projects was overspent for the year ended 31 March 2019. The increase in costs was mainly due to the increased number of export initiatives that took place during the financial year 2018/2019. The export development initiatives included hosting international business delegates to participate in different export, trade and investment initiatives hosted by the entity, such as the trade and investment conference, export development and promotion conference, programmes relating to the enhancement of the Export Portal, and SMME export development and promotion programme, as well as making efforts to assist emerging exporters. These programmes assisted the KwaZulu-Natal-based export companies to promote their products and services on various export promotion platforms.

### 33.8. Marketing and Communication

The entity spent 84% of its Marketing and Communication budget by 31 March 2019. Part of the savings is attributed to awareness campaigns undertaken by the entity in collaboration with KwaZulu-Natal municipalities, such as road-shows and printed magazines. Costs associated with the sourcing of marketing materials, branding, billboard advertising, corporate gifts, media and publications, as well as other marketing collateral were maintained at low levels by means of a competitive bidding process amongst suppliers to force prices to reasonable levels.

### 33.9. Capital Costs Budget

The capital costs budget for the financial year 2018/2019 was underspent and this was due to the delay in the process to procure a new batch of computers.

SAP upgrade which will accommodate automated purchase requisition and contract management modules will be done in the 2019/2020 financial year as the workflow is still being finalised. During the course of the financial year 2018/2019 the entity procured improved presentation equipment for the main boardrooms. Other items, such as new furniture and other fittings, including office equipment, were acquired in the 2018/2019 financial year.

### 34. Prior Period Error

The following prior period error adjustment was made by the entity:

#### a) Property, Plant and Equipment

During the construction of the One-Stop-Shop facility, the contractor was requested to procure three (3) items of the office equipment nature. On receipt of the work certificate from the contractor to claim for payment of the work done, the three items were identified as suspiciously inflated in price when compared to the prevailing market prices. The entity requested supplier invoices from the contractor to substantiate the charges on the work certificate.

The dispute between the entity and the contractor remained unresolved at 2017/2018 year-end, thus forcing the entity to capitalise the items using the values as per work certificate giving the contractor the benefit of a doubt in the event that his prices were correct. However, the entity took a decision to withhold the payment for these 3 items until the matter was resolved.

It was later discovered that the prices relating to the three items were highly inflated in comparison between the supplier invoices and the work certificate from the contractor. The entity decided to reverse the overcharges by the contractor during the 2018/2019 financial period and recaptured the items at their correct values. The result of this correction resulted in the adjustment of the prior year balances in both the PPE and the accumulated surplus.

#### b) Provision for Performance Bonuses

The prior period error arose from the incorrect treatment of the provision for performance bonuses which were not accounted for on the accrual basis of accounting in line with GRAP 1 - Presentation of Financial Statements, which requires that revenue and expenditure should be accounted for in the year in which the expense or revenue accrued (matching principle). GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors was applied in the correction of the error. Where applicable, performance bonuses are paid in the year following the end of a financial period.

The effect of the prior period adjustment is as follows:

Figures in Rand

	2019	2018
Decrease in property, plant and equipment (2017/2018)	-	(26 984)
Increase in opening balance of accumulated surplus (2017/2018)	-	26 984
Increase in property, plant and equipment (2017/2018)	-	11 596
Decrease in opening balance of accumulated surplus (2017/2018)	-	(11 596)
	-	-

**Prior period error adjustment - The effect of the prior period adjustment is as follows:**

Increase in provisions (2017/2018)	-	(2 964 574)
Decrease in accumulated surplus (2017/2018)	-	2 964 574
	-	-

**Correction of error - The effect of the correction of error in restated 2018 employees-related costs are as follows:**

Employees-related costs	-	755 734
Decrease in opening balance accumulated surplus (2017/2018)	-	(755 734)
	-	-

**35. Repairs and Maintenance**

Repairs and maintenance to property	593 992	731 818
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The entity incurred costs of R593,992 during the year ended 31 March 2019, R731,818 (March 2018) relating to the internal maintenance of its administration offices.













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