DAC

ETHEKWINI MUNICIPALITY

2021

ANNUAL REPORT

DURBAN AUTOMOTIVE CLUSTER ANNUAL REPORT 2021

Celebrating 20 years of DAC

CONTENTS

LETTER FROM THE CHAIRPERSON

Andrew Velleman

Chairperson,
DAC CEO, CFAO
South Africa

The Durban Automotive Cluster (DAC) remains a primary agent to support the regional growth of the automotive industry in KwaZulu-Natal. As Chairperson, I note how critical this is for an industry that has experienced a turbulent year - disrupted by the second year of the COVID-19 pandemic and impacted by significant supply chain challenges. It is in times like these, that initiatives like the DAC become most important, as it is through the consolidated efforts of industry and through pooling resources and knowledge that we can overcome challenges. I am pleased to report that, despite the challenging year for the industry broadly, membership has remained stable and there are a significant number of achievements that are worth highlighting:

PARTNERSHIPS

The cluster strengthened its relationship with eThekwini Municipality, exceeding the targets and expectations set for our three-year funding relationship.

The DAC also, for the first time, partnered with KZN Department of Economic Development, Tourism and Environmental Affairs (KZN EDTEA) to support localisation, Black supplier development and to support members with improving their transformation scorecard.

MARKET DEMAND

The pandemic and supply chain challenges impacting the sector highlighted a need to identify new opportunities for growth in the automotive sector. The cluster undertook a detailed analysis of industry growth drivers. To this end, the cluster has engaged with various stakeholders and lead enterprises in KwaZulu-Natal to support the realisation of these growth opportunities in order to provide a positive growth outlook for their suppliers. The cluster is already implementing the first of its value chain development programmes with lead enterprises and intends to implement more, with a greater number of lead firms, in 2022.

SKILLS

Over the year, skills development programmes had to be remodeled to tackle the challenges posed by the pandemic and to best suit the needs of industry. The cluster developed two new skills training programmes in support of members. The Team Leader Development Programme (TLDP) targeted at team leaders and supervisors, and the Emerging Leaders Development Programme (ELDP) targeted at junior and middle management have been unique in that they are customised for the manufacturing sector and aim to develop both the technical skills and soft skills of learners. 80 ELDP learners and 35 TLDP learners were trained in the pilot programme and building upon this success. 86 team leaders and 77 emerging leaders from the automotive industry are registered for 2022 - making this the largest training group for the DAC in one year.

TALENT PIPELINE

The DAC partnered with the United Nations Development Programme (UNDP) to deliver a technical skills development programme for new entrants into the automotive industry to establish and develop a skills pipeline of talent for the sector. 60 operators are now being absorbed by the industry in shop-floor positions.

TRANSFORMATION

The DAC launched and delivered its first Business Accelerator Programme in December 2021. The cluster is privileged to now support, incubate and upgrade a group of potential Black suppliers who have the possibility of access to affordable and developmentally structured financing to unlock their growth and support market access to the automotive industry. Five small business are currently being incubated through the programme, two of which already engaging in a commercial relationship with lead firms in the cluster.

I can report that the cluster is in a healthy and sustainable financial position and the cluster's revenue in 2021 was R4,6 million.

Lastly, I would like to thank the Executive Committee for their unwavering support through this past year. Your contribution to the cluster, strategic inputs and dedication has been integral in persevering through this period.

To the members who are continuously engaging with the cluster programmes, the cluster would not have achieved its successes without your partnership.
A special vote of thanks is offered to eThekwini Municipality for their continued support in helping the cluster drive growth and transformation. The DAC looks forward to another successful year.

LETTER FROM THE CITY

Councillor Thanduxolo Sabelo

Chairperson: Economic Development and Planning Committee

2021 represented another rewarding year for the Durban Automotive Cluster (DAC) with a significant number of high-impact projects facilitated, a growing membership base and renewed and strengthened partnerships with various industry stakeholders. Given the significant contribution that the automotive sector plays for the local economy and particularly the City's manufacturing base, eThekwini Municipality has been a longstanding supporter of the industry through its funding and strategic oversight of the DAC. The DAC has continued to facilitate programmes and initiatives that leverage the support of both the public and private sector and generate positive outcomes for the local sector. New initiatives such as the Business Accelerator and the support for Black-owned small businesses are also fundamental for ensuring that the sector reaches its transformation targets.

With a domestic economic outlook appearing strained, it must be noted that the industrial growth potential of the sector in South and Southern Africa remains undisputed, and realising this growth is critical to change the trajectory of economic development in eThekwini and South Africa. It is up to initiatives like the Durban Automotive Cluster working together with government, to support industry to capture these opportunities.
eThekwini Municipality would like to reaffirm its commitment to the Durban Automotive Cluster and looks forward to another year of encouraging outcomes from the cluster's programmes.

Q&A WITH THE FACILITATION TEAM

Q:
WHAT ARE SOME OF THE HIGHLIGHTS FROM THE PAST YEAR?

A:
Driven by the most pressing needs of industry, the cluster focused on restructuring the delivery of skills programmes to lay a foundation of skills development for employees of the industry who have had to adapt and adopt greater responsibilities over the past two years.

The cluster trained its largest group of learners with a total of 175 learners across junior management, team leader and operator levels.

We are also pleased to have rolled-out the GrowthFinder Diagnostic, the evolution of our performance benchmarking methodology which is now informed by market intelligence and demand forecasts.

We are also proud to have launched the first ever automotive Business Accelerator as a platform to create a space for small Black-owned enterprises to demonstrate their potential to large customers and unlock commercial opportunities.

Joshlean Chettiar

Associate Programme Manager

Q:

THE DURBAN AUTOMOTIVE CLUSTER HAS BEEN A REPRESENTATIVE BODY OF THE LOCAL AUTOMOTIVE INDUSTRY FOR 20-YEARS. HOW DOES IT CONTINUE TO REMAIN RELEVANT AND DELIVER VALUE-ADDING SERVICES TO THE INDUSTRY OVER THIS PERIOD?

A:

Clustering is a critical enabler of growth and competitiveness, and globally best practice is shared, re-distributed and enhanced through collective efficiencies. At a local level, firms can address challenges, learn from one another and combat shared concerns in a manner that is efficient and responsive.

Over 20-years, the DAC has proven to be this vehicle for the local automotive industry. The ability to pivot to industry needs, support firms with development programmes at scale, and strengthen the relationship between the local industry and local government has been crucial to that success.

Being industry-led and driven by the leaders of the local automotive industry is one of the reasons the cluster has been able to remain relevant and add value over two decades.

With the support and strategic direction from the industry itself, the cluster has been able to craft itself to respond to pressing needs and augment and improve programmes to best serve the industry over the changing period.

Meghan King

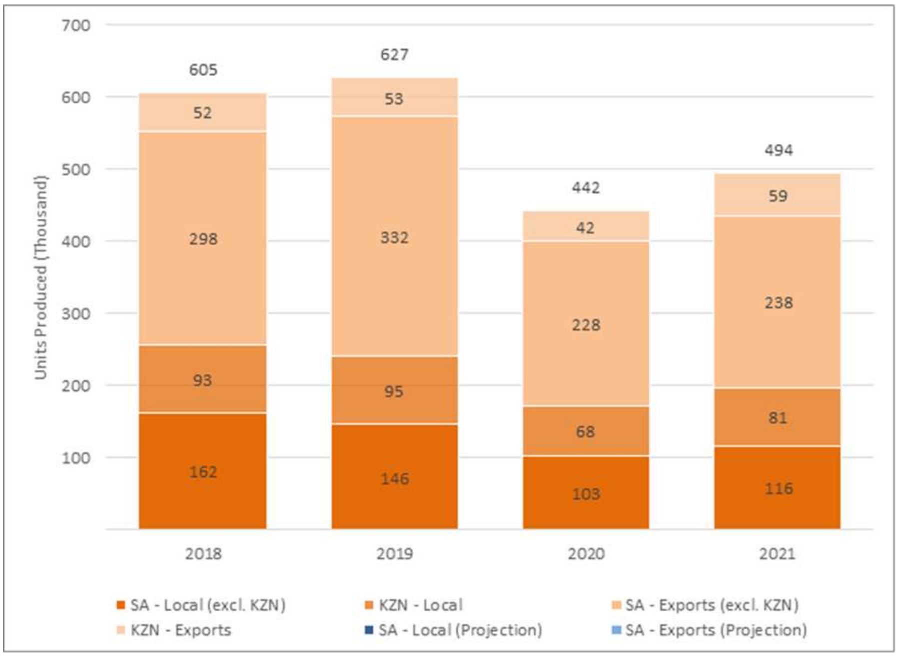
Chief Facilitator

THE STATE OF THE KZN AUTOMOTIVE INDUSTRY

The year 2021 brought many challenges for the global automotive sector. These included having to continue to learn to live and operate with the COVID-19 pandemic, as well as numerous supply chain challenges. The most notable of these being the global semi-conductor shortages.

Some of the challenges are projected to continue well into 2022 and possible into the start of 2023, placing strain on the sector globally as well as in South Africa. The country also experienced additional challenges, including the social unrest in mid-July 2021.

SA AND KZN-BASED OEM VEHICLE PRODUCTION (2018 TO 2021 ACTUAL AND 2022 PROJECTIONS)



Source: AutoStats / NAAMSA

Despite the challenges, total South African vehicle production improved by over 50 thousand units in 2021 to almost 500 thousand. While still well behind levels achieved pre-2020, the growth is encouraging, with total levels forecast to reach between 550 and 570 thousand in 2022.

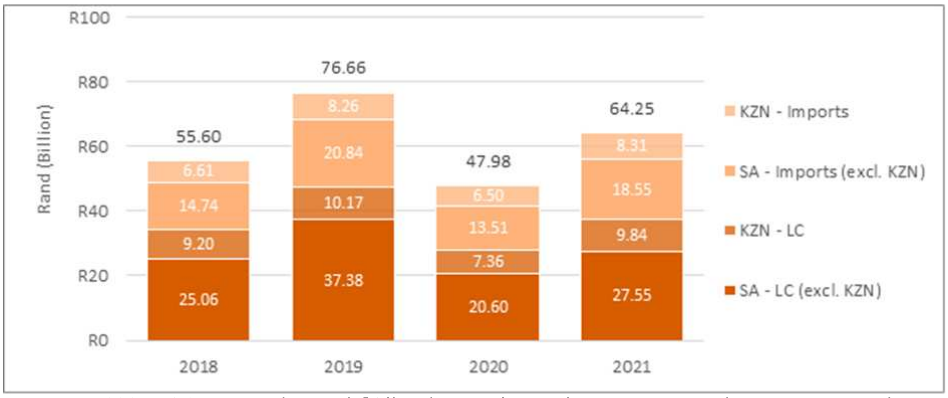
In KwaZulu-Natal, vehicle production increased from 110 thousand units in 2020 to 140 thousand in 2021, with 58% being for the local market and 42% exported.

KZN's vehicle growth represents an increase of 27%, which is well ahead of the similar national figure of 11.8%. In addition, of the 50 thousand additional vehicles produced in SA in 2021, almost 60% were produced in KZN. This growth was supported by export levels for the region reaching almost 60 thousand, the highest figure in the last seven years. In 2021, 2 out of every 5 vehicles sold locally was produced in KZN, with 1 out of every 5 exported being produced in KZN.

If we consider local Tier 1 firms that operate within the local OEM-value chains, their total sales reached R 64.3 bn in 2021, an increase of 34% on the previous year's figure. KZN sales reached R 18.2 bn in 2021, up from R 13.9 bn in 2020, an increase of 31%, in line with the national figure.

For local content (LC), which comprises Manufacturing Value Added (MVA) generated by local Tier 1 firms, as well as qualifying local purchases, the total level for the SA-based Tier 1 firms is projected at around R 37.4 bn for 2021, up from R 28.0 bn in 2020. The local content contribution for KZN-based Tier 1 firms in 2021 is around R 9.8 bn, up from R 7.4 bn in 2020. KZN-based Tier 1 firms accounted for 26.3% of the SA local content figure in 2020 and 2021.

SA AND KZN-BASED TIER 1 FIRMS SALES PROFILE – LOCAL CONTENT AND IMPORTS (2018 TO 2021 PROJECTIONS)



Source: BMAIS AAS Data (2022) [All values adjusted to represent the entire Tier 1 base and reported in nominal terms]

While it is encouraging that total production increased in 2021, if we look at the quarterly picture for SA, it's clear that, after producing 140 and 141 thousand vehicles in quarter 1 and 2 respectively, the quarter 3 and 4 levels of 99 and 114 thousand were lower.

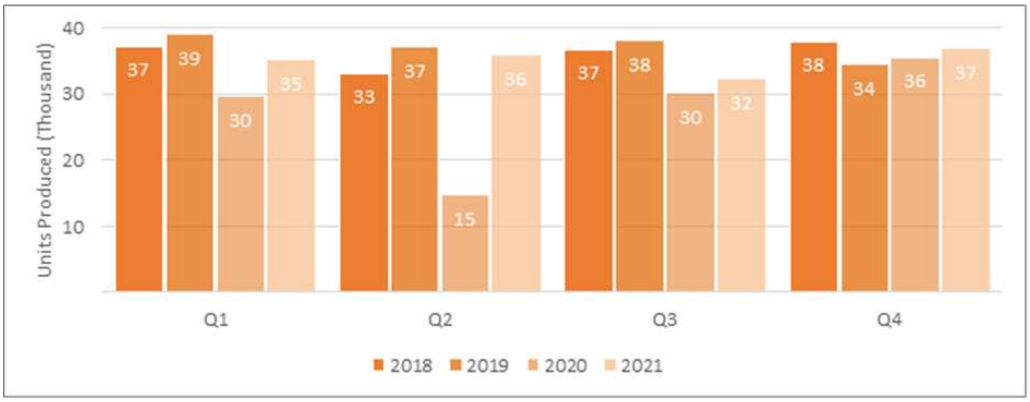
As a result, while 281 thousand vehicles were produced in the first half of the year, the figure for the second half of the year was only 213 thousand.

The global supply chain challenges, including the semi-conductor issues, which is not only resulting in local production being impacted, but OEMs allocating production to premium vehicle locations elsewhere in the world, are some of the reasons for the decline in production at the end of 2021.
Encouragingly, in comparison, KZN produced 71 thousand vehicles in the first six months of 2021, and 69 thousand in the last six months. The region did not experience a decline in volumes as was the case nationally.

SA-BASED OEM VEHICLE PRODUCTION – BY QUARTER (2018 TO 2021)

Source: AutoStats, Lightstone

KZN-BASED OEM VEHICLE PRODUCTION – BY QUARTER (2018 TO 2021)



Source: AutoStats, Lightstone

Although challenges remain, the KZN automotive sector performed reasonably in 2021, including in relation to the rest of SA. There is a sense of optimism that while the year will be challenging, growth opportunities remain going forward.

Sean Ellis

Facilitator: DAC

IMPACT OF 2021 CLUSTER ACTIVITIES

20 YEARS OF ADDING VALUE TO AUTOMOTIVE MANUFACTURERS

50 Members

1475 Participants in working groups

20 Years of adding value to automotive manufacturers

HIGHLIGHTS

73% of members participate regularly in working groups

88% Approval rating for programme activities

90% Average facilitation rating

48% of Black owned suppliers supported in 2021

91% of cluster members actively involved in Risk Mitigation Programme

SKILLS PROGRAMMES

35 Team Leader Developing Programme Learners

80 Emerging Leadership Developing Programme Learners


LUMOTECH LT
HESTO
DAC
DURBAN AUTOMOTIVE CLUSTER
EASTERN CAPE


DRAGONS'
DEN


DAC
DURBAN AUTOMOTIVE CLUSTER
ETHEKWINI MUNICIPALITY
HD1


LUMOTECH LT
HESTO HARNESSES
KWAZULU-NATAL PROVINCE
EASTERN CAPE


GONS'
EN
2021


EASTERN CAPE
DAC
HESTO
LUMO


DAC
EASTERN CAPE
HESTO
LUMOTECH


LUMOTECH
HESTO
High Impact Award
Feasible Plastics
Twenty five thousand
2 December '21
R 25000—
BUSINESS CASE
BAP South Africa
Fifty thousand rand
R 50000
Umbendo
Twenty five thousand
R 25000—
2021


AGENDA
Claudine Jonas
Sivalingham Kistan
HESTO
LUMOTECH
DAC

A REFLECTION OF 2021 CLUSTER ACTIVITIES

JANUARY

- The cluster launched the Emerging Leadership Development Programme (ELDP) which has seen 80 participants enrolled.
- The ELDP is aimed at leaders and future leaders of the industry and is an online, outcomes-based training programme that combines theoretical learning with practical support from internal and external mentors.

FEBRUARY

- The cluster launched the Team Leader Development Programme (TLDP) which has seen 35 participants enrolled.
- The TLDP aims to bring the operational problem-solving responsibility to the staff closest to the problems. Learners implement continuous improvements projects that are able to evoke positive change in the work environments and it frees up senior managers to concentrate on problem-solving on a strategic level.
- Responding to the second wave of COVID-19, infections, the DAC hosted a working group session to unpack supply chain blockages and their knock-on effect on operational challenges.
- As part of the TIKZN MOU, the cluster drafted an automotive sector intelligence report that presented the global and local automotive sector trends and unpacked the key growth drivers of large lead enterprises and unpack the opportunities for local suppliers.

MARCH

- The cluster held a webinar on Leadership for Growth: Skills Development linked to Organisational Change. The webinar explored why leadership development is important and how the development of effective leadership skills is one of the most effective means to boost productivity in teams.
- The cluster hosted a solutions-based discussion, which focused on unpacking current supply chain management challenges with a small panel of firms. This discussion provided members with practical and innovative solutions to manage cash flow, stock, proactive customer engagement and transportation in the "new normal".

APRIL

- A new diagnostic programme was scoped to support members with benchmarking their operational performance against peers, linked to growth drivers identified in the intelligence report.
- The cluster hosted an esteemed panel of industry experts to discuss the relative importance of key trends in shaping the future of the global industry, the likely timing and extent of relevance of these trends on the local industry, opportunities most likely to be translated into growth and investment opportunities for the supply base in SA, and lastly how to realise the opportunities associated with green curve commodities.

- The cluster held a webinar on Balancing Productivity and Stretch: Mitigating the impact of time and resource constraints in the new normal.

MAY

- The DAC hosted an industry working group to discuss the clusters' new growth diagnostic, an evolution of our performance benchmarking tool.
- ·The cluster also presented an expert and firm-led working group session on Attracting Investment: Unpacking private sector financing solutions for growth in manufacturing

JUNE

- The cluster hosted its Annual General Meeting titled Financing Growth in the Automotive Industry. The AGM covered:
  - Understanding the investment strategies of leading private equity investment partners.
  - Discussing the positioning of the automotive industry as attractive for finance and investment; specifically with regard to growth drivers and green curve commodities.
  - Unpacking the business case requirements to attract capital to the automotive industry.
- The cluster held a workshop on Leveraging expedited workforce vaccinations as a competitive advantage. The discussion topics unpacked strategies and tactics to expedite workforce vaccinations:
  - Options for how and where vaccinations can be rolled out,
  - Details on how to have vaccinations rolled out at your workplace,
  - Cost, timing, policy, communication and operational considerations for your employees and business, and
  - Parallel experiences and planned tactics in leading member firms.

JULY

- Following the social unrest, the cluster pivoted and held a session on Taking Stock of the Crisis: Understanding and Rebuilding.This was in response to current industry needs and the feedback from firms that they need access to accurate, up to date and relevant information about the social crisis, the extent of the impact and the resultant supply chain and business operations challenges facing our sector.
- Subsequent to the unrest, the cluster received a request from the Presidency to collect information on the impact this unrest has had on and the support that is required for recovery in order to co-ordinate a rapid and strategic response to ensure production gets back up as quickly as possible. The cluster undertook an Unrest Impact Survey in which the clear feedback from firms is that they need access to accurate, up-to-date and relevant information. This included the extent of the damage across the value chain and the likely impact on demand and supply over the coming weeks, months and beyond.
- The cluster produced industry and manufacturing reports after having engaged extensively with industry following the unrest in South Africa, which predominantly plagued the regions of KZN and Gauteng, but also caused significant upstream and downstream supply chain impacts across the country. The information presented in this report is a summary of what was produced at the request of The Presidency to inform crisis response strategies at national, provincial and local levels.
- The cluster supported a large aftermarket firm with an intelligence report. This project sought to understand the firms market dynamics and opportunities, with the ultimate goal of supporting them to realise new growth opportunities. Similar projects are to be targeted with other large lead enterprises in the supply chain.

AUGUST

- The cluster launched the Business Accelerator Programme. The Accelerator programme aims to link lead firms with high-potential, high-commitment SMEs in KZN and then support their upgrading to meet these new commercial opportunities.

SEPTEMBER

- The cluster has rolled out the GrowthFinder Diagnostic Programme. The programme is an updated benchmark assessment that will help members confirm industry peers' performance benchmarks, receive detailed and objective assessments of operations and processes, and identify priority areas that need attention.
- The cluster collaborated with a legal expert and firms that successfully rolled out vaccination strategies to discuss vaccination action plans and the rights of individuals and firms.

OCTOBER

- The cluster launched its 2022 Skills Training Programmes. Our Team Leader Development Programme (TLDP) enables manufacturers to unlock productivity, stability, and continuous innovation through developing team leaders' lean manufacturing capabilities.
- Our Emerging Leadership Development Programme (ELDP) is designed to develop manufacturing industry professionals into responsible leaders, strategic thinkers, and the game changers of industry.

NOVEMBER

- The cluster hosted a working group for surviving supply chain disruptions in the automotive industry. The automotive industry was one of the hardest hit by supply chain disruptions across 2020 and 2021.
- The Intra-African Trade Fair is the key event boosting trade in Africa. The cluster exhibited in the automotive forum in partnership with Toyota South Africa.

DECEMBER

- The cluster afforded SMEs an opportunity to present their business cases to the lead firms who provided strategic input and offered advice to the SMEs on how to direct their efforts in order to grow their businesses.
- There are two commercial opportunities that have been identified with the SMEs that were presented at the Dragons Den with support in the form of mentorship and cluster membership which is being offered to the SMEs to realise these commercial opportunities.
- The cluster has further scoped an Automotive Business Incubator which seeks to support five SMEs in the automotive manufacturing value chain to enable them to grow and be able to supply to lead Tier 1 suppliers and OEMs in the near future.

TESTIMONIALS

"KAP Automotive is committed to the development of its employees. It is therefore with great pleasure that we acknowledge the contribution of the Durban Automotive Cluster, our learning and development partner."

HOW KAP AUTOMOTIVE AND THE DURBAN AUTOMOTIVE CLUSTER HAVE COLLABORATED AND WORKED TOGETHER TO CUSTOMISE SEVERAL LEARNING INTERVENTIONS.

"KAP Automotive and the Durban Automotive Cluster started their relationship a long time ago. What we find particularly attractive about the engagement is the willingness to accommodate and work closely in addressing organisational needs. KAP Automotive Team Leader and Supervisory Development Programme is a prime example of such collaboration. The Durban Automotive Cluster is a professional team was more than willing to meet and discuss our requirements. This resulted in an offering that we believe benefits both employees and the organisation in many ways."

TRANSFER OF SKILLS AND KNOWLEDGE

"Successful transfer of learning from classroom to workplace is an important deciding factor for KAP Automotive when selecting a training provider. Our criteria for success are performance related. We closely observe employees in the workplace and determine performance prior, during and post the programme. We expect from the provider to be in command of the process and be able to evaluate whether transfer is happening. We also expect of the provider to manage the process with employees that are not equally capable."

“The Emerging Leader Development Programme (ELDP) is almost like a mini MBA if one can call it that. Our entire management team in KZN has been registered for this and they are progressing well with the online course. They have certainly learnt some new techniques and strategies to face an ever changing work environment. We do believe the value added by doing this course will be forever imprinted in our staff minds and knowledge banks. We are confident that once this course is completed, they will be empowered to tackle and deal with people from different walks of life including their problem resolution skills.”

From our supply chain in flux working group session, one of our participants commented as follows: “I found this very interesting and recognised a lot of the actions taken in our business.”- Eileen Pretorius, Aveng Trident Steel.

“Aveng Trident Steel has registered several Learners for the Durban Automotive Cluster’s Team Leader Development Programme (TLDP). The TLDP has been fantastic and a good learning curve for our participating employees. The major areas covered by the programme are aligned to those areas that we believe Team Leaders need to be developed in. We are confident that the Learners involved in the programme will derive real benefit from the content and be able to effectively support the firm going forward. We will definitely look to patriciate in the programme going forward so that more employees can benefit from what is covered.”

Your information portal is an awesome tool! It is definitely something we can all benefit from and gives us an opportunity to see what is happening in our industry."
– **Noelene Williams, Feltex Automotive.**

"Expert Automotive Trim has participated in the benchmarking activities of the Durban Automotive Cluster for several years. We have found the benchmark exercise to be very informative and of real value, especially in challenging us as to how we operate."
– **Pragasen Naidoo, Expert Automotive Trim**

"Through my engagements with the Durban Automotive Cluster, they facilitated contact between Bundu Gear and a national institution around finance support. I am of the opinion that, if we are able to secure this funding, it will open doors to other funding opportunities with this institution. I believe that once they understand our business, they will look to provide additional assistance to us, especially for growth where we require capital. To get to the finish line we have to do this. Thank you to the B&M Analysts for facilitating this interaction. You guys are a great team. Well done!"
– **Dr William Labuschagne, Bundu Gear.**

HIGHLIGHTS OF 2021

INCREASING COMMUNICATION WITH MEMBERS

It was important for the cluster to create an environment which encourages our members to engage not only with us but with other members. Social media has helped the cluster reach diverse audiences, build brand awareness, engage current and future members and build relationships through industry engagement. The cluster's LinkedIn and Facebook pages have served as touchpoints for members and industry stakeholders to interact with the organisation, thus founding positive engagement through likes, follows and optimistic post comments. LinkedIn is and has been the best platform for quality engagement within the automotive industry, where cluster members are increasingly following and engaging with the page.

LOCALISATION AND GROWTH

The aim of the Localisation and Growth Programme is to increase localisation and Black supplier participation in the automotive sector in KZN.

WORKING GROUPS

On the Green Curve: Unpacking priority investment areas for growth

Business Accelerator

Auto Sector Intelligence

Financing Growth in the Automotive Industry

BUSINESS ACCELERATOR

The cluster secured funding from the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) to support SMEs through a Business Accelerator Programme. The Programme seeks to identify high-potential SMEs and provide them an opportunity to undergo a three-month development programme/mentorship with the potential of supplying or collaborating with a Large Lead Enterprise (LLE). The programme will be run in collaboration with the East Cape Automotive Industry Forum (ECAIF) and the Automotive Supply Chain Competitiveness Initiative (ASCCI). Large lead enterprises participating in various capacities in the programme for 2022 include Toyota SA, Lumotech, HESTO Harnesses and Goodyear.

PHASES OF THE BUSINESS ACCELERATOR ARE HIGHLIGHTED BELOW:

LLE Engagement
The cluster engaged with LLEs to solicit their support for the programme. The requested support included potential procurement or investment in the SMEs.

Capacity Building
The aim of the capacity building event was to equip businesses with skills to develop an effective manufacturing strategy in an age of major change.

Pitch Development and Support
The aim on the day was to equip the SMEs with tools to effectively present their pitches to the LLEs on the Dragon's Den Day.

Dragons Den
The Dragons Den afforded an opportunity to the SMEs to present their business cases to the lead firms who provided strategic input on the business cases presented and offered advice to the SMEs on how to direct their efforts in order to grow their businesses.

Post-Dragons Den Support
The cluster scoped the post-Dragons Den support that would be offered to the SMEs as part of the Mentorship and Upgrading phase of the programme.

VALUE CHAIN DEVELOPMENT

After the success of the Intelligence Report, the DAC is now working closely with large lead enterprises to support specific value chain development projects to enable their growth.

MANUFACTURING EXCELLENCE

The Manufacturing Excellence Programme aims to advance the competitiveness of supplier operations.

WORKING GROUPS

GrowthFinder, the evolution of our performance benchmarking programme

Social unrest: Taking Stock of the Crisis to Rebuild

Supply Chain in Flux: A Solutions Focused Working Group

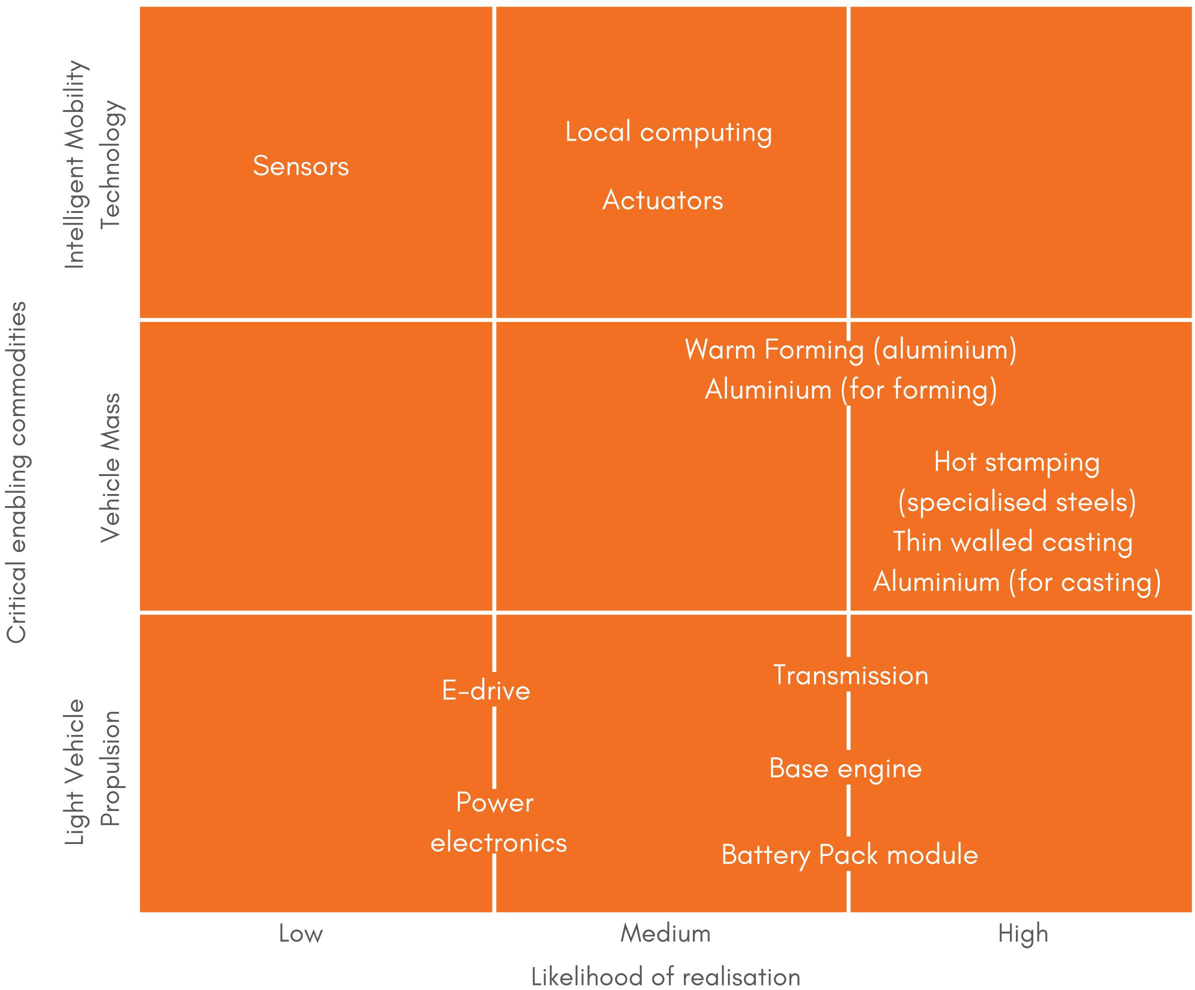
Surviving Supply Chain Disruptions in the Automotive Industry

GROWTHFINDER DIAGNOSTIC

The cluster has rolled out the GrowthFinder Diagnostic Programme. The Programme has four objectives:

(1) to understand market needs of members;
(2) to provide an assessment of supplier against market needs and competitors;
(3) to identify and diagnose growth opportunities and
(4) to provide recommendations with an action plan.

The programme is an updated benchmark assessment that will help members confirm industry peers' performance benchmarks, receive detailed and objective assessments of operations and processes, and identify priority areas that need attention.



SKILLS DEVELOPMENT

The aim of the Skills Development Programme is to develop an appropriate and sustainable channel of world class talent that reflects the industry's transformation objectives and to expand the knowledge and competencies of the labour force in order to improve productivity.

EMERGING LEADERSHIP DEVELOPMENT PROGRAMME

Earlier in 2021, the cluster launched the Emerging Leadership Development Programme. The programme is designed to help junior and middle management develop their leadership skills, improve their strategic thinking, and strengthen their business acumen. This will allow them to translate business strategy into day-to-day operational activities. The programme was well-received and is still ongoing, with mentorship support beginning in the last quarter and ending in February 2022.

TEAM LEADER DEVELOPMENT PROGRAMME

The cluster launched the team leader development programme on 17 February 2021. The programme intends to promote shop floor productivity by providing team leaders with lean management skills and empowering them to lead continuous improvement initiatives on the shop floor. The programme officially began on March 31, 2021 and ended on September 30, 2021. Graduation and distribution of results took place during the fourth quarter.

The cluster has collaborated with KAP Automotive to create a tailored, manufacturing-specific team leader and supervisor development programme. The programme will train approximately 160 team leaders and supervisors across the country, with the pilot programme launching in 2022 with 60 team leaders and supervisors.

UPGRADE TO THE LEARNER MANAGEMENT SYSTEM

A key improvement area for the 2022 training programme was developed from engagements with industry and learnings from the first round of online skills development programmes. The establishment of a world class learner management system (LMS) which has features and functionality to support users within different geographic, work environment, and computer literacy contexts. Our LMS is set up to provide learners with the necessary support to complete the programmes such as downloadable workbooks, access to live webinars, peer learning groups and forums. In addition, the LMS supports zero data offline learning through its mobile application, motivates learners to engage with the content and peers across different industries, and supports firms to quickly identify employees with high potential for future positions and training opportunities.

The differentiators of this programme against other online programmes, is the core of its success.

FIRM LED PRACTICAL APPLICATION

- Drive relevant and impactful practical application within the learner's work context
- Create a continuous improvement and shared learning in your business

MENTORSHIP

- Collaborate across different divisions, functions, and levels of seniority
- Stronger team dynamic and collective vision for firm improvements
- Ensure applicability to work context
- ELDP: External coaching from ex-industry senior

MONITORING

- Live data analytics to inform skills pipeline decision making

FUN AND REWARDS

- Encourage learner commitment and simplify concepts
- Recognise adult learners for achievements

TALENT PIPELINE

The Durban Automotive Cluster has partnered with the Automotive Learning Academy (ALA) to deliver a technical skills development programme for unemployed and employed youth in KZN. The programme focuses on developing critical technical skills required by industry to improve the quality and productivity of shop floor employees and to deepen the pipeline of technical skills within the industry.
The key outcomes of the training include bridging 60 TVET graduates into the automotive manufacturing work environment:

- As work ready trained operators
- Providing them with relevant work-experience (manufacturing and/or assembly environments)
- Providing them with direct exposure to short-term contracts/self-employment opportunities.

THE EXECUTIVE COMMITTEE

Senior executives from member firms and officials from the eThekwini Municipality make up the DAC's Executive Committee. The Executive Committee provides strategic oversight and programmatic direction for the cluster.

TOYOTA TSUSHO AFRICA

Andrew Velleman

Chairperson and Localisation & Growth Programme Chair, CFAO Africa

SMITHS MANUFACTURING (PTY) LTD

Paul Vermaak

Skills Development Programme Chair, HESTO Harnesses / Smiths Manufacturing

HESTO HARNESSES

John Chandler

Manufacturing Excellence Programme Chair, HESTO Harnesses

TOYOTA

Theunis Rootman

Nominated Industry Representative, Toyota South Africa Motors

Nigel Ward

OEM Representative, Toyota South Africa Motors

Michael Waldburger

OEM Representative, Toyota South Africa Motors

Russell Curtis

Funder Representative, eThekwini Municipality

Takalani Rathiyaya

Funder Representative, eThekwini Municipality

Ravesha Govender

Funder Representative, eThekwini Municipality

Alex Holmes

Nominated Industry Representative, MAHLE Behr SA

Meghan King

Chief Facilitator (Non-voting), B&M Analysts

Sean Ellis

Facilitator (Non-voting), B&M Analysts

2022 NEW EXCO MEMBERS

Mark Gutridge

Manufacturing Excellence Programme Chair, Brink Towing Systems

Michelle Raw

Nominated Industry Representative, GUD Holdings

Judith Serafim

Nominated Industry Representative, Imvusa Interior Trim

OUR PARTNERS

THE DAC EXPRESSES GRATITUDE TO ETHEKWINI MUNICIPALITY AND ALL SUPPORTING PARTNERS FOR 2021:

GOVERNANCE AND COMPLIANCE

- Registered as Non-Profit Company
- Memorandum of Incorporation (MOI) that entrenches Public-Private Partnership
- (PPP) model transparent governance and clear accountability
- Clear business plan and accompanying implementation plan
- Memorandum of Agreement (MOA) governing relationship with primary funder
- Performance management and reporting systems that are effective and efficient
- Financial control systems that are effective, efficient and transparent
- Adequate solvency and liquidity provisions
- Clean, unqualified annual financial audit
- Risk management practices that are effective, efficient and transparent
- Competition Law checklist and related safeguards
- Procurement systems that are effective, efficient and transparent
- Service Level Agreement (SLA) governing relationship with facilitation service provider
- Capacity to comply with funding agreements
- Compliance with the Companies Act; The Income Tax Act; Consumer Protection Law; the Public Finance Management Act; the Municipal Finance Management Act and the POPI Act
- Broad-Based Black Economic Empowerment (B-BBEE) level 4 contributor and 100% of expenditure can therefore be claimed as Preferential Procurement

MEMBER LISTING

Name	Contact Number	Email	Website
Aeroklas Duys	+27 (31) 713 1700	sales@duys.co.za	www.duys.co.za
Aunde South Africa	+27 (31) 913 8000	southafrica@aunde.com	www.aunde.co.za
Aveng Trident Steel	+27 (31) 913 2300	info@trident.co.za	www.avengtridentsteel.co.za
Bell Equipment Ltd	+27 (35) 907 9111	stephenj@bell.co.za	www.bellequipment.com
Brace Able Manufacturing	+27 (31) 792 1000	richardr@braceable.co.za	www.braceable.co.za
Brink Towing Systems	+27 (33) 401 0120	Mark.Gutridge@brink.eu	www.brinkgroup.eu
Brits Nonwoven	+27 (31) 710 7707	Kealin.Debruin@brits.co.za	www.brits.co.za
BT Industries	+27 (31) 902 8134	clinton@btindustries.co.za	
Bundu Gear	+27 (32) 940 0412	drwlab@bundugear.co.za	
Crisp Air	+27 (31) 569 2439	siveshnaidu@crispair.co.za	
Commercial Auto Components	+27 (31) 705 5024	info@cactruckbars.co.za	www.comautocomp.com
DRiV Pinetown Bearings & Valves	+27 (31) 717 3313	Vicky.rajkumar@federalmogul.com	www.federalmogul.com
Enermous Foam Tapes & PSA	+27 (83) 232 2731	info@enermous.co.za	www.enermous.co.za
eThekwini Precision Press	+27 (31) 914 4689	ricardo@e-pw.co.za	www.ethekwiniprecisionworks.co.za
Expert Automotive Trim	+27 (31) 463 1350	pragasen@expertautotrim.co.za	www.expertautotrim.co.za
Feltex Automotive Trim	+27 (31) 460 4200	autotrim@feltex.co.za	www.feltex.co.za
Feltex Fehrer	+27 (31) 460 4200	automoulding@feltex.co.za	www.feltex.co.za
Freudenberg Nonwovens	+27 (31) 206 0470	info@freudenberg.co.za	www.nonwovens-group.com
G.U.D. Filters	+27 (31) 910 3111	marketing@gud.co.za	www.gud.co.za
Gamamboh Engineering	+27 76 338 3323	info@gamambohengineering.co.za	www.gamambohengineering.co.za
GST Automotive Safety SA	+27 (31) 736 1016	Clive.reinhardt@gst-global.com	www.global-safety-textiles.com
Handel Street	+27 (31) 332 6025	hsdurban@handelstreet.co.za	www.handelstreet.co.za
Hesto Harnesses	+27 (32) 437 6700	sales@hesto.co.za	www.hesto.co.za

Horizon Components	+27 (31) 943 3391	maryanne@btindustries.co.za	
Hulamin	+27 (33) 395 6911	hulamin@hulamin.co.za	www.hulamin.co.za
Imvusa Interior Trim		judith@imvusat.co.za	
Kholeka Engineering	+27 (31) 700 1221	sipho@kholeka.com	www.kholeka.com
L&J Tool and Engineering Works	+27 (31) 914 4294	rex@ljtools.co.za	www.ljtools.co.za
Lumen Special Cables	+27 (31) 702 1211	sales@lumensouthafrica.com	www.lumen.com
MAHLE Behr South Africa	+27 (31) 719 7600	www.behrgroup.com	www.mahle.com
Manelise Group CC	+27 (31) 719 7812	thami@manelisegroup.co.za	
Maxe	+27 (31) 536 8005	kevin@maxe.co.za	www.maxe.co.za
Morecare Engineering Services (Pty) Ltd	+27 (35) 751 1805	phiwo.thango@morecare.co.za	
MK Bolt	+27 (10) 442 6607	khosi@mkbolt.co.za	
Pressure Die Casting	+27 (33) 397 5500	enquires@pdc.co.za	www.pdc.co.za
PFK Electronics	+27 (31) 832 2200	Brent.Maartens@pfk.co.za	
Ramsay Engineering	+27 (33) 387 1575	re@ramsay.co.za	www.ramsay.co.za
Sealtron	+27 (31) 502 5185	vikesh@sealtron.co.za	
Springmaster	+27 (31) 569 2166	dac@springmaster.co.za	www.springmaster.co.za
Smiths Manufacturing	+27 (31) 719 4911	info@smiths.co.za	www.smiths.co.za
Sumitomo Rubbers SA	+27 (31) 242 1111	marketing@srigroup.co.za	www.srigroup.co.za
Thekwini Wire & Fasteners	+27 (31) 902 7097	bala@thekwiniwire.co.za	www.thekwiniwire.co.za
Toyoda Gosei SA	+27 (31) 949 5051	leevani.p@tg-southafrica.co.za	www.toyoda-gosei.com
Toyota Boshoku South Africa	+27 (31) 949 4000	tbsainfo@toyota-boshoku.sa.com	www.toyota-boshoku.sa.com
Toyota South Africa Motors	+27 (31) 910 2911/4750	ccc@tsb.toyota.co.za	www.toyota.co.za
Toyota Tsusho Africa	+27 (31) 949 5000	andrew.velleman@ttaf.co.za	www.ttaf.co.za
Wasomi Enterprises CC	073 963 2100	neason@wasomi.co.za	www.wasomi.co.za
Wave Paper	+27 (31) 705 3344	Andrew@wavepaper.co.za	www.wavepaper.co.za
Webroy	+27 (33) 387 2331	sales@webroy.co.za	www.webroy.co.za
Yenza Manufacturing	+27 (31) 700-5334	info@yenza.africa	www.yenza.africa

AWARDS

The cluster recognises the engagement and support from members firms and would like to endow the following members with awards for their support in the cluster's success in 2021:

#	Firm Name	Description
1	Brink Towing Systems	For being a knowledge-sharing leader and providing strategic insight and direction to the Durban Automotive Cluster
2	Hesto Harnesses	For leading skills development initiatives for the cluster and providing strategic direction to the cluster's vision and objectives
3	Toyota Tsusho	For leading localisation and growth initiatives for the cluster and providing strategic direction to the cluster's vision and objectives
4	Toyota South Africa Motors	For being a knowledge-sharing leader and providing strategic insight and direction to the Durban Automotive Cluster
5	GUD Holdings	For leading shared learning initiatives, and specifically driving and innovating the skills development programme of the cluster
6	Bell Equipment	For commitment to Skills Development and Continuous Improvement initiatives driven by the Durban Automotive Cluster
7	MAHLE Behr	For executive oversight, strategic management and direction of cluster delivery and business operations
8	Imvusa Interior Trim	Recognising a new, black-owned member of the cluster that has embraced continuous improvement and localisation initiatives of the cluster
9	Thekwini Wire	Recognising a new, small and emerging member of the cluster that has embraced continuous improvement and has shown commitment to all cluster programmes
10	Webroy	For contribution and commitment to all cluster programmes, and continued and long-term support of shared learning interventions

DURBAN AUTOMOTIVE CLUSTER NPC
(Registration number 2005/035247/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Provision of cluster-based development and support to the automotive sector.
Directors	A.G Holmes P Vermaak A.P Velleman J.R Chandler
Registered office	Block B, Bellevue Campus 5 Bellevue Road Kloof 3610
Business address	Block B, Bellevue Campus 5 Bellevue Road Kloof 3610
Postal address	Postnet Suite 10139 Private Bag X7005 Hillcrest 3650
Bankers	Investec Bank Limited
Auditors	Mazars Registered Auditor
Company registration number	2005/035247/08
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The annual financial statements were independently compiled by: Dave Bates Chartered Accountant (S.A)
Issued	28 January 2022

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

Directors' Responsibilities and Approval

The directors are required by the Companies Act of 71 of 2008 of South Africa , to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa. and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 December 2022 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 7-9.

The annual financial statements set out on pages 10 to 18, which have been prepared on the going concern basis, were approved by the board on 13 April 2022 and were signed on its behalf by:

A.P Velleman	**A.G Holmes**

The directors have pleasure in submitting their report on the annual financial statements of Durban Automotive Cluster NPC for the year ended 31 December 2021.

1. Nature of business

Durban Automotive Cluster NPC was incorporated in South Africa with interests in the provision of cluster-based development and support to the automotive sector . The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of 71 of 2008 of South Africa . The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements and do not, in our opinion require further explanation.

3. Directors

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

		Date
D.S Comrie	Resigned	24/02/2022
A.G Holmes		
P Vermaak		
A.P Velleman		
J.R Chandler		

There have been no changes to the directorate for the period under review.

4. Events after the reporting period

During the financial reporting period the international pandemic of COVID-19 impacted the world and adversely affected the global economy. The directors of the company have assessed the impact of the COVID-19 pandemic on the viability of future operations and are confident that the company and its operations will be able to continue for the ensuing 12 months after considering a number of factors. The most significant of these factors is access to existing cash reserves, which based on the cashflow forecasts and budgets compiled by management, is sufficient to fund the entity for a period of at least one year from the date of this report. The cashflow forecasts and budgets of the entity have been drawn up utilising the utmost prudence in assessing future income based variables such as the industry in which the company operates. These budgets and forecasts have also factored in the worst case scenarios applicable to each stream of revenue as a stress test on the viability of future operations.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

5. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future, including specific consideration of the risk associated with COVID-19. Accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

6. Auditors

Mazars continued in office as auditors for the company for 2022.

mazars

Practitioner's Compilation Report

13 April 2022

To the Directors of Durban Automotive Cluster NPC

We have compiled the annual financial statements of Durban Automotive Cluster NPC, as set out on pages 10-17, based on information you have provided. These annual financial statements comprise the statement of financial position of Durban Automotive Cluster NPC as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These annual financial statements and the accuracy and completeness of the information used to compile them are the directors responsibilities.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these annual financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa.

Mazars
Partner: Dave Bates
13 April 2022
Durban

mazars

INDEPENDENT AUDITOR'S REPORT

13 April 2022

To the Directors of Durban Automotive Cluster NPC

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of Durban Automotive Cluster NPC set out on pages 10 to 18, which comprise the statement of financial position as at 31 December 2021, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Durban Automotive Cluster NPC as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008 of South Africa .

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

In forming our opinion on the annual financial statements which is not modified, we draw attention to the directors' view on the impact of COVID-19, the consideration on the going concern basis of preparation and non-adjusting post balance sheet events in notes 4 and 5 to the Directors' Report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Durban Automotive Cluster NPC annual financial statements for the year ended 31 December 2021", which includes the Directors' Report as required by the Companies Act 71 of 2008 of South Africa and the supplementary information as set out on page 18, which we obtained prior to the date of this report. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008 of South Africa and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 our 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mazars
Partner: Maggie Cassan
Registered Auditor
13 April 2022
Durban

Statement of Financial Position as at 31 December 2021

Figures in Rand	Notes	2021	2020
Assets			
Current Assets			
Trade and other receivables	2	713,867	58,963
Cash and cash equivalents	3	93,793	54,809
		807,660	**113,772**
Total Assets		**807,660**	**113,772**
Equity and Liabilities			
Equity			
Retained income		384,333	88,954
Liabilities			
Current Liabilities			
Trade and other payables	4	423,327	24,818
Total Equity and Liabilities		**807,660**	**113,772**

Statement of Comprehensive Income

Figures in Rand	Notes	2021	2020
Revenue	5	4,662,421	3,638,734
Other income	6	-	13,680
Operating expenses		(4,369,115)	(3,754,202)
Operating Surplus/(Deficit)		**293,306**	**(101,788)**
Investment revenue	8	2,073	12,149
Suplus/(Deficit) for the year		**295,379**	**(89,639)**

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 January 2020	178,593	178,593
Surplus/(Deficit) for the year	(89,639)	(89,639)
Balance at 01 January 2021	88,954	88,954
Surplus/(Deficit) for the year	295,379	295,379
Balance at 31 December 2021	384,333	384,333

Statement of Cash Flows

Figures in Rand	Notes	2021	2020
Cash flows from operating activities			
Cash generated from (used in) operations	10	36,911	(254,474)
Interest income		2,073	12,149
Net cash from operating activities		**38,984**	**(242,325)**
Total cash movement for the year		**38,984**	**(242,325)**
Cash at the beginning of the year		54,809	297,132
Total cash at end of the year	3	**93,793**	**54,809**

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa. . The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. They are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

1.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue received from government funding is recognised on the receipt of funding.

Investment revenue is recognised, in profit or loss, using the effective interest rate method.

Figures in Rand	2021	2020

2. Trade and other receivables

Trade receivables	605,585	4,522
Value Added Tax	108,282	54,441
	713,867	**58,963**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	93,793	54,809

4. Trade and other payables

Trade payables	423,327	1,558
Accrued Expenses	-	23,260
	423,327	**24,818**

5. Revenue

Membership fees	1,082,277	1,101,223
Other project income	184,150	44,541
KZN EDTEA	1,000,000	-
eThekwini Municipality	2,214,744	2,335,470
TIKZN	181,250	157,500
	4,662,421	**3,638,734**

6. Other income

Sundry Income	-	13,680

7. Auditor's remuneration

Fees	31,620	31,990
Tax and secretarial services	1,050	1,000
	32,670	**32,990**

8. Investment revenue

Interest revenue		
Bank	2,073	12,149

9. Taxation

Non provision of tax

No provision has been made for 2021 tax as the company is exempt from South African normal tax in terms of Section 10 (1)(d)(iv)(bb) of the Income Tax Act.

Figures in Rand	2021	2020

10. Cash generated from (used in) operations

	2021	2020
Surplus/(Deficit)	295,379	(89,639)
Adjustments for:		
Interest received	(2,073)	(12,149)
Impairment loss	30,277	18,400
Changes in working capital:		
Trade and other receivables	(685,181)	77,598
Trade and other payables	398,509	(248,684)
	36,911	**(254,474)**

11. Related parties

Relationships	
Entity under common management	B and M Analysts Proprietary Limited

Related party balances and transactions with entities with control, joint control or significant influence over the company

Related party balances

	2021	2020
Amounts included in Trade receivable (Trade Payable) regarding related parties		
B and M Analysts Proprietary Limited	(423,325)	-

Related party transactions

	2021	2020
Amounts paid to (received from) related parties		
B and M Analysts Proprietary Limited	4,304,200	3,629,467

12. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

13. Events after the reporting period

During the financial reporting period the international pandemic of COVID-19 impacted the world and adversely affected the global economy. The directors of the company have assessed the impact of the COVID-19 pandemic on the viability of future operations and are confident that the company and its operations will be able to continue for the ensuing 12 months after considering a number of factors. The most significant of these factors is access to existing cash reserves, which based on the cashflow forecasts and budgets compiled by management, is sufficient to fund the entity for a period of at least one year from the date of this report. The cashflow forecasts and budgets of the entity have been drawn up utilising the utmost prudence in assessing future income based variables such as the industry in which the company operates. These budgets and forecasts have also factored in the worst case scenarios applicable to each stream of revenue as a stress test on the viability of future operations.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

Figures in Rand	2021	2020

14. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2021

	Financial assets at amortised cost	Total
Trade and other receivables	605,585	605,585
Cash and cash equivalents	93,793	93,793
	699,378	**699,378**

2020

	Financial assets at amortised cost	Total
Trade and other receivables	4,522	4,522
Cash and cash equivalents	54,809	54,809
	59,331	**59,331**

15. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2021

	Financial liabilities at amortised cost	Total
Trade and other payables	423,325	423,325

2020

	Financial liabilities at amortised cost	Total
Trade and other payables	24,818	24,818

Detailed Income Statement

Figures in Rand	Note	2021	2020
Revenue			
Membership Fees		1,082,277	1,101,223
eThekwini Municipality		2,214,744	2,335,470
TIKZN		181,250	157,500
Other project income		184,150	44,541
KZN EDTEA		1,000,000	-
	5	**4,662,421**	**3,638,734**
Other income			
Sundry Income		-	13,680
Operating expenses			
Administration Fees		-	23,260
Auditors remuneration	7	32,670	32,990
Bad debts		-	47,027
Bank charges		1,968	3,057
Increase in provision for bad debts		30,277	18,400
Executive Function		559,354	606,569
Manufacturing Excellence		1,166,445	1,052,375
Localisation and Growth		1,103,890	834,992
TIKZN		116,927	208,984
Skills Development		1,357,584	926,548
		4,369,115	**3,754,202**
Operating suplus/(deficit)		**293,306**	**(101,788)**
Investment income	8	2,073	12,149
Surplus/(Deficit) for the year		**295,379**	**(89,639)**

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