ENTERPRISE INVESTMENT PROGRAMME (EIP)

SUMMARY OF CLAIMS PROCEDURE

What Can I Claim for?

The approval letter for the EIP will indicate when your claim commences and when it terminates, which is your claim period. It also specifies the total grant that has been approved per annum for the claim period. The letter will also indicate the qualifying costs or assets that are approved as qualifying for an EIP grant per annum. In order to qualify for a grant payment, your project should make investments indicated for each year of the claim period as ‘qualifying’ in the approval letter. Expected turnover and employment as indicated in your application are also indicated for each year, in the approval letter. Full terms and conditions of the approval are outlined in the programme guidelines and the declaration on submitting an application which is further outlined in the claim form.

When Should I Submit a Claim?

- The earliest that you can submit a claim is six months after the start of production (stage 1 claim) or at the end of the first financial year or claim period year as outlined in your approval letter. Should you not wish to submit a stage 1 claim six months after production has started, then you may submit a stage 1 claim as per the approval letter.
- Each year of your claim period (as outlined in the approval letter) you can either submit a bi-annual claim (claim stage 1,3 & 5) to cover a six month period or an end of financial year claim to cover a twelve month period (an annual claim, that is, stage 2,4 & 6).
- If a claim is not submitted six months after the end of a financial year or claim year, the grant approval will be cancelled.

What performance requirements will I need to meet in order to claim?

Please note that the Performance Requirements are the same for both MIP and TSP unless, reflected differently.

<table>
<thead>
<tr>
<th>Claim Year</th>
<th>Claim Stage</th>
<th>What performance requirements should I meet?</th>
<th>How will the requirements be tested?</th>
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</thead>
</table>
| One        | Stage1 (month 6 or sooner) | Minimum investment of 30% or 15% of the total approved qualifying investment for projects above R5m and below R5m respectively OR 50% of qualifying year 1 investment as indicated in the approval letter. | ▪ Claim form  
▪ Factual Findings Report with only Procedure1: General, Procedures2: Section 4: Assets and Procedure3: no. 22 & 23 only, must be conducted, signed by independent registered auditor or independent external accredited person  
▪ Valid tax clearance certificate or cession  
▪ Bank stamped credit order |
|            | Stage2 (month 12) | Minimum investment of 60% or 30% of the total approved qualifying investment for projects above and below R5m, respectively OR 70% of qualifying year 1 investment as indicated in the approval letter.  
▪ MIP expansions: Projects above R5 | ▪ Claim Form  
▪ List of additional information as detailed in Section 1.3 of the claim form.  
▪ A full Factual Findings Report and Financial Statements signed by independent registered auditor or independent external accredited |
There should be a 35% increase in machinery & equipment, over and above total qualifying costs. For projects below R5 million whose existing assets (combined cost of land & buildings, machinery & equipment, vehicles) are R5 million and below, must show an increase of 30% in qualifying machinery & equipment.

- TSP expansions: the projects must have a capacity increase of 30% in year one from base year. There must be a 30% increase (over and above total qualifying costs) in qualifying furniture, fittings and/or equipment.

- Achieve a minimum of 70% or 50% of projected year 1 turnover as outlined in approval letter for projects above and below R5m, respectively. For expansions this should be > 15% increase from base year turnover.

- Achieve 80% of projected year 1 employment levels. For TSP this cannot be < minimum job creation requirements for eligibility to the programme.

- Achieve and maintain conditions for points allocated at application stage for economic benefit criteria or development impact criteria.

- For TSP achieve and maintain conditions on BB-BEE and location.

- Upgrading to achieve minimum 70% of projected year 1 productivity, value-add or cost reduction targets. Upgrading should have an increase of 10% in machinery & equipment from base year.

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<thead>
<tr>
<th>Two</th>
<th>Stage3 (month 18)</th>
<th>Same as stage 2 above</th>
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<tbody>
<tr>
<td></td>
<td>Stage4 (month 24)</td>
<td>Minimum investment of 70% or 60% of the total approved qualifying investment for projects above and below R5m, respectively OR 70% of qualifying year 2 investment as indicated in the approval letter. For expansions, the 30% increase in machinery/furniture &amp; equipment from base year must be maintained.</td>
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million, there should be a 35% increase in machinery & equipment, over and above total qualifying costs. For projects below R 5 m whose existing assets (combined cost of land & buildings, machinery & equipment, vehicles) are R5 million and below, must show an increase of 30% in qualifying machinery & equipment.

- TSP expansions: the projects must have a capacity increase of 30% in year one from base year. There must be a 30% increase (over and above total qualifying costs) in qualifying furniture, fittings and/or equipment.

- Achieve a minimum of 70% of projected year turnover as outlined in approval letter for all projects. For expansions this should be > 25% increase from base year turnover.

- Achieve 80% of projected year 2 employment levels. For TSP this cannot be < minimum job creation requirements for eligibility to the programme.

- Achieve and maintain conditions for points allocated at application stage for economic benefit criteria or development impact criteria.

- For TSP achieve and maintain conditions on BB-BEE and location.

- Upgrading to achieve minimum 70% of projected year 2 productivity, value-add or cost reduction targets.

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<th>Three</th>
<th>Stage 5 (month 30)</th>
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<th>Stage 6 (month 36)</th>
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<td>Minimum investment of 70% of the total approved qualifying investment for projects respectively investment as indicated in the approval letter. For expansions, the 30% increase in machinery/furniture &amp; equipment from base year must be maintained.</td>
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- MIP expansions: Projects above R5 million, there should be a 35% increase in machinery & equipment, over and above total qualifying costs. For projects below R5 million whose existing assets (combined cost of land & buildings, machinery & equipment, vehicles) are R5 million and below, must show an increase of 30% in qualifying machinery & equipment.

- Claim form
- Valid tax clearance certificate or cession
- Bank stamped credit order

- Claim Form
- List of additional information as detailed in Section 1.3 of the claim form.
- A full Factual Findings Report and Financial Statements signed by independent registered auditor or independent external accredited person as detailed under Section 1.3 of the claim form.
machinery & equipment, vehicles) are R5 million and below, must show an increase of 30% in qualifying machinery & equipment.

- TSP expansions: the projects must have a capacity increase of 30% in year one from base year. There must be a 30% increase (over and above total qualifying costs) in qualifying furniture, fittings and/or equipment.
- Achieve a minimum of 70% of projected year turnover as outlined in approval letter. For expansions this should be > 25% increase from base year turnover.
- Achieve 80% of projected year 3 employment levels. For TSP this cannot be < minimum job creation requirements for eligibility to the programme.
- Achieve and maintain conditions for points allocated at application stage for economic benefit criteria or development impact criteria.
- For TSP achieve and maintain conditions on BB-BEE and location.
- Upgrading to achieve minimum 70% of projected year 3 productivity, value-add or cost reduction targets.

When Do I need an Independent Registered Auditor or Independent External Accredited Person?

- For Claims Forms submitted by companies or in respect of projects of companies, the factual findings report shall be provided by the independent registered auditor of the company.
- The factual findings report for grant claims by a Close Corporation or Co-operative with a project with total investment for the MIP/TSP project in land, building, machinery/furniture and equipment and commercial vehicles of R30m and above, per approval letter, must be provided by an independent registered auditor.
- A Close Corporation or Co-operative with a project with total investment for the MIP/TSP project in land, building, machinery/furniture and equipment and commercial vehicles of below R30m, as per approval letter, may be provided by an independent, external accredited person and/or an independent registered auditor.

What is an Independent Registered Auditor or Independent External Accredited Person?

- Independent registered auditor means the individual or firm registered as an auditor with the Independent Regulatory Board of Auditors (IRBA).
- Independent external accredited person may include a member in good standing of any of the following professional bodies: the South African institute of Chartered Accountants (SAICA); South African Institute of Professional Accountants (SAIPA) and Association of Certified Chartered Accountants (ACCA).

What Additional Information Do I need to Submit with My Claim?

- Valid Tax Clearance Certificate or SARS cession document
- Bank stamped Credit Order Instruction Form with cancelled cheque
- Resolution of Board members (if different to application stage)
- Notification of name change (where applicable)

**When will my Project be inspected?**
Each project will be visited prior to the first annual payment (stage 2 claim).

**What will happen if I do not submit a Valid Claim?**
- Failure to submit a valid claim within 18 months from the commencement of production will result in the termination of the grant agreement. *E.g. A project that commences production on the 1st August 2010, and has a June financial year end, its claim commencement date for the first year will be 1 July 2010 to 30 June 2011. This project will need to submit a valid claim by 31 December 2011 (17 month).*
- Failure to submit a valid claim within 18 months from the commencement of production will result in the termination of the grant agreement. In cases where this requirement provides less than 6 months from financial year end to submit a claim, projects will be allowed to submit a valid claim within 24 months from the commencement date of production or it will result in the termination of the grant agreement. *(e.g. a project that commences production on the 1st February 2010, and has a June financial year end, its claim commencement date for the first year will be 1 July 2010 to 30 June 2011. In this example, if the project was required to submit a claim within 18 months of SOP, it would have to be submitted by the 31 July 2011, which will give the project only a month to put together the claim. However, the time between SOP and submission of claim for such projects has been extended to 24 months, to allow sufficient time for the claim to be submitted.)*

**Appeal**
Only one claim appeal with material motivation will be allowed per project in instance where the project does not meet *performance requirements.*