SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT

SALDANHA BAY IDZ LICENCING COMPANY (SOC) LTD

2016/17

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SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Western Cape Government
Economic Development and Tourism

SALDANHA BAAI BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

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PART A
GENERAL INFORMATION

SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	**Saldanha Bay IDZ Licencing Company (SOC) Ltd**
REGISTRATION NUMBER	**2012 / 035625 / 30**
PHYSICAL ADDRESS:	24 Main Road Saldanha Bay 7395
POSTAL ADDRESS:	PO Box 304 Cape Town 8000
TELEPHONE NUMBER/S:	+27227140206
EMAIL ADDRESS:	info@sbidz.co.za
WEBSITE ADDRESS:	www.sbidz.co.za
EXTERNAL AUDITORS:	**Auditor-General of South Africa** 17 Park Lane Building Park Lane Century City
BANKERS:	**Nedbank** 5th Floor, Nedbank Building Silo District V&A Waterfront Cape Town 8001

GENERAL INFORMATION

2. LIST OF ABBREVIATIONS/ACRONYMS

AGSA	Auditor-General of South Africa
CCA	Customs Control Area
DEADP	Department of Environmental Affairs and Development Planning
DEDAT	Department of Economic Development and Tourism
DTI	Department of Trade and Industry
EIA	Environmental Impact Assessment
EIA	Environmental Impact Assessment
EIR	Environmental Impact Report
IDC	Industrial Development Corporation
IDZ	Industrial Development Zone
KPI	Key Performance Indicator
MEC	Member of the Executive Council
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NDA	Non-Disclosure Agreement
PFMA	Public Finance Management Act
PT	Provincial Treasury
RoFR	Right of First Refusal
SAOGA	South African Oil and Gas Alliance
SARS	South African Revenue Service
SBIDZ	Saldanha Bay Industrial Development Zone
SBIDZ LiCo	Saldanha Bay IDZ Licencing Company (SOC) Ltd
SBM	Saldanha Bay Municipality
SCM	Supply Chain Management
SEZ	Special Economic Zone
SIP 5	Strategic Infrastructure Project 5
SOC	State-Owned Company
TCP	Transnet Capital Projects
TOGASI	Talks on the Oil and Gas Services Industry
TNPA	Transnet National Ports Authority
TPT	Transnet Ports Terminal
WCDM	West Coast District Municipality
WWTW	Waste Water Treatment Works

3. FOREWORD BY THE CHAIRPERSON

This report concludes the third year of operation of the Saldanha Bay Industrial Development Zone (SBIDZ), which saw operations continuing with setting up requirements and building on the foundations laid in previous years.

A notable development was the finalisation, gazetting and coming into being of the provincial Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (Act 1 of 2016) allowing for the SBIDZ to be hived off from Wesgro as its subsidiary to become an independent entity. This went together with the transfer of shares from Wesgro to the provincial Department of Economic Development and Tourism (DEDAT) with the Provincial Minister of Economic Opportunities as the ultimate shareholder.

The Special Economic Zones Act, 2014 (Act 16 of 2014) and its accompanying regulations will come into operation in February of 2016. The SBIDZ is required to prepare a plan with timelines before the beginning of February 2017, showing how it will conform with the new regulating framework over a three-year period, commencing with the coming into force of the Special Economic Zones Act. At the time of compiling this report, the submitted transition plan was still a matter of discussion with the Department of Trade and Industry (DTI).

A number of agreements were concluded in the reported year which took the establishment of the SBIDZ as a going concern a lot further, including:

- The agreement with the Industrial Development Corporation (IDC) to purchase the back of port IDZ land (Saldok site) of around 94 hectares for the price of R100 million. Due to a range of technical issues, mostly deed related, the actual conveyancing has been delayed, but this should be finalised in the course of the 2017/18 financial year;
- A cooperative Heads of Agreement with the Saldanha Bay Municipality dealing with joint objectives and matters to advance the municipal elements in making the SBIDZ a successful venture in the common interest of all parties. The agreement included more detailed service-related issues dealing with financial arrangements, the provision of municipal services and ease of doing business – all crucial in providing certainty to investors and setting up streamlined arrangements; and
- An agreement with the Transnet National Ports Authority (TNPA) clearing the way for access to the port land site and also agreeing on the phasing in of port land utilisation for SBIDZ purposes. Lease discussions are far advanced to institutionalise this arrangement and, in anticipation of site availability, tenders have also been invited for the first phase of the services infrastructure on port land.

Also contemplated was the notion of enterprise and socio-economic development, but this was eventually not included in the agreements with the municipality due to the complexity thereof and multitude of parties involved. Among other initiatives, this was taken further with the Business Forum with the assistance of the Western Cape Economic Development Partnership (EDP). The Business Forum is a constituted body fostering collaboration between organised business, particularly smaller ones, and the SBIDZ, and growing them into a formally constituted body, the Saldanha Business Partnering, formally launched at the end of March 2017. The EDP has subsequently engaged the municipality for further support of this endeavour.

With the assistance of a service provider and DEDAT, work was far advanced by year-end to establish an enterprise and supplier development procurement portal, connecting small, medium and large businesses in a developmental path.

A further initiative begun by the social cluster under the leadership of the Department of Health promises a structured and inclusive approach to the many social challenges being faced in the Saldanha Bay environment.

It needs to be noted that the SBIDZ has been fully funded for infrastructure provision by the SEZ Fund within the context of the services infrastructure plan agreed with the DTI. The Saldok site is now fully serviced and the connecting bridge between the latter and port land is due to be completed early in the 2017/18 financial year. The waste water treatment plant upgrade has also been concluded and this asset contribution is due to be transferred to the Saldanha Bay Municipality in the 2017/18 financial year. The Besaansklip bulk water reservoir work has also commenced and will follow a similar route once completed.

As regards governance, the year was again concluded with a clean audit thanks to the hard work and diligence of the staff of the SBIDZ. From a financing and investor perspective, this is sending out the right signals.

As the overall economic environment is changing, and to give greater comfort to potential investors which the acting CEO and his team have been assiduously courting, actual business planning is being seriously reviewed. This process is far advanced and will be concluded in the next financial year, subject to periodic updating to adequately respond to, and even anticipate, any possible changes in the economic, social and business environments.

I would like to extend my sincere appreciation to my fellow Board members for their guidance and well considered contributions. We thank the acting CEO, Mr Doug Southgate, and his energetic and passionate staff, as well as the Minister of Economic Opportunities, Mr Alan Winde, the Head of Department of Economic Development and Tourism, Mr Solly Fourie, and his staff, for their support and ongoing assistance.

Lastly, we acknowledge our partners in this endeavour – the DTI, TNPA, the Saldanha Bay Municipality, the IDC, the Department of Environmental Affairs and Development Planning, the Provincial Treasury and the respective Standing Committees in the Provincial and National Parliaments.

Dr Johann Stegmann
Chairperson of the Board
31 July 2017

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

The Saldanha Bay Industrial Development Zone is operated by the Saldanha Bay IDZ Licencing Company (SOC) Ltd (SBIDZ LiCo) in line with the IDZ regulations designated in Government Gazette No. 36988 of 2013. It is jointly funded and supported by the National Department of Trade and Industry and the Western Cape Provincial Department of Economic Development and Tourism.

The SBIDZ LiCo was formally awarded the Operator's Licence on 31 October 2013 for the establishment of an IDZ in Saldanha Bay, specifically focused on oil and gas, and marine repair and fabrication industries.

This marked the formal beginning of implementing a 30-year strategic initiative to utilise the existing Special Economic Zone (SEZ) with enabling legislation to create an environment to promote sustainable economic growth and job creation.

It is anticipated that the SBIDZ LiCo will continue in the medium term to be funded via the current funding partners for the development of key infrastructure and to cover operational expenditure. Once the formal investor tenants are in place, the SBIDZ LiCo will supplement funding with self-sustaining rental income.

While infrastructure development is a large funded component of the operation, the SBIDZ LiCo undertakes a number of other strategic initiatives and activities to support the broader economic development and job creation mandate of the zone. These include:

- strategic stakeholder management;
- community engagement;
- business development (investor attraction and engagement);
- commercial services (estate management); and
- ease of doing business.

In respect of the three Saldanha oil and gas-related Operation Phakisa projects, Transnet is due to announce the preferred operator for the Off-Shore Supply Base which will add to the industry's purpose-built infrastructure offering. The other two major infrastructure projects, namely Berth 205 and the Jetty project, are reportedly on track.

The national and provincial spotlight on Saldanha Bay has allowed a number of collaborative initiatives, culminating in the Grow-net programme. Grow-Net is an integrated enterprise and supplier development approach which will create a system to localise more opportunities by encouraging local SMME/supplier capability advancement, and make buying and selling of goods and services more efficient and accessible.

The TOGASI programme, which consists of a series of monthly talks on the oil and gas services industry, continues efforts to begin educating the local business fraternity about the industry's requirements and focus areas.

In view of the strong focus on broader economic development and sustainable job creation, one of the capacity constraints facing the successful local outcome is ensuring that there will be adequate local skills and business resources to support the investor industry requirements in the medium term. The Provincial initiative, Project Khulisa, is increasingly acting as a support in both the enterprise development and skills arenas.

Significant milestones attained to date are:

- The successful negotiation of the purchase of the IDC land situated in Saldanha Bay.
- The installation of internal infrastructure on the IDC land situated in Saldanha Bay.
- A Heads of Agreement signed in respect of the rental of the first phase (35 hectares) of the TNPA-owned land in the port of Saldanha.
- A Heads of Agreement signed with the Saldanha Bay Municipality in respect of bulk services and the provision of certain services to investors in the IDZ.
- Scheduling of the SBIDZ LiCo as a Schedule 3D business enterprise by National Treasury.
- Assistance of the Economic Development Partnership with the organisation of the local business community.
- Completion of the 'Voice of the Customer' study.

Future short-term deliverables will include:

- Installation of infrastructure on the port land;
- Building and tenanting of the Access complex;
- Negotiation and setting up of the Free Port operations, with the assistance of the Government Technical Advisory Centre (GTAC) which is an arm of National Treasury;
- Provision of serviced land;
- Setting up of streamlined investor procedures; and
- Up-skilling of labour and preparation of qualified suppliers through partnerships with the National and Provincial Governments, as well as the SETAs.

Risk is managed via an overarching framework and covers all strategic and operational risks. Major risks are proactively identified and continuously monitored and managed.

Despite the current oil prices, investor interest remains robust, particularly in the areas of fabrication and equipment servicing. The joint vision of the TNPA and the SBIDZ LiCo has resulted in a strong focus on dedicated infrastructure development and investor support, as well as hosting delegations and jointly presenting at conferences. These included multiple market engagements locally and internationally.

Sincere gratitude and appreciation is extended to all partners, and specific acknowledgement of support to our local partners – the port of Saldanha, the Industrial Development Corporation, the Saldanha Bay Municipality and the Saldanha Bay community.

Special thanks are expressed for the support of Mr Rob Davies, Minister in the Department of Trade and Industry, the Minister of Economic Development via the Presidential Projects and SIP5, Mr Ebrahim Patel, the Provincial Minister of Economic Opportunities, Mr Alan Winde, and the Mayor of Saldanha Bay, Mr Marius Koen.

We are grateful to our Board Chairperson, Dr JC Stegmann, for his invaluable contribution during the year, and to the rest of the Board of Directors for their leadership and unwavering support.

Finally, I would like to extend my gratitude also to every staff member for their commitment and unique contributions. Without them, the performance and success would not have been possible.

Douglas Southgate
Chief Executive Officer (Acting)
31 July 2017

5. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

All information and amounts disclosed in the annual report are consistent with the Annual Financial Statements audited by the Auditor-General.

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

The annual report has been prepared in accordance with the guidelines on the annual report issued by National Treasury.

The Annual Financial Statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

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

The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2017.

Yours faithfully

Chief Executive Officer (Acting)
Douglas Southgate
31 July 2017

Chairperson of the Board
Dr Johann Stegmann
31 July 2017

6. STRATEGIC OVERVIEW

6.1. Vision

The core driver of the SBIDZ is to promote and facilitate economic activity and sustainable job creation in South Africa, and more specifically at the port of Saldanha Bay on the south-western coast of the country.

6.2. Mission

To make use of the enabling legislation to attract foreign and domestic investment, initially through four key levers that support the development of the oil and gas, and marine repair and fabrication cluster:

- Establish a fully operational Free Port over the designated area.
- Provide easy access to suitable land.
- Supply sufficient bulk infrastructure for both short and long-term projects.
- Create an enabling environment that supports Ease of Doing Business.
- Provide skills and training programmes that match industry requirements with local employment opportunities.
- Support an enterprise development portal that facilitates local content and maximises the use of local suppliers.

6.3. Values

The SBIDZ will implement its mandate with a focus on the following values:

- Customer focus;
- Going the extra mile;
- Accountability;
- Sound decision making and judgement;
- Self development.

7. LEGISLATIVE AND OTHER MANDATES

Legal Framework

The IDZ is a component of the 'Industrial Promotion' functional area of concurrent national and provincial legislative competence, as indicated in Schedule 4 of the Constitution of the Republic of South Africa, 1996. The IDZ is governed by the following legislation, regulations, standards and policy documents.

National

The IDZ programme was gazetted in 1999 as an incentive programme under the Manufacturing Development Act, 1993 (Act 187 of 1993). The regulations for the IDZ programme were promulgated in 2000, published in Government Gazette No. 1224 of 1 December 2000, as amended by government notice number R1065, published in Government Gazette No. 29320 of 27 October 2006. The overall regulatory framework for the IDZ programme comprises the following legislation:

The Manufacturing Development Act, 1993 (Act 187 of 1993), as amended.

The IDZ regulations and subsequent amendments.

The Special Economic Zones Act, 2014 (Act 16 of 2014).

Section 21A of the Customs and Excise Act, 1964 (Act 91 of 1964), and relevant provisions of the Value-Added Tax Act, 1991 (Act 89 of 1991).

Report No. 14 promulgated by the International Trade Administration Commission in accordance with the Customs and Excise Act.

In addition to the legislative mandates, the SBIDZ is linked to broader national strategies and policies, including:

The National Development Plan and National Infrastructure Plan;

The Presidential Infrastructure Coordinating Commission (PICC) rollout programme;

The Industrial Policy Action Plan;

The Medium Term Strategic Framework 2014-2019;

Operation Phakisa;

National Infrastructure Plan Strategic Infrastructure Project 5 (SIP5).

Provincial

The SBIDZ LiCo successfully applied to National Treasury to be listed as a Schedule 3D Provincial Government Business Enterprise, making it further subject to the following legislative mandates:

Income Tax Act, 1962 (Act 58 of 1962);

Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);

Public Finance Management Act, 1999 (Act 1 of 1999) and its regulations;

Companies Act, 2008 (Act 71 of 2008) and its regulations;

Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (WC Provincial Act 1 of 2016);

Value-Added Tax Act, 1991 (Act 89 of 1991);

Customs and Excise Act, 1964 (Act 91 of 1964);

Customs Duty Act, 2014 (Act 30 of 2014);

Customs Control Act, 2014 (Act 31 of 2014).

In addition, by virtue of the provincial Department of Economic Development and Tourism being the overseeing governing body, the SBIDZ is linked to broader provincial strategies and policies, including the Western Cape Infrastructure Framework. Specifically, the SBIDZ links to Project Khulisa which falls under Provincial Strategic Goal 1, focusing on job creation and opportunities to improve the province's economy.

The SBIDZ has furthermore been brought on board the Western Cape Department of Local Government's Infrastructure and Growth Plan working group for the Saldanha Bay Municipality and DEADP's Saldanha Bay Municipality IDP Support Group.

Based on the above frameworks, the SBIDZ is responsible for implementing the Strategic Plan for the Saldanha Bay IDZ within the Medium Term Strategic Framework 2014-2019, supported by the national IDZ/SEZ strategy and Western Cape provincial infrastructure strategic planning.

Other legislation

Basic Conditions of Employment Act, 1997 (Act 75 of 1997)

Employment Equity Act, 1998 (Act 55 of 1998)

Labour Relations Act, 1995 (Act 66 of 1995)
Occupational Health and Safety Act, 1993 (Act 85 of 1993)
Promotion of Access to Information Act, 2000 (Act 2 of 2000)
Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)
The Constitution of South Africa, 1996
Skills Development Act, 1998 (Act 97 of 1998)
Skills Development Levy Act, 1999 (Act 9 of 1999)
National Treasury Regulation, 2005
Provincial Treasury Instruction, 2012
National Environmental Management Act, 1998 (Act 107 of 1998)
National Ports Act, 2005 (Act 12 of 2005).

8. ORGANISATIONAL STRUCTURE

The SBIDZ LiCo operates as a small, concise, specialised team, structured into the following operational units, collectively supported by the Administrative unit:

- Stakeholder Management (encompassing Marketing, Skills and Enterprise Development);
- Infrastructure;
- Business Development;
- Commercial;
- Ease of Doing Business.

Executive Management

Doug Southgate
Chief Executive Officer (Acting)

Kaashifah Beukes
Stakeholder Management

Herman Boneschans
Chief Financial Officer

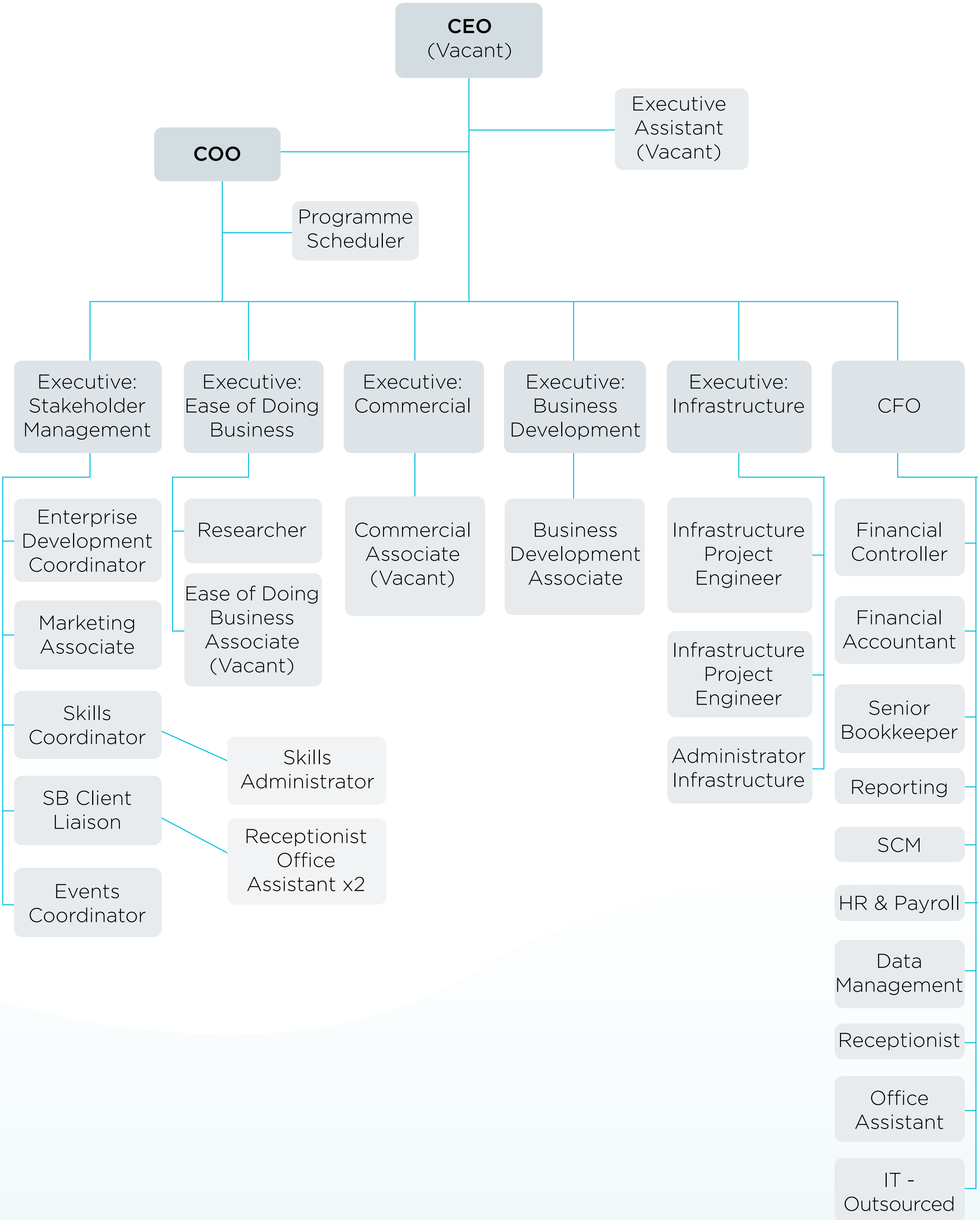
Benedicta Mahlangu
Ease of Doing Business

Johannes Marais
Infrastructure

Laura Peinke
Business Development

Jawahir Nandha
Commercial

Board & Sub Committees



9. BOARD OF DIRECTORS

The Board is composed of representatives of the founding partners of the three spheres of government, namely the Saldanha Bay Municipality, Provincial and National Government, as well as a representative of the broader Saldanha Bay social community. The Board is in the process of appointing a Board representative from Saldanha Bay to represent the Saldanha Bay business community.

Dr Johann Stegmann
Chairperson of the Board

He was awarded his medical degree (MBChB) by the University of Pretoria in 1969 and achieved a Postgraduate Diploma in Economic Principles (1999) and an MSc in Economics (2001), both at SOAS, University of London.

After working as a medical practitioner in what is now Gauteng and Namibia, resource and financial health management became more compelling and he subsequently shifted into full-time health administration and management in the former Cape Province. He moved into general administration in the early 1990s as the Deputy to the then Provincial Secretary and in 1994 became the provincial driver for the phasing in of South Africa's first fully democratic Constitution.

He served as head of the Western Cape Provincial Treasury from 1995 to December 2014 and thereafter as strategic coordinator in the Western Cape Director-General's Office.

Dr Stegmann was appointed as Chairperson of the Saldanha Bay IDZ entity in early 1995.

Lizo Ntloko

Mr Lizo Ntloko is the Western Cape Provincial Manager of the Industrial Development Corporation (IDC). His academic achievements include a BComm degree, and a Postgraduate Advanced Diploma in Marketing Management from Unisa. He completed a Global Executive Development Programme at the Gordon Institute of Business Science (GIBS) in 2012.

Prior to joining the IDC, he had a stint with the Eskom Finance Company with responsibilities in operations and new business development. He also served as Head of Marketing at Protea Life Assurance and Mortgage Loans Manager at NedPerm Bank.

Mr Ntloko is a member of the Institute of Directors in Southern Africa (IoDSA), previously served on the Boards of Wesgro and MEDIRO Industrial Holdings. He also served as a trustee of the Desmond Tutu Peace Trust. He currently serves on the Boards of Sheraton Textile Holdings (interim chairman), the South African Savings Institute (SASI), CapX Finance, Capital Harvest Emerging Farmers Fund (CHEFF), Lona Citrus and MDA-Mzantsi Projects. Mr Ntloko also serves on the steering committee of the Design Innovation Seed Fund administered by the Cape Craft Design Institute as well as other community formations.

Miyelani Mushwana

Mr Miyelani Mushwana acquired his BCompt degree at Unisa. He completed his articles of clerkship with PricewaterhouseCoopers (PwC) in 2000. Mr Mushwana worked in financial positions at various companies in sectors ranging from information technology, transport, mining to logistics. Mr Mushwana is currently employed at the Transport National Ports Authority (TNPA) in the port of Saldanha as a finance manager.

Justice Ngwenya

Mr Justice Ngwenya holds a BSc honours degree in Business Studies from University of Wales in the UK. His career started in 1994 at Standard Bank as a product analyst, which included in-depth research on product development trends and competitor analysis, utilised by the Bank in competitive strategies.

Within the Standard Bank group Mr Ngwenya had an opportunity to join the Investment Banking Division, within the financial markets operations. He managed foreign transactions for local and international clients, including banks.

In 1997 he joined Triton South Africa as a National Sales Manager, where he was involved in providing strategic leadership as part of the Executive team. In 1999 he joined KPMG as a Senior Consultant in the Advisory Unit and was seconded onto a World Bank-funded international project driven by the Department of Trade and Industry (the dti). In 2004 Mr Ngwenya joined the dti as a Director responsible for Customer Care, giving support to units managing different financial incentives offered by the dti. In 2006, he moved from Customer Care to manage one of the key programmes of the dti providing critical infrastructure support to key investments injected in the South African economy. In 2016 he was appointed Chief Director: Infrastructure Investment Support, responsible for financing bulk infrastructure in the Special Economic Zone (SEZ) as well as the Critical Infrastructure Programme (CIP). He sits on different Adjudication Committees of the dti to provide oversight and strategic leadership as well as various Provincial Steering Committees and the Strategic Infrastructure Programme (SIP) 11 falling under the Presidential Infrastructure Coordinating Committee.

Basetsana Mathibe

Ms Basetsana Mathibe completed a diploma in nursing at Moroka Hospital and a diploma in midwifery at Somerset Hospital, Cape Town.

In 1995, Ms Mathibe volunteered to be a part of a medical team to offer support to exiles and MK combatants at the Hoedspruit camp. During the same year, she relocated to the West Coast, serving as a lieutenant in the South African Medical Service structure at Langebaanweg.

In 1998, Ms Mathibe completed her BTECH in Occupational Health through Cape Technikon and started work at Sea Harvest.

She established an occupational health consultancy in 2000 where she became involved with various businesses as a qualified occupational health practitioner.

In 2001, Ms Mathibe became a founding member of the West Coast HIV/AIDS Initiative.

In 2006, Ms Mathibe established a non-profit organisation called Tirisano Training Organisation, which received accreditation with the Health and Welfare SETA for home-based care programmes. She is also a founding member of the Saldanha Action Care Group and volunteers in the roll out of programmes such as training in ECD to establish an ECD centre in Saldanha Bay, an after-care programme at Diazville Primary, an environmental programme called Keep Saldanha Green and a feeding programme focusing on all schools in Saldanha Bay.

Frank Pronk (term ended 25 August 2016)

Mr Frank Pronk was born in Cape Town and grew up in Table View. After completing his compulsory military training he achieved a four-year Higher Diploma in Teaching and started his career in Saldanha Bay at the Special School. Mr Pronk opened his own business in 1994, which continues to thrive.

Mr Pronk is serving as a Mayoral Committee member for strategic planning and economic development and is also ward councillor for Ward 5 in Saldanha Bay.

Resident on the West Coast for 28 years, Mr Pronk serves on the West Coast Business Development Forum (formerly the WCEDP), West Coast Business Development Centre, Weskus Sakekamer/ West Coast Business Chamber and the Association for People with Disabilities (APD West Coast).

Mr Pronk's tenure on the Board was automatically terminated with the advent of the 2017 municipal elections.

Gerrit de Bruyn (term ended 25 August 2016)

Mr Gerrit de Bruyn completed a Community Adult Education Programme at the University of Cape Town in 1998. In 2006 he obtained his Human Resource Management Diploma through the Damelin Group, and in 2014 he completed an Executive Leadership Development Programme at the University of the Western Cape.

Mr De Bruyn has been a councillor at the Saldanha Bay Municipality since 2011. During the transitional period in 1995, he also served as a councillor at the Saldanha Bay Municipality.

He was involved in the trade union sector for over 20 years and serves as a trustee on various worker trusts. He acts as an executive director on the boards of private companies and serves as chairperson or secretary of many non-governmental organisations and sports bodies on the West Coast. Mr De Bruyn has been actively involved in the Saldanha Bay community since 1983.

Mr de Bruyn's tenure on the Board was automatically terminated with the advent of the 2017 municipal elections.

PART B

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) 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 predetermined objectives is included in the report to management, with no material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

The SBIDZ operates within an adaptable business model based around the sector-specific focus oil & gas, and marine fabrication and repair. This includes five key sub-sectors: vessel repair and fabrication; exploration and production support; specialised logistics; manufacturing and fabrication; and support/ancillary services.

While the sector-specific focus remains the same, the short, medium and long-term investment attraction focus continues to shift along with the key trends in the market.

In 2011, the SBIDZ undertook a commercial feasibility study to determine investment attraction prospects.

Based on that study the following conclusions were reached. In the short term, logistics and rig repair was a short-term investment attraction market because these sectors had existing operations in South Africa. In addition, an estimated 40% (by type not volume) of the oil & gas and maritime fabrication components could be produced in South Africa. In the medium term, additional investment was expected to be attracted in the areas of small-scale fabrication and support services for offshore exploration activities. In the long term, new investment was expected to be attracted in fabrication of components/equipment with higher technology and capital requirements, together with longer-term onshore support activities for offshore production.

Throughout the short, medium and long-term investment attraction analyses, the ancillary services market was expected to continue to grow and develop in response to demand from the operations within the zone.

However, the global oil & gas market has changed and evolved over time, as havethe timing and types of investors the SBIDZ attracts within the sector-specific focus.

While logistics continues to be a consistent targeted market, the majority of the tenants who have signalled interest in the SBIDZ are based in the manufacturing and fabrication sector, with an emerging market focus on vessel fabrication. There has been a decline in the number of rigs undergoing repairs and maintenance due to the decline in offshore exploration and production. The key market trends driving the evolving investment types are explained in more detail below.

Context

South Africa boasts extensive world-class infrastructure in terms of transport networks, electricity and water resources – all conducive to attracting investment. The capabilities of companies established within the mining sector have filtered into the upstream industries. This has contributed to internationally-recognised fabrication and manufacturing capabilities within the South African market.

Although South Africa faces a challenging economic environment with the recent downgrades and announcement of a technical recession, the upstream (OGM) market continues to offer sustainable opportunities for market players. Many of the international companies operating in Africa operate in more challenging economic and political environments, and while these are possible potential future threats requiring continued monitoring, there has been no perceivable impact or slow-down on investors looking to the SBIDZ as a base for their operations.

For the next one to two years as the oil price remains 'lower for longer', there will continue to be lower than expected numbers of rig repairs and maintenance projects in ports across the country. However, recent discussions and negotiations seem to indicate a slight upturn in the number of repair contracts in the market. In response to this market condition, South Africa should also start positioning itself to undertake re-certification (many of the rigs have been cold-stacked and will require re-certification before they can be contracted for projects), as well as decommissioning of older generation vessels.

Sustainable market opportunities include non-rig related vessel servicing and repairs. These projects may not be considered as 'glamourous' as the big rig repair projects, but they are more consistent and can repair a variety of vessels. The recent acquisition of a new, state-of-the-art floating dock, Dormac 1, by Dormac underpins the demand in this market and is expected to address some of the missed opportunities that South Africa has not capitalised on in terms of ship and vessel repair.

Elsewhere in Africa, the majority of the contracts and projects put out to the market are dollar-based (USD) and not based on local currencies. South Africa-based companies can, however, price their costs in Rands, but quote the contracts in dollars, ensuring their cost-competitiveness. Further, the biggest challenge the majority of African markets face is their shortage of foreign currency. This is not the case in South Africa as the Rand remains a liquid currency supported by financial and capital markets. This also ensures that local labour is more cost-competitive.

Technology is going to play an increasingly important role in assisting the global oil & gas industry to remain competitive in the face of changing policy and regulations, as well as the impact of commodity cycles and global economics.

Key market trends

Recognising that the worldwide energy market experiences fluctuations that always have an effect on the sector, the SBIDZ LiCo continuously stays abreast of developments, tracking associated risks to maintain the sustainability of the SBIDZ.

Oil prices are expected to hover around $40-50 per barrel for the foreseeable future. The international 'lower for longer' effect exerts its influence on Africa as much as on the rest of the world.

The continent is still considered the next frontier market in terms of untapped proven reserves. In 2016, Africa supplied about 12% of the world's oil and had an estimated 8% of global untapped proven reserves.

Market growth and expansion

The bulk of the port of Saldanha's competitive advantage in 2012 and 2013 was focused around activities and services in the West African market. At the time, South African companies were securing 50% of rig repair contracts originating from vessels in West Africa. However, this has since shifted to a much more diverse repair and investment base.

In terms of rig repair, the South African ports of Ngqura, Cape Town and Saldanha Bay have serviced rigs originating from Brazil, West Africa, the Middle East and South East Asia. Brazil does not have sufficient port capacity to repair all the rigs operating in the area, and the majority of the rigs from South East Asia or the Middle East are on tow to new contracts in areas such as the Gulf of Mexico, the North Sea or West Africa. In terms of the on-tow contracts, the scope for the repair work will be finalised while the vessel is en route to its contract. South Africa is a good port of call and well located to be able to undertake the scope of work for the new contract. Similarly, for rigs operating in West Africa and moving to contracts in East Africa, South Africa is a good port of call for refit activities.

Similarly, in terms of investment for logistics and manufacturing facilities by international market players, South Africa had traditionally seen investment from markets such as the USA, UK and Europe. While these markets remain strong investment areas for operational facilities in South Africa, there is increasing interest and investments from the Middle East, South East Asia and China, particularly in the areas of manufacturing and fabrication. Activities such as rig and vessel fabrication have shifted globally to countries such as Singapore and South Korea. Many of the companies based in these markets look to Africa for new opportunities.

Strategy

Through our extensive engagements with the international and domestic market, we have recognised a demand to provide a world-class hub with competitive advantage such as a Free Port, which meets the needs of the sector. In doing so, we can facilitate growth and development in South Africa.

We have worked through the regulatory environment to create a compelling offer and continue to do so. The SBIDZ has capitalised on government willingness to support economic growth and secure necessary start-up funding. Our focus on partnerships (e.g. Operation Phakisa in section 3) has resulted in the Ease of Doing Business (EoDB) model which we continue to refine. We have built enabling infrastructure and will continue to do so. We will continue to develop the business model holistically.

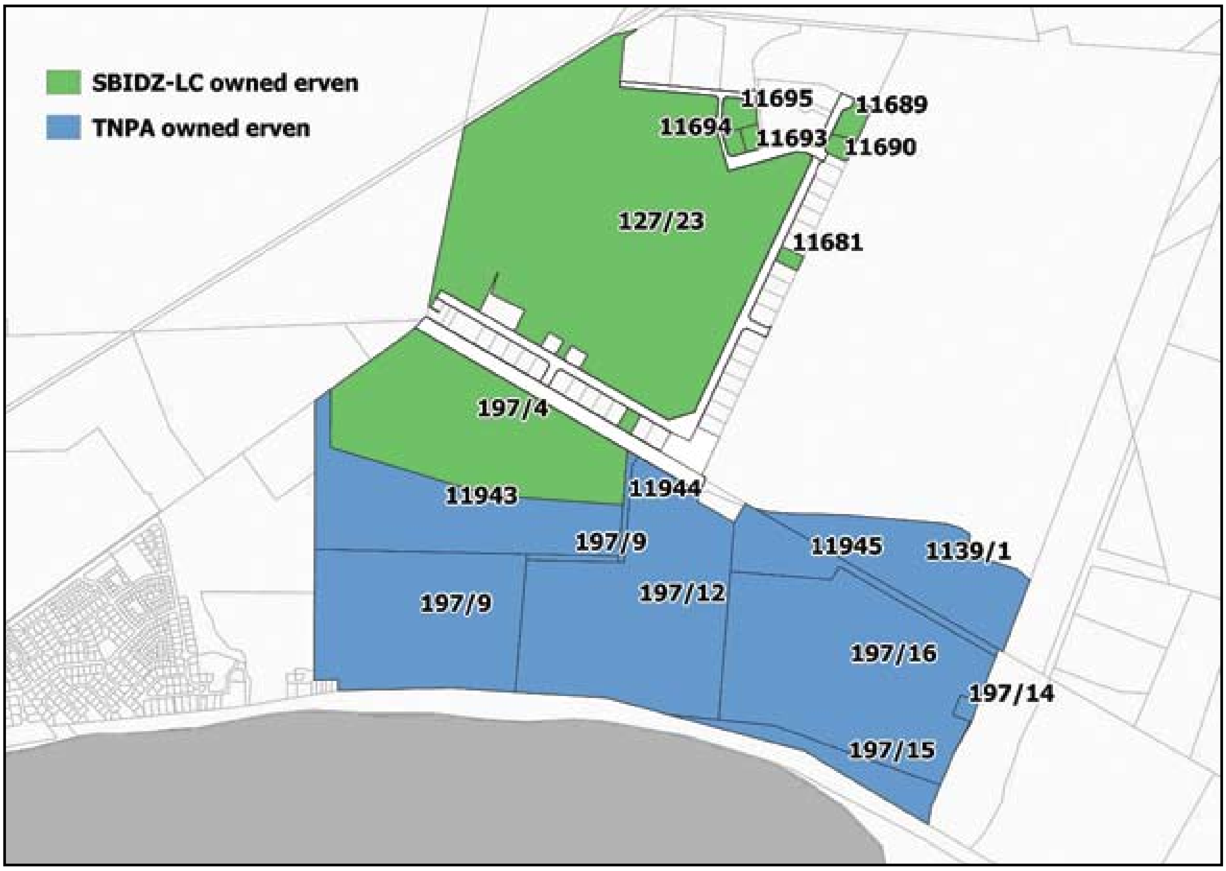
Ultimately, we aim to migrate to a position of self-sustained commercial viability.

2.2. Organisational Environment

Our specialist team is structured to ensure the unique demands of setting up the SBIDZ are met effectively and efficiently. Each business unit has an executive assigned, and they have distinctive focuses which together create a robust management approach.

By using the vehicle of an IDZ to facilitate sustainable economic growth in the Saldanha Bay area, the SBIDZ LiCo will enable the required level of infrastructure development and support to capitalise on the unique value proposition of an Oil & Gas, Marine Repair and Fabrication Cluster to support the African continent, thus not only ensuring sustainable economic development for the area, but a sizeable contribution to the national GDP of the country.

The SBIDZ-designated areas include a component of the Transnet National Ports Authority (TNPA) land for direct access and usage, governed by an overarching Heads of Agreement between the SBIDZ and TNPA, which will enable the creation of the first Free Port in South Africa.



The SBIDZ LiCo is responsible for implementing the Strategic Plan for the Saldanha Bay IDZ within the Medium Term Strategic Framework 2014-2019, supported by the National IDZ/SEZ strategy and Western Cape Provincial infrastructure strategic planning.

2.3. Key Policy Developments and Legislative Changes

The SBIDZ is functional under the Special Economic Zone Act on a national level and Saldanha Bay Industrial Development Zone Licencing Company Act on a provincial level.

2.4. Strategic Outcome-Oriented Goals

- To establish an IDZ at Saldanha Bay as a catalyst for economic activity and job creation.

Strategic Outcome-Oriented Goal	Promote sustainable economic growth and job creation
Goal Statement	To create an enabling environment to promote sustainable economic growth and job creation by: • Facilitating a cumulative contribution to National GDP by investors within the SBIDZ of R16.133 billion by the end of the FY 2019/2020 • Facilitating a cumulative contribution to the Western Cape GDP of investors in the Zone of R13.700 billion by the end of the FY 2019/2020

3. PERFORMANCE INFORMATION

Programme 1: Administration

Purpose

Administration has the overarching objective of implementing best practice governance in support of the operations.

The programme has a complex role due to its need to balance the business needs and requirements of the operations, while at the same time undertaking a crucial governance function within the Entity, providing a treasury function to ensure optimum spending and utilisation of financial resources within the Entity.

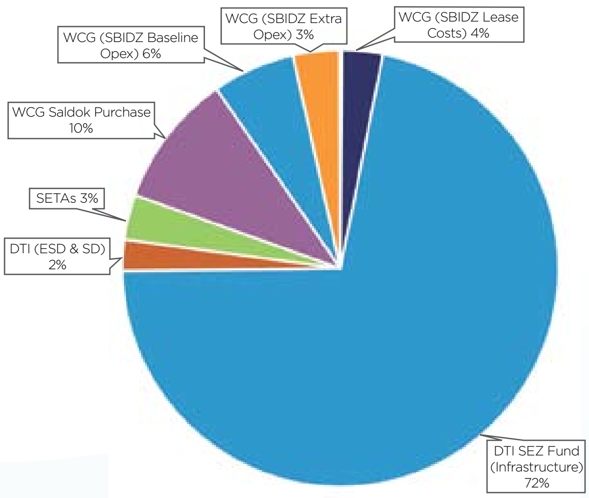
Further, the Administration Programme is required to be agile and support a world-class approach to doing business, while balancing the legislative requirements of a public entity. It is a skill to achieve this balance which is vital to the optimal performance of the overall programme.

Funding

Operations are funded by the Western Cape Government, while Infrastructure is funded by the National Government by way of the Special Economic Zone (SEZ) Fund. The Western Cape Government has also funded the purchase of the Saldok land from the IDC.

Skills and Enterprise Development do not make up part of the formal funding programme and are funded from various sources.

Below is a depiction of the funding model.



Programme structure

The programme is structured to include the following functions: Governance, Financial Management, Supply Chain Management, Human Resources and Information Technology.

Programme 1: Administration

Strategic Objective

Strategic Objective Table	
Strategic Objective	To achieve and maintain the highest level of good corporate governance
Objective statement	To maintain a high standard of good corporate governance through achieving an unqualified audit opinion
Baseline	Unqualified audit

Strategic objectives, performance indicators, planned targets and actual achievements

Programme: Administration					
Strategic Objective Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Audit opinion from AGSA for the previous financial year	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	-	-

Key performance indicators, planned targets and actual achievements

Programme: Administration						
Key Performance Indicators	Actual Achievement 2014/15	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Audit opinion from AGSA for the previous financial year	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	-	-

Strategy to overcome underperformance

None required.

Changes required to planned targets

None required.

Programme 2: Operations

Purpose

The Operations Programme delivers on the implementation of the SBIDZ, thus enabling the overarching strategic goals of economic growth and job creation.

Specifically, the Operations Programme focuses on the key deliverables and work streams that drive the activities within the Zone, in order to attract and retain key investors in the oil & gas and marine repair & fabrication industries.

Programme Structure

The programme is structured to include the following functions: Ease of Doing Business, Business Development, Commercial Management, Infrastructure Development, Stakeholder Management, Skills Development and Enterprise Development.

The main focus areas of each work stream are included below.

Ease of Doing Business

The main overarching strategic driver of industry is the enablement of the investor to easily conduct business. This is the key differentiator in the industry as there is a direct link between the ability to service the end-user market and the propensity for the industry to invest.

Ease of Doing Business seeks to implement an efficient and quality-driven business environment in order to have a competitive edge.

An ease of doing business approach is best incorporated through ensuring ease of access for industry, via various mechanisms, including a contiguous customs control area (CCA) and a quality investor support programme, as indicated in the figure below:

- Free Port model;
- Streamlined investor procedures;

Structure of EoDB Access Components

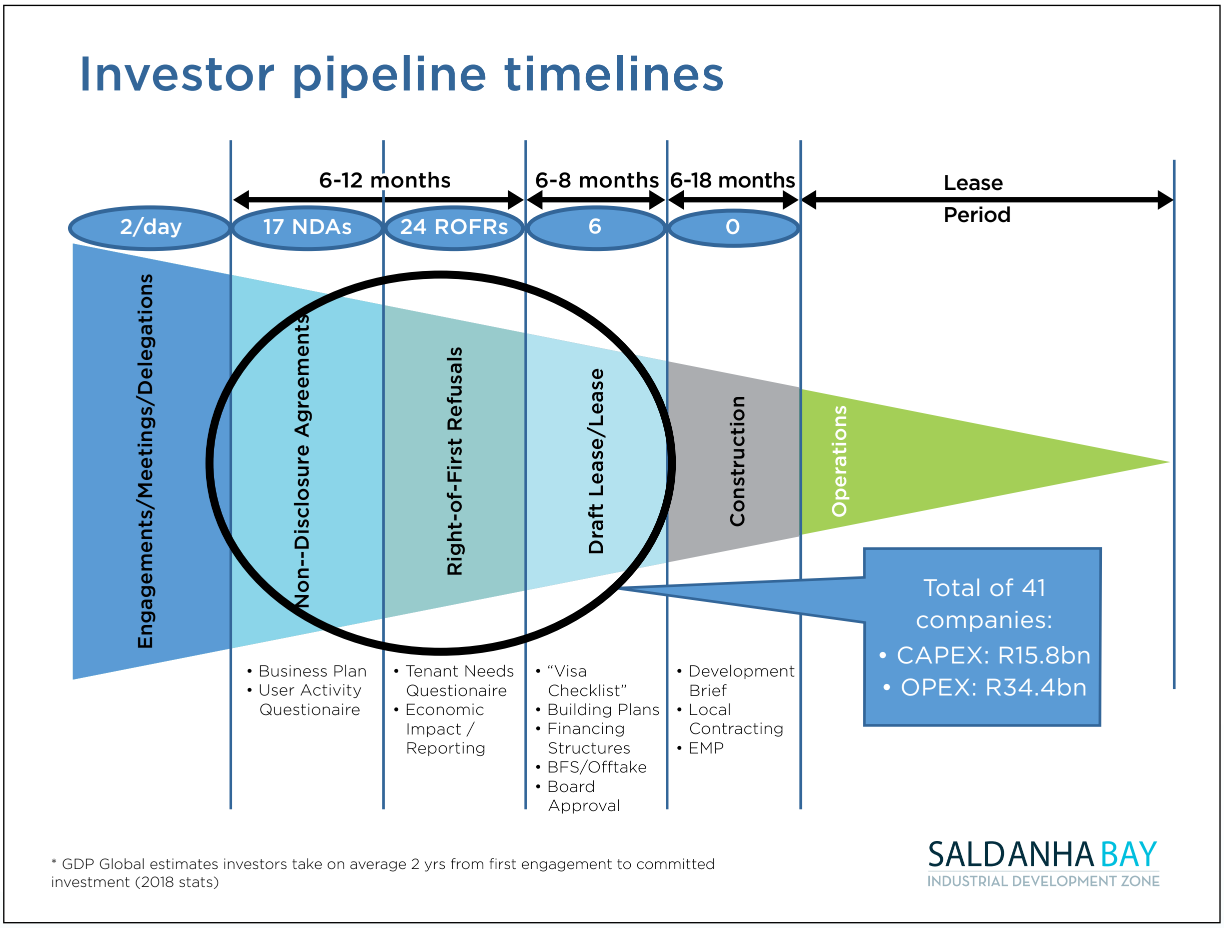
- Serviced land;
- Skilled labour and quality suppliers;
- Land and quayside infrastructure;
- Incentives.

The business unit recently concluded the 5x5 Voice of the Customer Global Best Practice Benchmark Survey which provided crucial input into the Ease of Doing Business Framework which guides the implementation of the approach.

Business Development

The Business Development work stream focuses on investment promotion activities in the IDZ, as well as on concluding key Memoranda of Agreements with a specific focus on increasing the value proposition and future investment in the Zone.

Depicted below is the current investor pipeline along with the anticipated timelines.



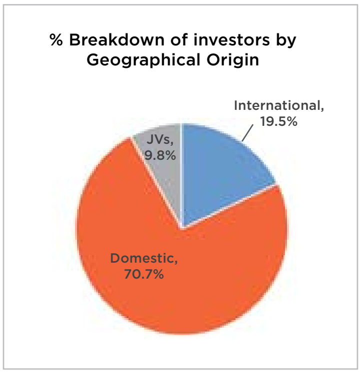
The specific communication and marketing approach linked to investor attraction has been implemented to focus on attracting investment within specific tiers.

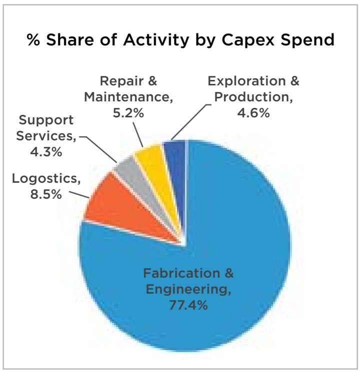
The business development work stream has targets linked to obtaining investor interest in the Zone, either through signing a right of first refusal or a non-disclosure agreement, until such a time as an investor is prepared to physically locate its operation in the Zone.

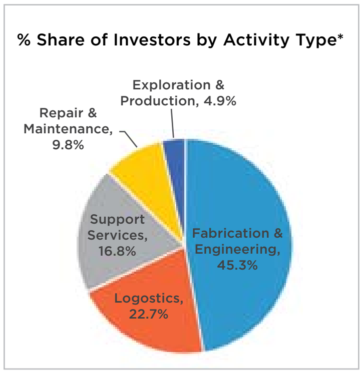
This timeframe is determined in line with the SBIDZ macro-infrastructure development programme, as the Zone is currently implementing bulk infrastructure. It is anticipated that the first investors will locate within in the Zone during the next financial year.

Part B: Performance Information

Prospective investor numbers to date (June 2017)







Note:
- International companies are with no existing presence in South Africa to date
- Domestic companies are registered entities with operations in the country
- JVs are partnerships between international and domestc companies

Note:
- Total Capex Spend for 2017/18-2019/2020 is 15.8bn

Note:
- Based on the total number of committed and pipeline investors - 41

Based on estimates as at 31 July 2017

SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

Commercial Management

The Commercial Management work stream focuses on investor retention, which includes three main focus areas:

Investor Leasing

Given that the first investor was expected to locate in the SBIDZ in FY2016/17, the Commercial Management function currently focuses on developing a strategic framework which highlights all possible investor requirements in order to develop a best practice investor leasing model and leasing approach for all investors.

Estate Management

The Commercial Management work stream will also be responsible for developing a framework and approach to managing the SBIDZ estate going forward, which will be implemented under the current Strategic Plan.

This framework includes:

- Estate access;
- Estate maintenance;
- Estate safety and security;
- Estate utilities;
- Other:
  - o ICT broadband;
  - o Canteen and conferencing;
  - o Common parking;
  - o Transport;
  - o Waste management.

Innovation Campus

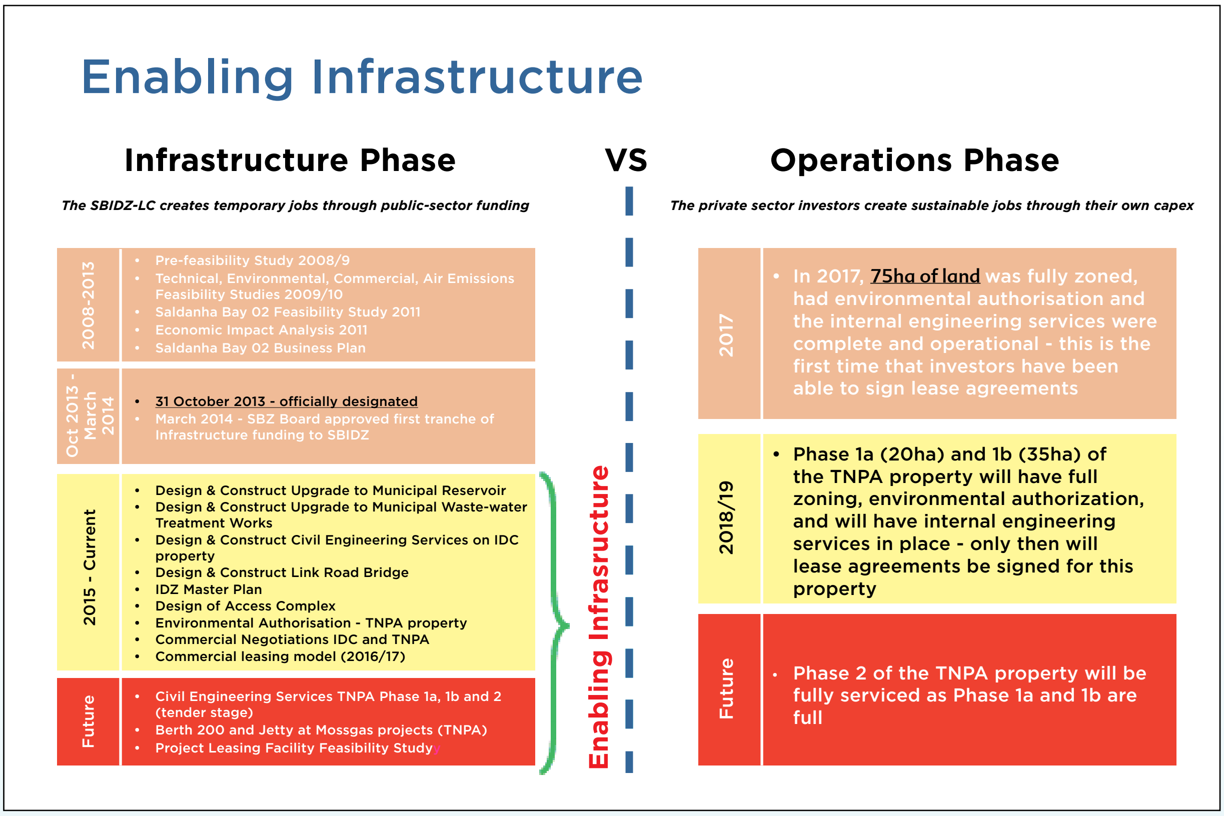
In addition, the Commercial Management work stream is responsible for facilitating the development of an Innovation Campus within the SBIDZ, which will be a world-class innovation hub and learning centre for the oil & gas and marine repair & fabrication industries. It is likely that this hub will only be conceptualised in the FY2017/18, as there is a requirement to source funding and strategic partnerships to help implement the initiative.

The main target for the Commercial Management work stream in the short term will link to developing an overarching framework which determines the approach to managing all commercial components of the Zone.

Infrastructure Development

Infrastructure development within the SBIDZ LiCo includes the development of internal bulk services in support of investors that locate in the Zone

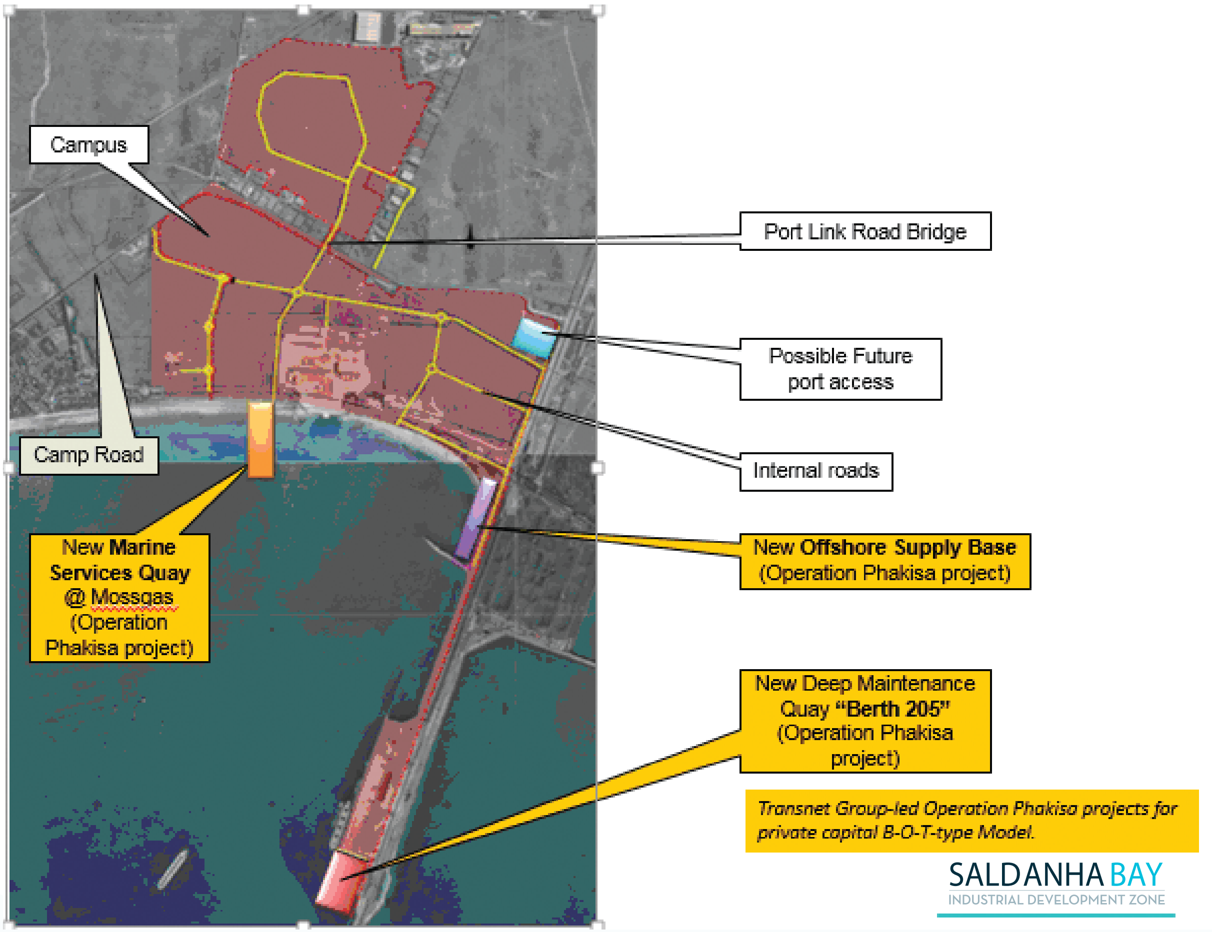
Infrastructure creates the physical environment in which to accommodate investors and operators. The table below depicts this relationship.



Currently, the internal services are under way to prepare the Zone for investor location over the next five-year period. The development consists of key phases. The table below indicates past, present, and future delivery.

Completed projects	Completion date
Internal engineering services (Saldok land)	Q4 2016
Upgrade of Saldanha Bay Waste Water Treatment Works	Q3 2016
Current Projects	
Extension to Besaansklip Reservoir	Q3 2018
Link road and bridge	Q1 2018
Erection of Saldok security fence	Q3 2018
Future Projects	
Access and Ease of Doing Business complex	Q2 2019
Internal engineering services (Port land)	Q2 2019

The infrastructure delivery is also closely associated with the delivery of key Operation Phakisa projects which are to be delivered by the TNPA.



Stakeholder Management

The SBIDZ LiCo Stakeholder Management work stream is responsible for managing strategic partnerships, including those with DTI, DEDAT, TNPA and IDC, as well as for assisting the team in managing stakeholder approaches.

Within South Africa, one of the key challenges being faced is the lack of national knowledge linked to the oil & gas and marine repair & fabrication industries. Part of the role of the

SBIDZ is therefore to form national strategic partnerships and alliances, to raise awareness on the industry's agendas. Currently the SBIDZ LiCo uses existing platforms to develop these linkages, such as its current participation in Operation Phakisa.

In addition, a key short-term focus and requirement of the Stakeholder Management work stream is in the development of functional relationships with local industry and the communities in the West Coast and SBM, particularly given the provincial focus on developing the West Coast economy. The stakeholder management target for the current Annual Performance Plan therefore links directly to building local relationships as a first priority.

Skills Development

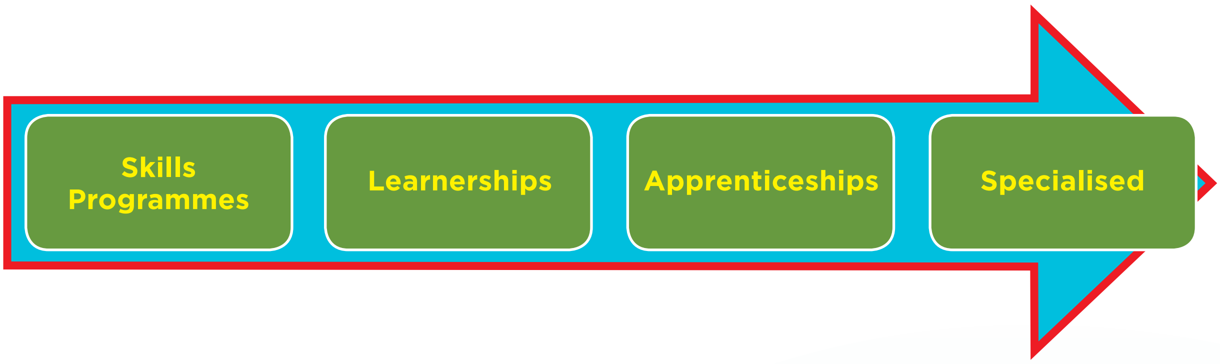
The IDZ Skills Development work stream is driven through a civil society partnership with the Community Skills and Training Committee, through which the IDZ has committed to facilitating the training of approximately 520 individuals on an annual basis, in line with skills requirements linked to the oil & gas and marine repair & fabrication industries.

The skills development initiatives are currently not funded and therefore are largely dependent on the SBIDZ LiCo facilitating funding and training interventions on a case-by-case basis.

The skills intervention intends to create an accountable, inclusive and community-driven skills development strategy.

Strategic partnerships formed with:
- The three spheres of government;
- Public and private training providers;
- Funders;
- Workplaces and employers.

Progression approach to skills development:



Current skills development interventions include:
- Artisan Experiential Learning Programme (apprenticeship);
- Department of Labour: Employment Services System of South Africa (ESSA);
- Occupational Readiness Programme (ORP) with DEDAT;
- Recognition of Prior Learning (RPL) with SAOGA;
- Train-the-trainer (mentoring and coaching) with SAOGA;
- Engineering and construction-related skills programmes (SEZ Fund and MERSETA);
- Career awareness.

Enterprise Development

As with skills development, enterprise development is not funded via our operational funding, and is funded on an ad hoc basis. It is however a strategic imperative to ready the local business community to support investors in the Zone.

Enterprise Development Key Activities

Programme 2

Strategic Objective

Strategic Objective	**To establish a Special Economic Zone within the greater SBM area**
Objective Statement	6 020 direct and indirect jobs facilitated within the Western Cape province as a result of the SBIDZ by the end of the FY 2019/2020
Baseline	25 152 jobs in the Western Cape province in 2014

Strategic objectives, performance indicators, planned targets and actual achievements

Programme: Operations					
Strategic Objective Performance Indicator	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Number of jobs facilitated within the Western Cape province as a result of the SBIDZ	30	142	367	225	More labour-intensive projects undertaken than originally modelled

Key performance indicators, planned targets and actual achievements

Programme: Operations						
Key Performance Indicators	Actual Achievement 2014/15	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Ease of Doing Business Framework approved	-	-	1	1	-	
Number of signed NDAs or right of first refusals with potential investors		-	5	12	7	More investors have shown interest in the zone than initially expected
Number of signed tenants with the SBIDZ	-	-	0	1	-	
Commercial Management Framework approved	-	-	1	1	-	
Tenant lease agreement designed and approved	-	-	0	1	-	
Definition of Scope of Innovation Campus designed and approved		-	1	1	-	

Programme: Operations						
Key Performance Indicators	Actual Achievement 2014/15	Actual Achievement 2015/16	Planned Target 2016/17	Actual Achievement 2016/17	Deviation from planned target to Actual Achievement for 2016/17	Comment on deviations
Percentage of received funds committed to the infrastructure programme	–	–	70%	72%	2%	It is difficult to exactly predict commit-ment of funds on infra-structure projects
Number of local stakeholder engagement initiatives	–	–	12	14	2	Supplier awareness day held in June 2016 ED Portal Confer-ence held in March 2017
Number of beneficiaries participating in the skills development programme	–	–	520	565	45	Due to learners not com-pleting the training pro-grammes, provision was made for others to apply, hence the over-achieve-ment
Implementa-tion of an Integrated Enterprise Development System	–	–	1	1	–	

Strategy to overcome underperformance
None required.

Changes required to planned targets
None required.

Programme: Saldanha Bay Industrial Development Zone (SBIDZ)

Linking Performance with Budget

	2015/16			2016/17		
Programme	Budget	Actual Expenditure (incl. capital)	(Over)/ Under Expenditure	Budget	Actual Expenditure (incl. capital)	(Over)/ Under Expenditure
Administration				17,551,422	15,330,565	2,220,857
Operations				162,642,098	167,474,644	(4,832,546)
Total	**150,532,944**	**146,770,510**	**3,762,434**	**180,193,520**	**182,805,209**	**(2,611,689)**

Only one programme in 2015/16.

Revenue Collections

The infrastructure projects are still in progress, therefore no revenue was generated through leasing.

Capital Investment

Capital Investment	Budget	Actual Expenditure	(Over)/ Under Expenditure	Budget	Actual Expenditure	(Over)/ Under Expenditure
Total	116,203,236	115,871,613	331,623	134,952,015	140,351,156	(5,438,082)

The nature of infrastructure implementation leads to the commitment of funds over the duration of the implementation period, and funds will be spent as the contractual deliverables are met.

The following infrastructure projects are still in progress:

Projects	Estimated Completion Deadline
Link road and bridge	June 2017
Reservoir	September 2017
Waste Water Treatment Works	June 2017

The asset register is prepared in accordance with the National Treasury Regulations, 2005 and the Standards of Generally Recognised Accounting Practice. The asset register is regularly reviewed for accuracy and completeness based on monthly transactions and progress made on infrastructure assets. Ad hoc asset inspections are conducted to ensure that any assets that have been damaged, lost or stolen are updated on the asset register.


DCD DORBYL
MARINE

PART C

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION

The SBIDZ LiCo has ensured that sound corporate governance structures and processes were implemented within the organisation from the outset. These practices are constantly reviewed and adapted to accommodate internal corporate developments and stakeholder expectations, and to reflect national and international best practice.

The directors of the SBIDZ LiCo supports the principles of the King III Report on Corporate Governance for South Africa and, where applicable and practical, will implement these principles. Responsible corporate citizenship and sound governance practices will remain top priorities of the Board, its sub-committees and management.

2. THE ACCOUNTING AUTHORITY (BOARD OF DIRECTORS)

Introduction

It was agreed by both the Provincial and National Government that the structure of the SBIDZ LiCo Board should be representative of the founding partners from the three spheres of government.

2.1 Composition of the Board of Directors

The Board currently consists of members representing National, Provincial and Local Government spheres and the Saldanha Bay community, with one representative nominated by the Saldanha Bay Municipality, two representatives nominated by the Western Cape Government (of which one is reserved for TNPA), two representatives nominated by National Government (one from the DTI and one from the IDC) and two directors representing the broader Saldanha Bay social and economic community (of which one is vacant).

The powers and duties of the Board, aimed at ensuring the attainment of its objectives, are detailed in the Companies Act, the PFMA and the Special Economic Zones Act. The Acts determine the details of the meetings and decisions of the Board, the establishment of an appointment to committees, powers of delegation as well as remuneration.

2.2 Board Remuneration

In terms of the Saldanha Bay Industrial Development Zone Licencing Act, the Provincial Minister responsible for Finance shall determine the remuneration, allowance and reimbursements payable to the Directors not in governemnt service, which will be reviewed on an annual basis.

2.3 Board Committees

The Board is authorised to form committees as and when necessary to facilitate efficient decision making, and to assist the Board in the execution of its duties. The committees do not perform any management functions or assume any management responsibilities.

The SBIDZ LiCo has two Board sub-committees; namely the Audit, IT & Risk Committee, and the Human Resources, Remuneration, Social and Ethics Committee.

2.3.1 Board meetings and attendance

The meetings of the Board of Directors and committees are scheduled regularly with defined objectives and structured agendas. Board members are expected to participate fully, frankly and constructively in discussions and to contribute their particular knowledge, skills and abilities.

Non-Executive Directors		Number of Board meetings attended
Johann Stegmann	(Chairperson)	4
Frank Pronk	(term ended 25 August 2016)	1
Lizo Ntloko		4
Gerrit de Bruyn	(term ended 25 August 2016)	1
Miyelani Mushwana		4
Justice Ngwenya		4
Basetsana Mathibe		1

Note: The Saldanha Bay Municipality has subsequently appointed its municipal manager to the Board, a position that was only filled from 1 August 2017. In the interim, a senior official was seconded to the Board.

2.4 Human Resources, Remuneration, Social and Ethics Committee

The committee consists of three non-executive directors and two ex-officio members, namely the CEO and CFO. The committee has a clearly defined charter. The purpose of the committee is to review, consider and recommend matters relating to general staff policy, including remuneration and development, the formulation of remuneration and human resource policies, the performance management system and related performance incentives.

Non-Executive Directors		Number of Board meetings attended
Miyelani Mushwana	(Chairperson)	5
Frank Pronk	(term ended 25 August 2016)	2
Gerrit de Bruyn	(term ended 25 August 2016)	0
Justice Ngwenya		3
Basetsana Mathibe		1

3. INTERNAL AUDIT AND AUDIT COMMITTEES

The Audit, IT & Risk Committee consists of three Directors and two independent members and has a clearly defined charter. The committee is a sub-committee of the Board and accordingly operates as an extension of its mandate. The purpose of the committee is to assist the Board in discharging its duties in relation to financial reporting, asset management, risk management, supply chain management, information technology issues, internal control systems, processes and procedures, and to measure the quality of the external and internal audit functions.

The Internal Auditors and external auditors, as well as certain members of the Executive Management, are invited to attend meetings.

3.1 Internal Audit

The internal audit function is outsourced to SizweNtsalubaGobodo (SNG) for a three-year period, ending on 30 October 2019. The Board of Directors is responsible for the appointment of the Internal Auditor. The Internal Auditor operates under the direction of the Audit Committee which approves the scope of work to be performed. Significant findings are reported to the Executive Management and the Audit Committee. Corrective action is taken to address internal control deficiencies identified in the execution of the work.

3.2 External Audit

The Auditor-General of South Africa (AGSA) is responsible for performing the annual audit of the company. The Audit Committee examines and reviews the Annual Financial Statements of the company and other relevant financial reports.

3.3 Internal Control

The SBIDZ maintains internal controls and systems designed to provide reasonable assurance of the integrity and reliability of the Annual Financial Statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented with appropriate segregation of duties.

Audit, IT & Risk Committee		Number of committee meetings attended
Paul Slack	(Chairperson and independent member)	8
Danny Naidoo	(independent member)	5
Lizo Ntloko		6
Miyelani Mushwana		2
Johann Stegmann		6

4. RISK MANAGEMENT

The SBIDZ LiCo remains committed to a risk management process that is aligned to principles of good corporate governance and is in accordance with the provisions of the PFMA, King III and other related codes of corporate governance.

Risk control strategies and policies have been put in place to ensure that all risks are managed in an integrated manner. Risk management is addressed through risk categories. Major risks that could influence the achievement of the company's strategic objectives are identified, assessed and prioritised regularly and control mechanisms are implemented to manage and monitor these risks.

5. INTERNAL CONTROL

The Board acknowledges its responsibility for ensuring that the SBIDZ LiCo implements and monitors the effectiveness of internal, financial and operating controls to guard against material misstatements and losses.

The internal and external auditors independently appraise the adequacy and effectiveness of the internal controls.

6. COMPANY SECRETARY

In terms of the Companies Act, every state-owned company must appoint a person to serve as company secretary. The SBIDZ appointed a company secretary on 24 August 2016. Prior to the appointment, Mazars Advisory Services acted as the company secretary of the SBIDZ.

The company secretary's duties include but are not restricted to:

(a) providing the directors of the SBIDZ collectively and individually with guidance as to their duties, responsibilities and powers;
(b) making the directors aware of any law relevant to or affecting the SBIDZ;
(c) reporting to the Board any failure on the part of the SBIDZ or a director to comply with the Memorandum of Incorporation or rules of the SBIDZ or the Companies Act;
(d) ensuring that minutes of all shareholders' meetings, Board meetings and the meetings of any committees of the directors, or of the SBIDZ's audit committee, are properly recorded in accordance with the Companies Act;
(e) certifying in the SBIDZ's Annual Financial Statements whether the SBIDZ has filed required returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date;
(f) ensuring that a copy of the SBIDZ's Annual Financial Statements is sent, in accordance with the Companies Act, to every person who is entitled to it; and
(g) carrying out the functions of a person designated in terms of section 33(3) of the Companies Act.

In addition to various statutory functions, the Board Secretariat, with the assistance of the company secretary, ensures that the Board of Directors is provided with induction training as well as guidance on duties and responsibilities.

In consultation with the Board Chairperson, the Board Secretariat ensures that the contents of the agenda are relevant to the Board of Directors' decision making. The information required for each board meeting is sent to the directors in a timely manner to enable them to acquaint themselves with the information and to consider company information in terms of their statutory and fiduciary responsibilities.

The Board Secretariat acts as the primary point of contact between the Board of Directors and the company.

7. MATERIALITY

All significant events, risks and other aspects have been disclosed in the Annual Financial Statements and annual report. Materiality is determined as 1.5% of total income recognised.

PART D

HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

1. INTRODUCTION

The Human Resource (HR) unit aims to provide high quality professional assistance to managers and staff fulfilling their day-to-day roles. Attention to detail and speed of response are essential to the nature of the tasks undertaken. HR's role encompasses recruitment and selection, training and development, performance management, employee wellness and payroll. The role reports to the Chief Financial Officer.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 Personnel cost by programme

Programme	Total expenditure for the entity	Personnel expenditure of total exp.	Personnel exp. as a %	No. of employees	Average personnel cost per employee
Operations Management	3 358 731	2 994 288	89%	2	1 497 144
Corporate Services	16 050 892	6 636 537	41%	9	737 393
Business Development	5 371 652	1 821 904	34%	2	910 952
Stakeholder Management	17 247 128	5 771 702	33%	12	480 975
Ease of Doing Business and Commercial	5 258 805	2 774 285	53%	4	693 571
Subtotal	**47 287 208**	**19 998 715**	**42%**	**29**	**689 610**
Infrastructure	127 881 597	4 495 937	4%	5	899 187
TOTAL	**175 116 067**	**24 494 652**	**14%**	**34**	**720 430**

2.2. Personnel cost by salary band

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	10 500 630	43%	7	1 500 090
Professional qualified	11 073 262	45%	15	738 217
Skilled	1 241 927	5%	3	413 976
Semi-skilled	1 678 833	7%	9	186 537
TOTAL	24 494 652		34	

2.3. Performance rewards

Level	Performance rewards	Personnel expenditure	% of performance rewards to total personnel cost
Top Management	1 956 026	10 500 630	18.63%
Professional qualified	1 847 168	11 073 262	16.68%
Skilled	221 201	1 241 927	17.81%
Semi-skilled	289 479	1 678 833	17.24%
TOTAL	**4 313 875**	**24 494 652**	**17.61%**

2.4. Training costs

Programme	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost	No. of employees trained	Avg training cost per employee
Operations Management	2 994 288	-	0%	-	-
Corporate Services	6 636 537	99 847	2%	7	14 264
Business Development	1 821 904		0%	-	-
Stakeholder Management	5 771 702	204 942	4%	5	40 988
Ease of Doing Business and Commercial	2 774 285	33 215	1%	3	11 072
Infrastructure	4 495 937	-	0%	-	-
TOTAL	**24 494 652**	**338 004**	**1%**	**15**	**66 324**

2.5. Employment and vacancies

Programme	2016/17 No. of Employees	2016/17 Vacancies	% of vacancies
Operations Management	2	2	50%
Corporate Services	9	1	10%
Business Development	2	0	0%
Stakeholder Management	12	0	0%
Ease of Doing Business and Commercial	3	2	40%
Infrastructure	5	0	0%
TOTAL	**33**	**5**	**13%**

Programme	2016/17 No. of Employees	2016/17 Vacancies	% of vacancies
Top Management	7	1	13%
Professional qualified	14	4	22%
Skilled	3	0	0%
Semi-skilled	9	0	0%
TOTAL	**33**	**5**	**13%**

2.6. Employment Changes

Salary Band	Employment at beginning of the period	Appointments	Terminations	Employment end of the period
Top Management	6	1	0	7
Professional qualified	11	3	1	13
Skilled	4	0	0	4
Semi-skilled	7	2	0	9
TOTAL	**28**	**6**	**1**	**33**

2.7. Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	-	-
Resignation	-	-
Dismissal	-	-
Retirement	-	-
Expiry of contract	1	100%
Other	-	-
Total	**1**	**100%**

2.8. Equity Target and Employment Equity Status

Level	Male				Female			
	African	Coloured	Indian	White	African	Coloured	Indian	White
Top Management	0	0	1	3	1	1	0	1
Professional qualified	4	1	0	1	2	4	0	2
Skilled	1	1	0	0	0	1	0	0
Semi-skilled	1	1	0	0	3	4	0	0
TOTAL	**6**	**3**	**1**	**4**	**6**	**10**	**0**	**3**

PART E

FINANCIAL INFORMATION

for the year ended 31 March 2017

SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

Company registration number	2012/035625/30
Country of incorporation and domicile	South Africa
Legal form of entity	Provincial government business enterprise listed in Schedule 3 Part D of the Public Finance Management Act
Nature of business and principal activities	To establish an industrial development zone (IDZ) at Saldanha Bay as a catalyst for economic activity and sustainable job creation
Non-executive directors	Dr Johann Stegmann Lizo Ntloko Justice Ngwenya Miyelani Mushwana Basetsana Mathibe
Registered office	24 Main Road Saldanha Bay 7395
Postal address	PO Box 304 Cape Town 8000
Bankers	Nedbank Corporate
Auditors	Auditor-General of South Africa

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The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

Accounting Authority's Responsibilities and Approval

The Board of Directors (Accounting Authority) is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is 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 directors 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 external auditor is engaged to express an independent opinion on the Annual Financial Statements and was given unrestricted access to all financial records and related data.

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

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

The Board has reviewed the entity's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, it is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Department of Economic Development and Tourism and the Department of Trade and Industry for continued funding of operations. The Annual Financial Statements are prepared on the basis that the entity is a going concern and that the Department of Economic Development and Tourism and Department of Trade and Industry have neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting authority is primarily responsible for the financial affairs of the entity, it is supported by the entity's external auditor.

The external auditor is responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditor and its report is presented on pages 51 to 54.

The Annual Financial Statements set out on pages 55 to 101, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2017 and were signed on its behalf by:

Dr Johann Stegmann
Chairperson of the Board

Audit, IT and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its terms of reference.

Name of member	Number of meetings attended
Paul Slack (Chairperson) (independent member)	8
Danny Naidoo (independent member)	5
Lizo Ntloko	6
Miyelani Mushwana	2
Dr Johann Stegmann	6

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 51 (1)(a) of the PFMA and Treasury Regulation 27.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the principles of the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the Annual Financial Statements, and the management report of the Auditor-General of South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom.

Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of the entity during the year under review.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity. The following internal audit work was completed as per the three-year internal audit plan: Supply Chain Management Review, Infrastructure Work in Progress Review, General IT Control Review and Performance Information review.

Chairperson of the Audit Committee
Date: 31 July 2017

Report of the Auditor-General to the Western Cape Provincial Parliament on Saldanha Bay IDZ Licencing Company (SOC) Limited

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Saldanha Bay IDZ Licencing Company (SOC) Limited set out on pages 55 to 101, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net asset and the cash flow statement and the statement of comparison of budget and actual 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 the Saldanha Bay IDZ Licencing Company (SOC) Limited as at 31 March 2017, and its financial performance and cash flows 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) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (the Companies Act).

Basis for opinion

3. I conducted my audit in accordance with theInternational Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' 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 code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of accounting authorityfor 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 the SA Standards of GRAP and the requirements of the PFMA and the Companies Act and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing thefinancial statements, the accounting authority is responsible for assessing the Saldanha Bay IDZ Licencing Company (SOC) Limited'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 there is an intention either to liquidate the entity or cease operations, or there is 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 onthe 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 programme 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 programme presented in the annual performance report of the entity for the year ended 31 March 2017:

Programme	Pages in the annual report
Programme 2 – operations	32 – 34

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 raise any material findings on the usefulness and reliability of the reported performance information for the following programme:

- Programme 2 – operations

Other matters

15. I draw attention to the matters below. My opinion is not modified in respect ofthese matters

Adjustment of material misstatements

16. I identified a material misstatement in the annual performance report submitted for auditing. This material misstatement was on the reported performance information of programme 2. As management subsequently corrected the misstatement, I did not report any material findings on the usefulness and reliability of the reported performance information.

Achievement of planned targets

17. Refer to the annual performance report on pages 32 to 34 for information on the achievement of planned targets for the year and explanations provided for the overachievement of a number of targets.

Report on 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 companywith specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
19. I did not identify any instances of material non-compliance in respect of the compliance criteria for the applicable subject matters.

Other information

20. The entity's accounting authorityis responsible for the other information. The other information comprises the information included in the annual reportwhich includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's reportand the selected programme presented in the annual performance reportthat has been specifically reported in the auditor's report.
21. 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.
22. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Internal control deficiencies

23. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town

31 July 2017

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 company's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of thefinancial statements as described in the 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 company'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 the company'sability 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 the auditor's report. However, future events or conditions may cause a company to cease operating as a going concern.
   - 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. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm tothe 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

Accounting Authority's Report

The Board submit its report for the year ended 31 March 2017.

1. Review of activities

Main business and operations

The entity aims to use the existing enabling legislation to act as a catalyst to create and sustain economic development and facilitate job creation by way of industrial investment and efficiency development in the Saldanha Bay region. The entity operates in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached Annual Financial Statements and do not in our opinion require any further comment.

2. Subsequent events

The Board is not aware of any matter or circumstance arising since the end of the financial year other than disclosed in note 29.

3. Share capital

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

4. Distributions to owners

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

5. Accounting Authority

The non-executive directors of the entity for the year under review were as follows:

Name	Nationality	Changes
Dr Johann Stegmann	South African	
Gerrit de Bruyn	South African	Term ended 25 August 2016
Frank Pronk	South African	Term ended 25 August 2016
Lizo Ntloko	South African	
Justice Ngwenya	South African	
Miyelani Mushwana	South African	
Basetsana Mathibe	South African	Appointed 6 February 2017

6. Corporate governance

General

The accounting authority is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting authority supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to comply with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2009. The accounting authority discussed the responsibilities of management in this respect at Board meetings, and monitor the entity's compliance with the code on a three-monthly basis.

The salient features of the entity's adoption of the Code are outlined below:

Board of Directors

The Board:
- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to 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 a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity programme.

Chairperson and Chief Executive

The Chairperson is a non-executive and independent director.

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

Human Resources, Remuneration, Social and Ethics Committee

The committee consists of three Non-Executive directors and is chaired by Miyelani Mushwana. The committee met six times during the reporting period to review matters necessary to fulfil its role. Other members of the committee are/were:
Justice Ngwenya
Gerrit de Bruyn (term ended 25 August 2016)
Frank Pronk (term ended 25 August 2016)
Basetsana Mathibe (appointed 6 February 2017).

Accounting authority

The accounting authority has met on four separate occasions during the period under review. The accounting authority aims to meet at least four times per annum.

Non-executive directors have access to all members of management of the entity.

Audit, IT and Risk Committee

For the year under review the chairperson of the audit committee was Paul Slack (independent member). The committee met 8 times during this period to review matters necessary to fulfil its role. Other members of the committee are:
Danny Naidoo (independent member)
Dr Johann Stegmann
Lizo Ntloko
Miyelani Mushwana.

Internal audit

To comply with the Public Finance Management Act, Act 1 of 1999, the entity must have an internal audit function. SizweNtsalubaGobodo replaced KPMG during the financial year.

7. Entity status

Saldanha Bay IDZ Licencing Company (SOC) Limited operated as a 3C Public Entity until 24 February 2017 when it was gazetted as a provincial government business enterprise to be listed in Schedule 3 Part D of the Public Finance Management Act.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act, Act 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Sollie Marthinus
Company Secretary

Statement of Financial Position as at 31 March 2017

Figures in Rand	Note(s)	March 2017	March 2016 Restated*
Assets			
Current Assets			
Receivables from non-exchange transactions	6	3 373 295	650 007
VAT receivable	7	1 802 846	-
Prepayments	8	1 352 811	1 691 654
Cash and cash equivalents	9	680 873 478	314 049 738
		687 402 430	316 391 399
Non-Current Assets			
Investment property	3	6 526	-
Property, plant and equipment	4	270 878 928	145 083 387
Intangible assets	5	121 411	318 329
Receivables from non-exchange transactions	6	205 171	193 168
		271 212 036	145 594 884
Total Assets		958 614 466	461 986 283
Liabilities			
Current Liabilities			
Current tax payable		1 468	-
Operating lease liability	10	51 580	51 580
Payables from exchange transactions	11	16 982 300	28 210 504
Employee benefits	12	5 269 402	4 408 588
Unspent conditional grants and receipts	13	662 380 556	282 995 036
		684 685 306	315 665 708
Non-Current Liabilities			
Operating lease liability	10	508 632	439 295
Payables from exchange transactions	11	1 676 574	-
		2 185 206	439 295
Total Liabilities		686 870 512	316 105 003
Net Assets		271 743 954	145 881 280
Share capital	14	120	120
Accumulated surplus		271 743 834	145 881 160
Total Net Assets		271 743 954	145 881 280

* See Note 36

Statement of Financial Performance

Figures in Rand	Note(s)	March 2017	March 2016 Restated*
Revenue			
Revenue from exchange transactions			
Coordination fee on special projects		9 488	22 222
Interest income		105 038	36 932
Total revenue from exchange transactions		114 526	59 154
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	172 965 443	155 723 098
Total revenue	15	173 079 969	155 782 252
Expenditure			
Employee related costs	17	(19 998 715)	(17 325 156)
Administration		-	(897)
Depreciation and amortisation		(3 425 469)	(897 990)
Lease rentals on operating lease		(2 400 117)	(2 044 776)
Repairs and maintenance		(99 290)	(17 211)
General expenses	18	(21 363 617)	(11 413 096)
Total expenditure		(47 287 208)	(31 699 126)
Gain on disposal of property, plant and equipment		72 504	32 984
Loss on foreign exchange		(1 123)	(175)
		71 381	32 809
Surplus before taxation		125 864 142	124 115 935
Taxation	35	(1 468)	-
Surplus for the year		125 862 674	124 115 935

The surplus is a result of the application of the conditional grant principle in that revenue is recognised when expenditure is incurred. However GRAP 17 requires all capital expenditure to be reflected in the Statement of Financial Position. Therefore the capital expenditure is not recognised in the Statement of Financial Performance and creates an accounting surplus. The surplus will be reduced over the useful life of the asset as the asset is depreciated.

* See Note 36

Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus	Total net assets
Balance at 1 April 2015	120	21 765 225	21 765 345
Changes in net assets			
Surplus for the year *	-	124 115 935	124 115 935
Total changes	-	124 115 935	124 115 935
Balance at 1 April 2016	120	145 881 160	145 881 280
Changes in net assets			
Surplus for the year	-	125 862 674	125 862 674
Total changes	-	125 862 674	125 862 674
Balance at 31 March 2017	120	271 743 834	271 743 954
Note(s)	14		

The accumulated surplus is a result of the application of the conditional grant principle in that revenue is recognised when expenditure is incurred. However GRAP 17 requires all capital expenditure to be reflected in the Statement of Financial Position. Therefore the capital expenditure is not recognised in the Statement of Financial Performance and creates an accounting surplus. The accumulated surplus will be reduced over the useful life of the assets as the assets are depreciated.

* Surplus for the year restated as per note 36

* See Note 36

Cash Flow Statement

Figures in Rand	Note(s)	March 2017	March 2016 Restated*
Cash flows from operating activities			
Receipts			
Coordination fees		9 488	-
Grants		521 387 670	100 213 993
Interest received		28 087 319	20 755 570
		549 484 477	120 969 563
Payments			
Employee costs		(19 374 682)	(16 231 364)
Suppliers		(23 040 428)	(14 008 513)
		(42 415 110)	(30 239 877)
Net cash flows from activities	21	507 069 367	90 729 686
Cash flows from investing activities			
Purchase of property, plant and equipment		(140 351 156)	(98 764 767)
Proceeds from sale of property, plant and equipment	4	145 591	32 984
Purchase of investment property	3	(6 526)	-
Purchase of other intangible assets	5	(32 413)	(15 125)
Net cash flows from investing activities		(140 244 504)	(98 746 908)
Net increase in cash and cash equivalents		366 824 863	(8 017 222)
Cash and cash equivalents at the beginning of the year		314 049 738	322 067 135
Effect of exchange rate movement on cash balances		(1 123)	(175)
Cash and cash equivalents at the end of the year	9	680 873 478	314 049 738

* See Note 36

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Administration and management fees received	9 490	-	9 490	9 488	(2)	
Interest received - investment	31 879 673	-	31 879 673	28 087 319	(3 792 354)	Note 32
Total revenue from exchange transactions	31 889 163	-	31 889 163	28 096 807	(3 792 356)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies - current year	555 497 553	-	555 497 553	521 387 672	(34 109 881)	Note 32
Total revenue	587 386 716	-	587 386 716	549 484 479	(37 902 237)	
Expenditure						
Employee related costs	(19 902 875)	-	(19 902 875)	(19 374 682)	528 193	
Administration	(500)	-	(500)	-	500	
Lease rentals on operating lease	(2 398 979)	-	(2 398 979)	(2 330 780)	68 199	
Repairs and maintenance	(213 500)	-	(213 500)	(99 290)	114 210	
General Expenses	(22 725 651)	-	(22 725 651)	(20 610 360)	2 115 291	Note 32
Total expenditure	(45 241 505)	-	(45 241 505)	(42 415 112)	2 826 393	
Operating surplus	542 145 211	-	542 145 211	507 069 367	(35 075 844)	
Gain on disposal of assets and liabilities	-	-	-	145 591	145 591	
Surplus before taxation	542 145 211	-	542 145 211	507 214 958	(34 930 253)	
Actual Amount on Comparable Basis	542 145 211	-	542 145 211	507 214 958	(34 930 253)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation of surplus for year						
Brought forward from previous page				507 214 958		
Government grants & subsidies				(348 422 229)		Adjustment for actual cash received
Taxation				(1 468)		Non cash item
Personnel				(624 035)		Incentive and leave pay provision
Interest received				(27 982 281)		Interest allocated to unspent conditional grants. Refer note 13
Loss on disposal and foreign differences				(1 123)		Non cash item
Depreciation				(3 425 469)		Non cash item
General expenses				(753 257)		Accruals
Operating lease				(69 334)		Non cash item
Gain on disposal of property, plant and equipment				(73 088)		Adjusted for cash received
Actual surplus for the year in the Statement of Financial Performance				125 862 674		

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	407 193 196	-	407 193 196	366 824 861	(40 368 335)	Note 33
Non-Current Assets						
Investment property	6 600	-	6 600	6 526	(74)	Note 33
Property, plant and equipment	134 912 415	-	134 912 415	140 351 156	5 438 741	Note 33
Intangible assets	33 000	-	33 000	32 415	(585)	
	134 952 015	-	134 952 015	140 390 097	5 438 082	
Total Assets	542 145 211	-	542 145 211	507 214 958	(34 930 253)	
Net Assets	542 145 211	-	542 145 211	507 214 958	(34 930 253)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	542 145 211	-	542 145 211	507 214 958	(34 930 253)	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment of Trade receivables

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Employee benefits.

Useful lives of property, plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Item	Useful life
Property - land	indefinite

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 3).

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 3).

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Infrastructure assets under construction are only depreciated upon completion.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	15 years
	Furniture and fixtures Straight line	6-10 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	Over the lease term
Infrastructure assets	Straight line	15-120 years

1.5 Property, plant and equipment (continued)

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

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

1.6 Intangible assets (continued)

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

Item	Useful life
Computer software	3 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.7 Financial instruments

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

1.7 Financial instruments (continued)

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.

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

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 amortised cost.
- 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 assess 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 assets's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced 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 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.

1.7 Financial instruments (continued)

Financial assets measured at cost:

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

Derecognition

Financial assets

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

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

Financial liabilities

The entity removes a financial liability or a part of a financial liability from its statement of financial position when it is extinguished.

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

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

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

Taxation

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

The entity was exempt from income taxation in terms of S 10 (1) (cA) (ii) of the Income Tax Act (Act No. 58 of 1962) up to 24 February 2017 when the entity was gazetted as a provincial government business enterprise.

1.9 Leases

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

Operating leases - lessee

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

1.10 Discontinued Operations

Discontinued operation is a component of an entity that has been disposed of and:
- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of an entity is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

1.11 Impairment of non-cash-generating assets

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

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

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

1.11 Impairment of non-cash-generating assets (continued)

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

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

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

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.12 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

1.13 Employee benefits

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

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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.

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 or only 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 excluded.

1.15 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with

the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
  and
- The amount of the revenue can be measured reliably.

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

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

1.16 Revenue from non-exchange transactions

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

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Grants and Project funds

Funding by way of special project grants are disclosed under liabilities as unspent conditional grants and receipts. The liability is transferred to revenue when conditions attached to the grants and project funds are met. Grants and project funds that are not subject to any conditions are recognised as revenue immediately.

Interest earned on investment of certain grants and special project funds received is treated in accordance with the stipulations set out in the agreement.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 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 and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year 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.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.21 Budget information

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

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

The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to reconciliation of statement of comparison of budget and actual amounts.

1.22 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

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, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.23 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

1.24 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1.5% of total income recognised. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current

financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the standard is not material.
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2016	The adoption of the standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 16 (as amended 2015): Investment Property	01 April 2016	The adoption of the standard has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and Interpretations early adopted

The entity has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the directive is not material.
• GRAP 20: Related parties	01 April 2017	The impact of the standard is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2017	The impact of the standard is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash generating assets	01 April 2017	The impact of the standard is not material.

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

3. Investment property

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	6 526	-	6 526	-	-	-

Reconciliation of investment property - March 2017

	Opening balance	Additions	Total
Investment property work in progress	-	6 526	6 526

Pledged as security

No investment property was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings and structures	6 511 141	(433 838)	6 077 303	6 511 141	-	6 511 141
Furniture and fixtures	1 209 667	(203 238)	1 006 429	831 049	(105 851)	725 198
Motor vehicles	471 882	(775)	471 107	136 135	(54 454)	81 681
Office equipment	248 799	(84 878)	163 921	240 224	(36 155)	204 069
IT equipment	1 294 599	(767 662)	526 937	1 021 882	(405 599)	616 283
Leasehold improvements	1 279 271	(599 877)	679 394	1 256 141	(299 883)	956 258
Work in process	118 927 883	-	118 927 883	135 067 446	-	135 067 446
Infrastructure assets	144 942 472	(1 916 518)	143 025 954	921 311	-	921 311
Total	274 885 714	(4 006 786)	270 878 928	145 985 329	(901 942)	145 083 387

Reconciliation of property, plant and equipment - March 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings and structures	6 511 141	-	-	-	(433 838)	6 077 303
Furniture and fixtures	725 198	394 781	(8 318)	-	(105 232)	1 006 429
Motor vehicles	81 681	471 882	(56 780)	-	(25 676)	471 107
Office equipment	204 069	8 576	-	-	(48 724)	163 921
IT equipment	616 283	284 800	(7 989)	-	(366 157)	526 937
Leasehold improvements	956 258	23 130	-	-	(299 994)	679 394
Work in process	135 067 446	127 881 597	-	(144 021 160)	-	118 927 883
Infrastructure assets	921 311	-	-	144 021 160	(1 916 517)	143 025 954
	145 083 387	129 064 766	(73 087)	-	(3 196 138)	270 878 928

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - March 2016

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Buildings	-	-	6 511 141	-	-	6 511 141
Furniture and fixtures	551 642	257 441	-	-	(83 885)	725 198
Motor vehicles	108 908	-	-	-	(27 227)	81 681
Office equipment	73 843	159 372	-	-	(29 146)	204 069
IT equipment	446 530	451 798	-	-	(282 045)	616 283
Leasehold improvements	894 250	314 084	-	-	(252 076)	956 258
Work in progress	18 775 756	123 724 141	-	(7 432 451)	-	135 067 446
Infrastructure assets	-	-	921 311	-	-	921 311
	20 850 929	124 906 836	7 432 452	(7 432 451)	(674 379)	145 083 387

Pledged as security

No assets were pledged as security.

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	2 778 322	-
Infrastructure	116 149 561	135 067 446
	118 927 883	135 067 446

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
General expenses	7 010	8 780

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

5. Intangible assets

	2017			2016		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	709 571	(588 160)	121 411	677 158	(358 829)	318 329

Reconciliation of intangible assets - March 2017

	Opening balance	Additions	Amortisation	Total
Computer software	318 329	32 413	(229 331)	121 411

Reconciliation of intangible assets - March 2016

	Opening balance	Additions	Amortisation	Total
Computer software	526 815	15 125	(223 611)	318 329

Pledged as security

No intangible assets were pledged as security.

6. Receivables from non-exchange transaction

Other receivables from non-exchange revenue	3 578 466	843 175
Non-current assets	205 171	193 168
Current assets	3 373 295	650 007
	3 578 466	**843 175**

Other receivables consist mostly of interest receivable on bank balance as the maturity date of the funds invested were after yearend.

7. VAT receivable

VAT	1 802 846	-

8. Prepayments

	1 352 811	1 691 654

Prepayments mainly consist of cost relating to exhibition space for the annual offshore Technology Conference in Houston Texas, software assurance, office rental and travel cost.

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	23 876	12 100
Bank balances	148 278 804	83 750 504
Corporation for public deposits and call accounts	532 570 798	230 287 134
	680 873 478	314 049 738

Included in the R680,873,478 are amounts as disclosed in note 13, which are conditional grants.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating		
C-	148 278 804	83 750 504

10. Operating lease liability

Non-current liabilities	508 632	439 295
Current liabilities	51 580	51 580
	560 212	490 875

Operating lease liability consist of an operating lease liability of R444,157 (March 2016: R323,240) for the Cape Town and Saldanha Bay office and operating lease incentive of R116,055 (March 2016: R167,635).

11. Payables from exchange transactions

Trade payables	16 982 300	28 210 504

Saldanha Bay IDZ has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Current	16 982 301	28 210 504
Non-current	1 676 574	-
	18 658 875	28 210 504

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

12. Employee benefits

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Performance incentive	4 097 676	3 518 978
Leave pay	1 094 288	821 853
Workmen's compensation	53 881	67 757
Other	23 557	-
	5 269 402	4 408 588

All employees that have been employed by the entity for more than six months are eligible for a performance incentive.

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Economic Development and Tourism - Armscor special project	-	15 085
Department of Trade and Industry - SEZ fund	528 716 997	244 409 784
Department of Trade and Industry - SEZ fund skills development	1 512 730	2 609 761
Department of Economic Development and Tourism	7 275 704	13 427 989
Department of Trade and Industry - Enterprise and skills development	22 754 014	21 276 424
Merseta - Skills development	(6 029)	499 468
CHIETA - Skills development	948 894	756 525
Department of Economic Development and Tourism - Procurement portal	352 579	-
Department of Economic Development and Tourism - Land	100 825 667	-
	662 380 556	282 995 036

Movement during the year

Balance at the beginning of the year	282 995 036	317 774 463
Receipts	521 387 670	100 213 993
Interest received	30 963 293	20 729 678
Income recognition during the year	(172 965 443)	(155 723 098)
	662 380 556	282 995 036

The unspent conditional grants and receipts represents amounts previously received from government grants that will be utilised in the future against the respective projects. Refer note 16 for details of each grant.

14. Share capital

Authorised		
4000 No par value shares	4 000	4 000
Reconciliation of number of shares issued:		
Issue of shares at incorporation - no par value shares	120	120
Issued		
120 No par value fully paid shares	120	120

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016
15. Revenue		
Coordination fee on special projects	9 488	22 222
Interest accrued on financial asset at amortised cost	105 038	36 932
Government grants & subsidies	172 965 443	155 723 098
	173 079 969	155 782 252
The amount included in revenue arising from exchanges of goods or services are as follows:		
Coordination fee on special projects	9 488	22 222
Interest accrued on financial asset at amortised cost	105 038	36 932
	114 526	59 154
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	172 965 443	155 723 098

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

16. Government grants and subsidies

Operating grants		
Department of Economic Development and Tourism	37 218 140	29 119 265
Department of Economic Development and Tourism - Armscor special project	15 085	659 584
Merseta - Skills Development	2 780 422	-
Department of Trade and Industry - SEZ skills development	1 244 863	2 135 644
CHIETA - Skills development	3 794 426	-
	45 052 936	31 914 493
Capital grants		
Department of Trade and Industry - SEZ fund	127 905 982	123 808 605
Department of economic Development and Tourism - Land	6 525	-
	127 912 507	123 808 605
	172 965 443	155 723 098

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Government grants and subsidies	172 969 443	155 723 098

Department of Economic Development and Tourism - Armscor special projects

Balance unspent at beginning of year	15 085	674 669
Conditions met - transferred to revenue	(15 085)	(659 584)
	-	15 085

The project relates to skills upliftment and was completed in the financial year.

Department of Trade and Industry - SEZ fund

Balance unspent at beginning of year	244 409 784	300 084 838
Current-year receipts	384 951 074	50 000 000
Interest received	27 343 972	18 133 551
Conditions met - transferred to revenue	(127 905 981)	(123 808 605)
	528 798 849	244 409 784

Funds are available for infrastructure implementation over a period of 3 years. Interest earned on investment of grant is treated in accordance with the stipulations and conditions set out in the agreement. Refer note 13.

Department of Trade and Industry - SEZ fund skills development

Balance unspent at beginning of year	2 609 761	4 494 881
Interest received	147 832	250 524
Conditions met - transferred to revenue	(1 244 863)	(2 135 644)
	1 512 730	2 609 761

Objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in opportunities related to IDZ development. Interest earned on investment of grant is treated in accordance with the stipulations and conditions set out in the agreement. Refer note 13.

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

16. Government grants and subsidies (continued)

Department of Economic Development and Tourism

Balance unspent at beginning of year	13 427 989	12 520 076
Current-year receipts	29 824 000	28 958 000
Interest received	1 241 856	1 069 178
Conditions met - transferred to revenue	(37 218 141)	(29 119 265)
	7 275 704	13 427 989

Department of economic development and tourism grant is funding for operational expenditure. Interest earned on investment of grant funding is treated in accordance with the stipulations and conditions set out in the funding agreement. Refer note 13.

Department of Trade and Industry - Enterprise and skills development

Balance unspent at beginning of year	21 276 424	20 000 000
Interest received	1 477 590	1 276 424
	22 754 014	21 276 424

The project relates to enterprise development and the upskilling of local community in order to equip them with the necessary skills to participate in opportunities related to the industry the IDZ development creates. Interest earned on investment of grant is treated in accordance with the stipulations and conditions set out in the agreement. Refer note 13.

The Manufacturing, Engineering and Related Services Education and Training Authority (MERSETA)

Balance unspent at beginning of year	499 468	-
Current-year receipts	2 274 924	499 468
Conditions met - transferred to revenue	(2 780 421)	-
	(6 029)	499 468

Objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in opportunities related to the industry the IDZ development creates. Refer note 13.

The Chemical Industries Education and Training Authority (CHIETA)

Balance unspent at beginning of year	756 525	-
Current-year receipts	3 986 795	756 525
Conditions met - transferred to revenue	(3 794 426)	-
	948 894	756 525

Objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in opportunities related to IDZ development. Refer note 13.

Department of Economic Development and Tourism - Procurement portal

Current-year receipts	350 877	-
Interest received	1 702	-
	352 579	-

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

16. Government grants and subsidies (continued)

The project relates to the development and procurement of a procurement portal. Interest earned on investment of grant funding is treated in accordance with the stipulations and conditions set out in the funding agreement. Refer note 13.

Department of Economic Development and Tourism - Land

Current-year receipts	100 000 000	-
Interest received	832 192	-
Conditions met - transferred to revenue	(6 525)	-
	100 825 667	-

The funds must be utilised for the purchase of land owned by Saldok (Proprietary) Limited, a 100% subsidiary of the Industrial Development Corporation (IDC). Interest earned on investment of grant is treated in accordance with the stipulations and conditions set out in the agreement. Refer note 13.

17. Employee related costs

Basic	16 027 706	13 951 512
Performance incentive	3 533 886	2 879 902
UIF	47 338	40 933
WCA	30 737	35 304
Leave pay provision charge	182 048	248 344
Other allowances	177 000	169 161
	19 998 715	17 325 156

Remuneration of Chief Executive Officer

Annual Remuneration	1 851 456	1 729 575
Performance Bonuses	418 909	373 725
Contributions to UIF, Medical and Pension Funds	39 507	37 710
Other	12 000	12 000
	2 321 872	2 153 010

Remuneration of Chief Finance Officer

Annual Remuneration	1 167 943	1 042 425
Performance Bonuses	252 700	201 875
Contributions to UIF, Medical and Pension Funds	25 580	23 360
Other	12 000	12 000
	1 458 223	1 279 660

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

18. General expenses

Auditors remuneration	1 176 747	885 162
Consulting and professional fees	4 270 972	2 518 187
Exhibitions	2 551 104	205 200
IT expenses	1 360 645	1 225 150
Internal Audit fee	294 608	439 756
Sundry expenses	2 330 707	2 101 694
Training	338 004	389 410
Training - Short skills project	6 040 600	1 049 737
Transport - Short skills project	567 157	95 520
Travel - Armscor project	730	605 519
Travel - local	1 270 420	1 024 691
Travel - overseas	1 161 923	873 070
	21 363 617	11 413 096

19. Auditors' remuneration

Fees	1 176 747	885 162

20. Operating lease

Photocopy machine leases are negotiated for an average term of five years and the rentals are fixed for the duration of the lease term.

The entity have an operating lease with Eris Property, Eigelaar en Seun and Jabel Trust for letting office space in the South African Reserve Bank building and Saldanha Bay. All agreements are for a period between 3-5 years and has a fixed annual escalation. Eris Property reimbursed the entity for improvements made to the Cape Town office as per the agreement. Refer to note 10 for operating lease liability.

21. Cash generated from activities

Surplus	125 862 674	124 115 935
Adjustments for:		
Depreciation and amortisation	3 425 469	897 990
Gain on sale of assets and liabilities	(72 504)	(32 984)
Loss on foreign exchange	1 123	175
Movements in operating lease assets and accruals	69 337	106 795
Movements in employee benefits	860 814	1 189 460
Movement in tax receivable and payable	1 468	-
Movement in employee benefits included in infrastructure assets	(236 781)	(95 668)
Changes in working capital:		
Other receivables from non-exchange transactions	(2 735 291)	(66 141)
Prepayments	338 843	(1 225 910)
Payables from exchange transactions	(9 551 630)	26 665 860
VAT	(1 802 846)	-
Unspent conditional grants and receipts	379 385 520	(34 779 427)
Property, plant and equipment payables	11 523 171	(26 210 493)
Property, plant and equipment receivables	-	164 094
	507 069 367	90 729 686

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

22. Financial instruments disclosure

Categories of financial instruments

March 2017

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	3 578 466	3 578 466
Cash and cash equivalents	680 873 478	680 873 478
	684 451 944	684 451 944

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	18 658 875	18 658 875
Unspent conditional grants	662 437 121	662 437 121
	681 095 996	681 095 996

March 2016

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	843 175	843 175
Cash and cash equivalents	314 049 738	314 049 738
	314 892 913	314 892 913

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	28 210 501	28 210 501
Unspent conditional grant	282 995 036	282 995 036
	311 205 537	311 205 537

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016
23. Commitments		
Authorised capital expenditture		
Already contracted for but not provided for		
• Property, plant and equipment	47 201 338	177 012 939
• Investment property	99 180 000	-
	146 381 338	177 012 939
Not yet contracted for and authorised		
• Property, plant and equipment	2 583 660	22 793
Total capital commitments		
Already contracted for but not provided for	146 381 338	182 350 300
Not yet contracted for and authorised	2 583 660	22 793
	148 964 998	182 373 093
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational	16 768 519	10 952 519
Not yet contracted for and authorised		
• Operational	-	2 056 966
Total operational commitments		
Already contracted for but not provided for	16 768 519	10 952 519
Not yet contracted for and authorised	-	2 056 966
	16 768 519	13 009 485
Total commitments		
Total commitments		
Authorised capital expenditure	148 964 998	182 373 093
Authorised operational expenditure	16 768 519	13 009 485
	165 733 517	195 382 578

This committed expenditure will be financed by unspent conditional grants. Refer note 13.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 483 080	1 948 128
- in second to fifth year inclusive	4 568 714	6 059 946
	7 051 794	8 008 074

Operating lease payments represent rentals payable by the entity for certain of its office properties and office equipment. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years. No contingent rent is payable.

24. Contingencies

No contingencies identified.

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

25. Related parties

Relationships	
Board of directors	Refer to accounting authority's report note
Provincial Government	Department of Economic Development and Tourism
National Government	Department of Trade and Industry
Members of key management	Refer note 17

Related party balances

Unspent conditional grants and receipts - Owing to related parties		
Department of Trade and Industry - SEZ fund	528 798 849	244 409 784
Department of Trade and Industry - SEZ fund skills development	1 512 730	2 609 761
Department of Economic Development and Tourism	7 193 852	13 427 989
Department of Economic Development and Tourism - Armscor special project	-	15 085
Department of Economic Development and Tourism - Land	100 825 667	-
Department of Economic Development and Tourism - Procurement portal	352 579	-
Department of Trade and Industry - enterprise and skills development	22 754 014	21 276 424

Related party transactions

Income recognised		
Department of Trade and Industry - SEZ fund	127 905 982	123 808 605
Department of Economic Development and Tourism	37 218 140	29 119 265
Department of Economic Development and Tourism - Armscor special project	15 085	659 584
Department of Trade and Industry - SEZ fund skills development	1 244 863	2 135 644

Key management information

26. Directors' emoluments

Non-executive/Co-opted independent members

March 2017

	Directors' fees	Travel expenses	Total
Gerrit De Bruyn	-	1 002	1 002
Lizo Ntloko	-	2 929	2 929
Miyelani Mushwana	-	10 494	10 494
Basetsana Mathibe	6 989	-	6 989
Co-opted independent members			
Paul Slack (Audit, IT and Risk Committee	81 680	-	81 680
Danny Naidoo (Audit, IT and Risk Committee - paid to employer)	38 779	-	38 779
	127 448	14 425	141 873

March 2016

	Directors' fees	Travel expenses	Total
Gerrit De Bruyn	-	3 711	3 711
Frank Pronk	-	7 223	7 223
Lizo Ntloko	-	1 959	1 959
Co-opted independent members			
Paul Slack (Audit, IT and Risk Committee	72 205	1 011	73 216
Danny Naidoo (Audit, IT and Risk Committee - paid to employer)	19 426	-	19 426
	91 631	13 904	105 535

Notes to the Annual Financial Statements

27. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the entity maintains flexibility in funding by maintaining availability under committed credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	16 982 301	1 676 574	-	-
Unspent government grants	662 380 556	-	-	-

At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	28 210 501	-	-	-
Unspent government grants	282 995 036	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	March 2017	March 2016
Receivables from non-exchange transactions	3 578 466	843 175
Cash and cash equivalents	680 873 478	314 049 738

Market risk

Notes to the Annual Financial Statements

27. Risk management (continued)

Interest rate risk

The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

The entity did not hedge against any interest rate risks during the current year.

At 31 March 2017, if interest rates on Rand-denominated borrowings had been 0.5% higher/lower with all other variables held constant, surplus for the year would have been R3 404 367 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	7.07 %	680 873 478	-	-	-	-

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

The entity does not engage in material foreign currency transactions.

Price risk

The entity is not exposed to price risk.

28. Irregular expenditure

No irregular expenditure identified during the financial year.

29. Events after the reporting date

The shares of Saldanha Bay IDZ Licencing Company (SOC) Limited were transferred from Wesgro, Cape Town & Western Cape tourism, trade & investment agency, to the Provincial Government on 1 April 2017.

30. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure, other than disclosed above, identified during the financial year.

31. Unauthorised expenditure

No unauthorised expenditure identified during the year.

32. Actual operating expenditure versus budgeted operating expenditure

The budget and the accounting bases are different. The annual financial statements are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance and the budget is approved on the cash basis.

The amounts in the annual financial statements were recast from the accrual basis to the cash basis and reclassified by functional classification to be on the same basis as the final approved budget. In addition, adjustments to amounts in the annual financial statements for timing differences associated were made to express the actual amounts on a comparable basis to the final approved budget.

Differences between the annual budget and actual amounts on comparable basis consisted of the following:

Interest received was less than budgeted for due to interest receivable at yearend.

Government grants and subsidies - The budget includes opening balances of project funding available.

General expenses - Difference due to increase in operational creditors on yearend.

Notes to the Annual Financial Statements

33. Actual capital expenditure versus budgeted capital expenditure

The nature of infrastructure implementation leads to the commitment of funds over the duration of the implementation period, and funds will be spent as the contractual deliverables are met.

Cash and cash equivalents - The budget includes opening balances of project funding available. Refer government grants and subsidies in note 32

Property, plant and equipment and Investment property - Actual amount more than budget due to large accounts payable in prior year.

34. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of four major functional segments: Corporate service, Operations, Infrastructure and Special projects. The segments were organised around the type of service delivered and function. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

Segments were aggregated on the basis of services delivered and function as management considered the economic characteristics of the segments.

Corporate Services: Board and Governance, Finance, Human Resources, IT Management, Saldanha Bay Office and Cape Town Office

Operational Services: Operations Management, Business Development, Stakeholders Management, Commercial Management, Ease of doing business, Enterprise Development, Skills Development, Marketing Department and CEO office

Infrastructure Implementation

Special projects: Armscor, SEZ short skills, MERSETA and CHIETA

Types of goods and/or services by segment

Corporate services has the overarching objective of implementing best practice governance and administration practices, in support of the entity's operations. The function has a complex role due to its need to balance the business needs and requirements of the entity, whilst at the same time undertaking a crucial governance within the entity, providing a treasury function to ensure optimum spending and utilisation of financial resources within the entity.

The purpose of the Operations function are to implement an enabling environment within the Zone, to house and support investors in the Oil and Gas and Marine repair & Fabrication Industries.

Infrastructure development focuses on developing the initial macro-infrastructure required to support potential investors into the Saldanha Bay Industrial Development Zone.

Special projects currently focuses on local skills development and is crucial in the West Coast region for the successful implementation of the Saldanha Bay Industrial Development Zone.

Notes to the Annual Financial Statements

Figures in Rand

34. Segment information (continued)

Segment surplus or deficit, assets and liabilities

March 2017

	Corporate Services	Operational Services	Infrastructure Implementati on	Special projects	Total
Revenue					
Revenue from non-exchange transactions	16 643 025	20 581 640	127 905 982	7 834 796	172 965 443
Gain on sale of property, plant and equipment	72 503	-	-	-	72 503
Interest revenue	105 038	-	-	-	105 038
Other income	9 488	-	-	-	9 488
Total segment revenue	16 830 054	20 581 640	127 905 982	7 834 796	173 152 472
Expenditure					
Salaries and wages	7 491 394	12 104 809	-	402 512	19 998 715
Other expenses	9 028 456	8 476 831	2 350 922	7 432 284	27 288 492
Loss on exchange difference	1 123	-	-	-	1 123
Taxation	1 468	-	-	-	1 468
Total segment expenditure	16 522 441	20 581 640	2 350 922	7 834 796	47 289 798
Total segmental surplus/(deficit)	307 613		125 555 060	-	125 862 674

Notes to the Annual Financial Statements

Figures in Rand

34. Segment information (continued)

March 2016

	Corporate Services	Operational Services	Infrastructure implementation	Special Projects	Total
Revenue					
Revenue from non-exchange transactions	14 620 743	14 498 522	123 808 605	2 795 228	155 723 098
Revenue from exchange transactions	22 222	-	-	-	22 222
Gain on sale of property, plant and equipment	32 984	-	-	-	32 984
Interest revenue	36 932	-	-	-	36 932
Total segment revenue	14 712 881	14 498 522	123 808 605	2 795 228	155 815 236
Entity's revenue					155 815 236
Expenditure					
Salaries and wages	6 377 413	10 866 333	-	81 411	17 325 157
Other expenses	8 021 017	3 632 189	20 186	2 700 577	14 373 969
Loss on exchange differences	175	-	-	-	175
Total segment expenditure	14 398 605	14 498 522	20 186	2 781 988	31 699 301
Total segmental surplus/(deficit)					124 115 935
Assets					
Segment assets	16 529 340	1 179 544	419 052 096	25 225 303	461 986 283
Total assets as per Statement of financial Position					461 986 283
Liabilities					
Segment liabilities	15 679 389	2 804 406	272 374 677	25 246 530	316 105 002
Total liabilities as per Statement of financial Position					316 105 002

Notes to the Annual Financial Statements

Figures in Rand	March 2017	March 2016

34. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

35. Taxation

Major components of the tax expense

Current		
Local income tax - current period	1 468	-

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus	125 864 142	124 115 935
Tax at the applicable tax rate of 28% (2016: 0%)	35 241 960	-
Tax effect of adjustments on taxable income		
Expenses attributable to exempt income - Local	13 240 733	-
Exempt income received or accrued	(48 481 225)	-
	1 468	-

The entity was exempt from income taxation in terms of S 10 (1) (cA) (ii) of the Income Tax Act (Act No. 58 of 1962) up to 24 February 2017 when the entity was gazetted as a provincial government business enterprise.

36. Prior period error

Non-current assets in relation to Property, Plant and Equipment were understated by R5,337,361 in the 2015/16 financial year. As a result, the 2015/16 Net Surplus was understated by the same amount. The restatement relates to retention amounts due to contractors working on the waste water treatment works and the internal engineering service projects. In the current year the retention amounts due have been correctly accounted for.

The restatement of comparative figures resulted in adjustments as follows:

Property, plant and equipment (Statement of financial position)	-	5 337 361
Accounts payable from exchange transactions (Statement of financial position)	-	(5 337 361)
Unspent conditional grants and receipts (Statement of financial position)	-	5 337 361
Revenue - Government grants and subsidies (Statement of Financial Performance)	-	(5 337 361)

SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

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