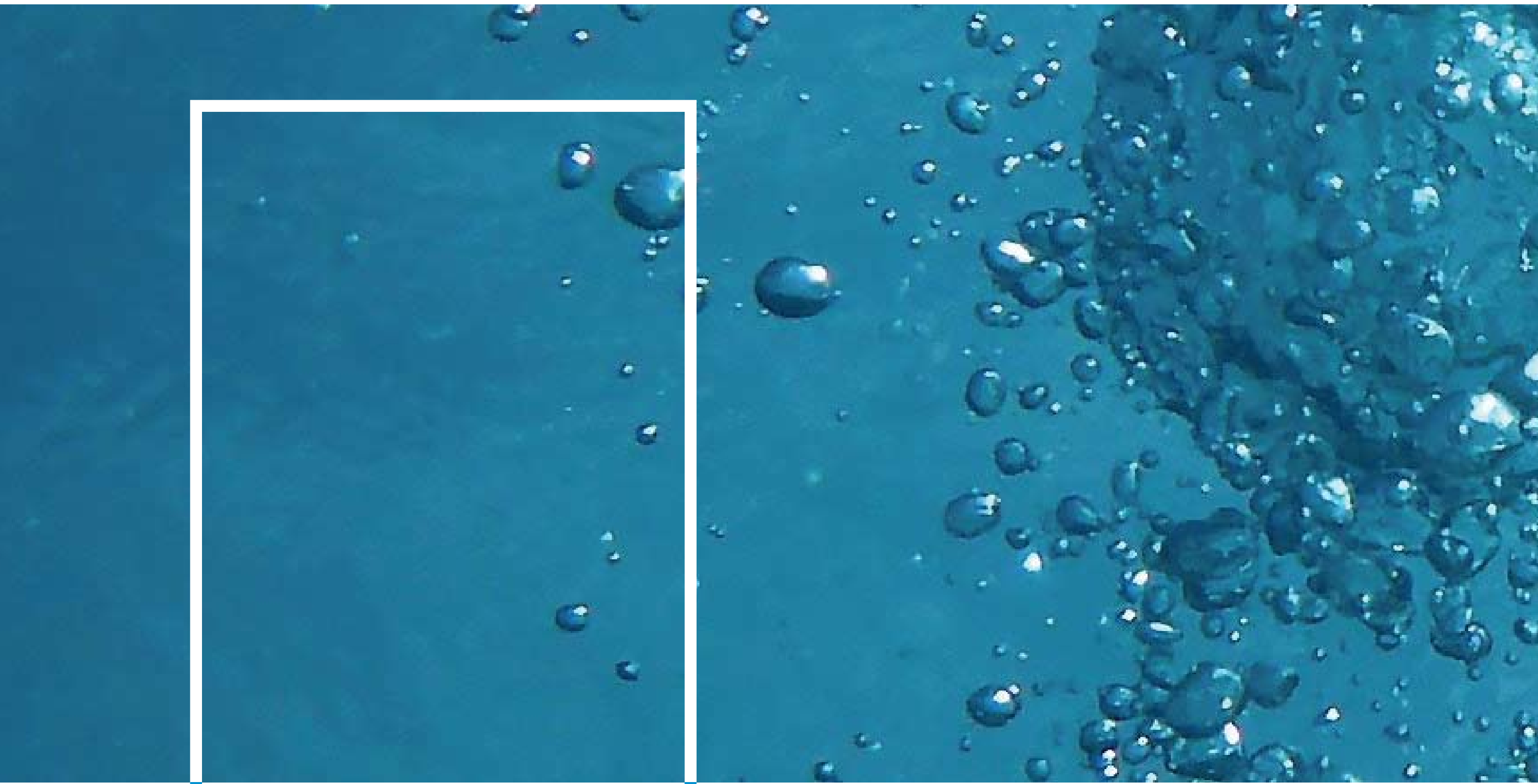
SALDANHABAY
INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT 2017 / 18

Saldanha Bay IDZ Licencing Company (SOC) Ltd

www.sbidz.co.za
+27 (0) 87 095 0261

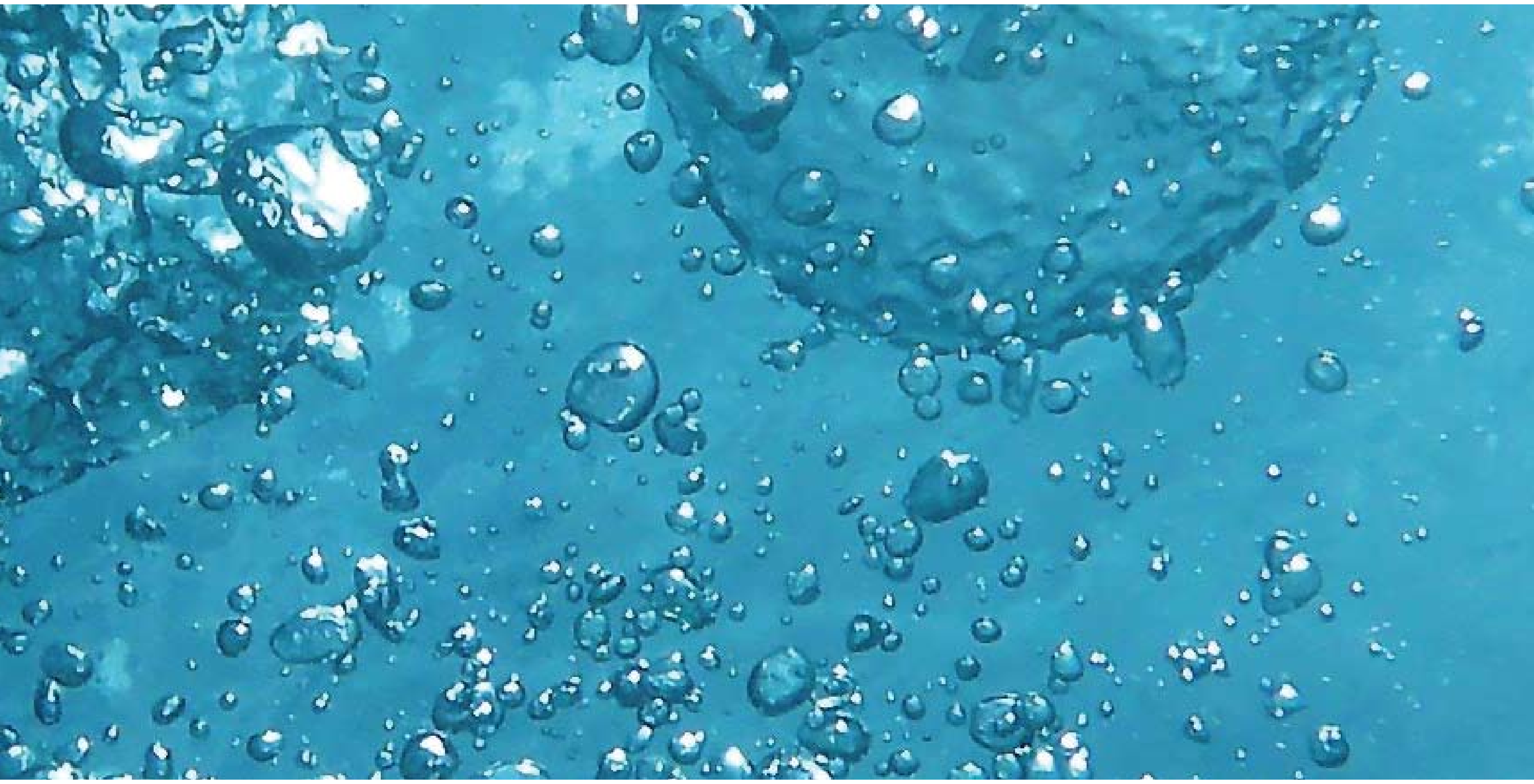

the dti
Western Cape Government
Economic Development and Tourism
SALDANHABAY
INDUSTRIAL DEVELOPMENT ZONE
DARE TO REACH NEW DEPTHS
If only we dare to look further, reach deeper and go beyond shallow waters. Where others simply see jobs, we see careers, we see a long term future, rather than short term gain. Where together we have the ability to turn the SBIDZ, the Southern Hemisphere's deepest port, into a new vibrant hub of opportunity worth the investment. A hub that will start to open up new careers, new business opportunities and ultimately new economies.
www.sbidz.co.za
+27 (0) 87 095 0261



CONTENTS

PART A: GENERAL INFORMATION 4

PART B: PERFORMANCE INFORMATION 22



A

GENERAL INFORMATION

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:	+27 22 714 0206 +27 87 095 0261
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
COMPANY SECRETARY:	Sollie Marthinus

2. LIST OF ABBREVIATIONS/ ACRONYMS

AGSA	Auditor-General of South Africa
CCA	Customs Control Area
CHIETA	Chemical Industries Education and Training Authority
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
EIR	Environmental Impact Report
GTAC	Government Technical Advisory Centre
IDC	Industrial Development Corporation
IDZ	Industrial Development Zone
KPI	Key Performance Indicator
MEC	Member of the Executive Council
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NDA	Non-Disclosure Agreement
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PT	Provincial Treasury
RoFR	Right of First Refusal
RPL	Recognition of Prior Learning
SAOGA	South African Oil and Gas Alliance
SAPS	South African Police Service
SARS	South African Revenue Service
SBIDZ	Saldanha Bay Industrial Development Zone
SBM	Saldanha Bay Municipality
SCM	Supply Chain Management
SIP5	Strategic Infrastructure Project 5
SEZ	Special Economic Zone
SOC	State-Owned Company
TCP	Transnet Capital Projects
TNPA	Transnet National Ports Authority
TPT	Transnet Ports Terminal
WCDM	West Coast District Municipality
WCG	Western Cape Government
WWTW	Waste Water Treatment Works

3.

FOREWORD BY THE CHAIRPERSON

This foreword reflects on the fourth year of the operational setting up of the Saldanha Bay Industrial Development Zone (SBIDZ). Over the four years, we've seen fairly wide-ranging political-economic changes within South Africa, on the continent and in the wider international environment, all factors to be borne in mind.

What has nonetheless remained constant was the ever increasing demand for energy on the one hand and on the other, internationally as well as domestically, a push for a more inclusive political-economic dispensation and fair governance.

In this context, the value proposition of the SBIDZ has also remained constant, i.e. an adaptable business model specifically within the oil, gas and marine sectors, inclusive of vessel repair and fabrication, exploration and production support, specialised logistics, manufacturing and fabrication and associated ancillary services. Over time, some accentuation has taken place in the target market towards manufacturing and fabrication and away from rig repair and the like. However, going forward, this could shift again and the SBIDZ business model should be able to accommodate such trend changes in response to global markets.

Over the last year, strategic and operational partnerships have been strengthened with the Saldanha Bay Municipality, the Transnet National Ports Authority (TNPA) and the Provincial Government, with the latter introducing the Whole of Society Initiative in four municipalities, led by the respective municipality – in our case, the Saldanha Bay Municipality. This has brought into play very necessary additional resources to specifically assist in tackling the persistent and longstanding socio-economic challenges in the Saldanha Bay municipal area.

This initiative should also provide additional impetus to the SBIDZ's skills-building endeavours and a key supplier and procurement development programme, Grow-Net, in association with the national Department of Trade and Industry, the provincial Department of Economic Development and Tourism and businesses in the Saldanha Bay environment.

On the TNPA side, not only have they appointed the Off-Shore Supplier Base (OSSB) Operator, but we've also concluded a 15-year operational lease for the first site (35 hectares) on TNPA port land, with the 20-hectare OSSB site due to follow in the 2018/19 financial year, leaving a remainder of another 20 hectares to be taken up in due course as the SBIDZ and port are further developed as planned.

Services and engineering installation and other construction elements on the Saldok land (SBIDZ North) and municipal sites are all but complete, except for the Access Complex. Construction of the latter is due to commence early in the 2018/19 financial year. With the 35-hectare TNPA lease now under the belt, construction is also set to start early in the 2018/19 financial year. It should be mentioned with due appreciation to the Department of Trade and Industry (DTI) that all required public infrastructure has already been fully funded by the DTI.

Unfortunately, due to a range of technical hitches the Saldok land purchase from the Industrial Development Corporation (IDC), fully financed by the Provincial Government, has not gone through as yet but should be finalised in the new financial year.

The new Special Economic Zones (SEZ) Act, 2014 and its accompanying regulations, remain a challenge, but possible solutions are emerging out of engagements with the Departments of Economic Development and Trade and Industry.

The remainder of the Saldanha Bay port upgrade, notably the Mossgas jetty and Berth 205, is dependant on the TNPA.

With solid progress to date, the latest political-economic developments within the South African space and, thanks to herculean efforts by the Saldanha Bay Municipality and others, the promise of securing a long-term adequate water supply, can now lead to putting steps in place towards operationalising the SBIDZ over the next three to four years.

As regards governance, the year was again concluded with a clean audit thanks to the hard work and due diligence of the staff of the SBIDZ.

We extend our heartfelt thanks to 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 for their unstinting support.

In conclusion, I extend my sincere appreciation to my fellow Board members for their guidance and contributions, and to the then acting CEO, Mr Doug Southgate, the energetic and committed SBIDZ staff, Minister of Economic Opportunities Mr Alan Winde, and the Head of the Department of Economic Development and Tourism Mr Solly Fourie and his staff, for their ongoing support and assistance.

Dr Johann Stegmann
Chairperson of the Board
31 July 2018

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 (DEDAT).

The SBIDZ LiCo was formally awarded the Operator's Licence on 31 October 2013 for the establishment of an Industrial Development Zone (IDZ) in Saldanha Bay, specifically focused on the upstream oil, gas and marine repair, fabrication, logistics and related services industries. This marked the formal beginning of implementing a 30-year strategic initiative to utilise the Special Economic Zone (SEZ) policy framework, with enabling legislation, to create an environment to promote sustainable economic growth and job creation.

It is anticipated that the SBIDZ LiCo will continue to be funded in the medium term 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 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 management; and
- ease of doing business.

In respect of the first of the Saldanha oil and gas-related Operation Phakisa projects, Transnet has announced the preferred operator for the Off-Shore Supply Base (OSSB) which will add to the industry's purpose-built infrastructure offerings.

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, gas and maritime industries, continues efforts to educate 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.
- A lease agreement signed in respect of the rental of the first phase (35 hectares) of the TNPA-owned land in the port of Saldanha.
- The start of the installation of infrastructure on the port land;
- Commencement of the building and tenanting of the Access complex;
- Negotiation and setting up of the Free Port operations regime, with the assistance of the Government Technical Advisory Centre (GTAC), which is an arm of National Treasury;
- 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.

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 activities included multiple local and international market engagements.

Sincere gratitude and appreciation are extended to all partners with specific acknowledgement of the support of our local partners – the Port of Saldanha, 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.

Kaashifah Beukes
Chief Executive Officer (Acting)
31 July 2018

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 2018.

Yours faithfully

Chief Executive Officer (Acting)
Kaashifah Beukes
31 July 2018

Chairperson of the Board
Dr Johann Stegmann
31 July 2018

6. STRATEGIC OVERVIEW

6.1. Vision

To create an enabling environment to promote sustainable economic growth and job creation.

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:

- Ease of doing business.
- Develop a competitive environment.
- Infrastructure support.
- A Free Zone, customs efficiency and reduced administrative processes.

6.3. Values

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

- "Pioneering: We have a shared vision where we believe we shape our own opportunities with what we believe is possible and relentlessly overcoming what others see as not.
- Partnership: We work together to grow, showing mutual respect.
- Accountability: We take ownership, keeping ourselves accountable to make the right decision, taking the right action to deliver to our fellow people, communities, organisations and country.
- Sustainability: We want to create an open space for empowerment and self-development that transforms lives, businesses and economies for the long run."

7.

LEGISLATIVE AND OTHER MANDATES

Legal Framework

Industrial development zones (IDZs) are 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. IDZs are 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 as Government Notice No. R1224, published in Government Gazette No. 21803 of 1 December 2000, as amended by Government Notice No. 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 (MDA), 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);
- Project Khulisa.

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 the Western Cape Department of Environmental Affairs and Development Planning (DEADP) 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

The Constitution of South Africa, 1996

Occupational Health and Safety Act, 1993 (Act 85 of 1993)

Labour Relations Act, 1995 (Act 66 of 1995)

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

Employment Equity Act, 1998 (Act 55 of 1998)

Skills Development Act, 1998 (Act 97 of 1998)

Skills Development Levy Act, 1999 (Act 9 of 1999)

Promotion of Access to Information Act, 2000 (Act 2 of 2000)

Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)

National Environmental Management Act, 1998 (Act 107 of 1998)

National Ports Act, 2005 (Act 12 of 2005)

National Treasury Regulation, 2005

Provincial Treasury Instruction, 2012.

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


Kaashifah Beukes
Chief Executive Officer (Acting)


Douglas Southgate
Chief Operating Officer


Herman Boneschans
Chief Financial Officer

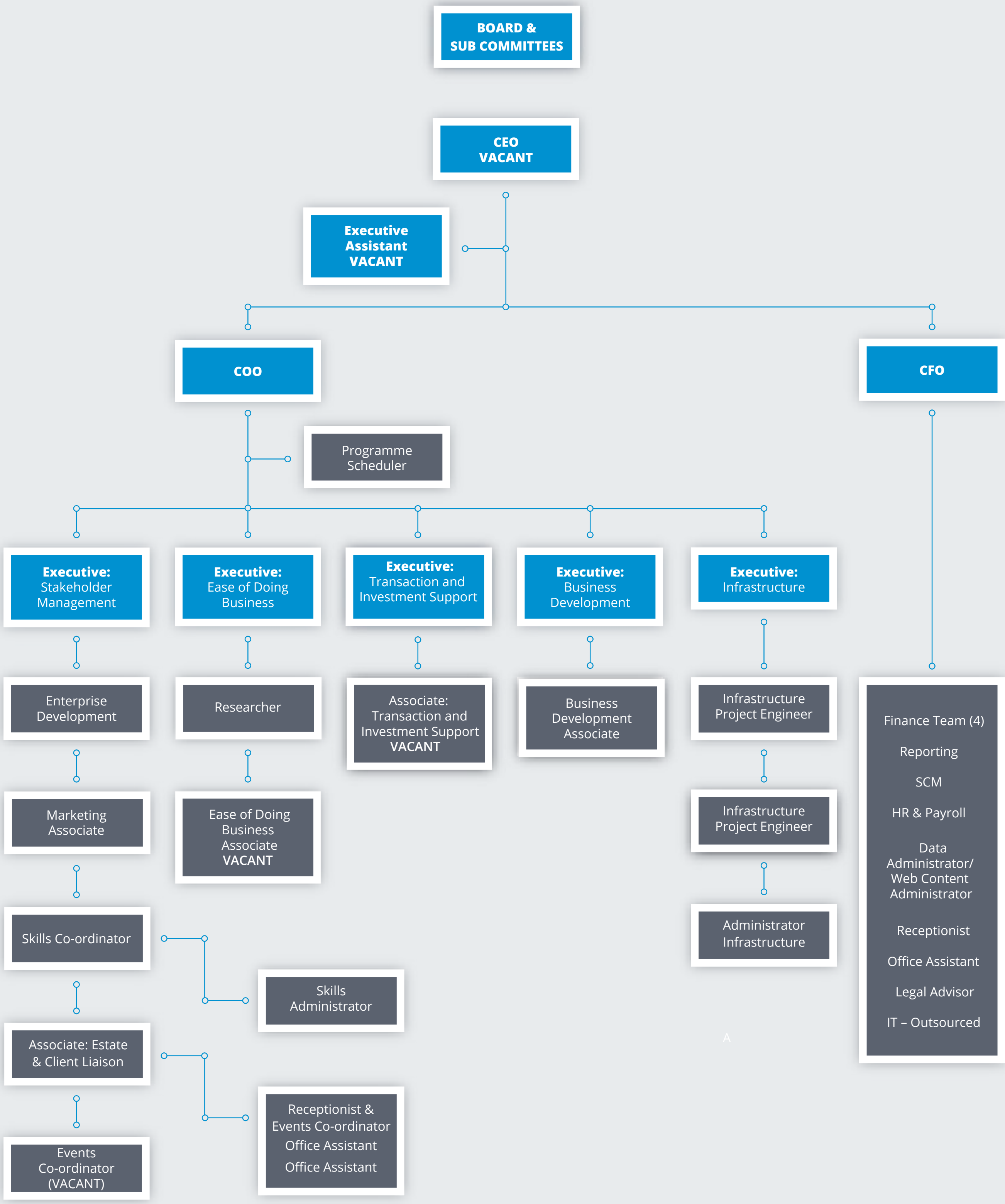

Benedicta Mahlangu-Durcan
Ease of Doing Business


Johannes Marais
Infrastructure


Laura Peinke
Business Development


Jawahir Nandha
Commercial

ORGANISATIONAL STRUCTURE: 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 representative of the broader Saldanha Bay business community.

Dr Johann Stegmann
Board Chairperson

Dr Stegmann acquired a degree in Medicine and Surgery (MBChB) from 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.

Dr Stegmann practised as a medical practitioner in Gauteng and Namibia after 1969 for a number of years. In the late seventies, he shifted into full-time health administration and management, initially in Namibia and then in the old Cape Province. This led to his appointment as the Deputy to the then Provincial Secretary and in 1994 as the Provincial driver for the phasing-in of the first-ever democratic Constitution.

He led the Western Cape Provincial Treasury up to the end of December 2014 after which he became responsible for strategic coordination in the Office of the Director-General of the Western Cape Government, and was appointed as the Chairperson of the Saldanha Bay IDZ entity.

Lizo Ntloko

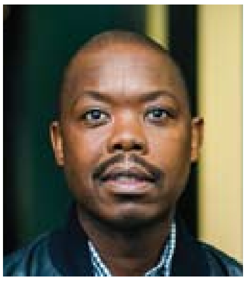
Mr Ntloko is the Regional Manager of the Industrial Development Corporation (IDC) responsible for the Western Cape, including the West Coast and the Southern Cape.

His academic achievements include a BComm degree and a Postgraduate Diploma in Marketing Management from Unisa. He has a strong financial and marketing background. Prior to joining the IDC, he was the Business Development and Operations Manager at Eskom Finance Corporation and also served as the Head of Marketing at Protea Life Assurance and Home Loans Manager at NedPerm Bank.

Mr Ntloko is a member of the Institute of Directors (IoD) and has served on the Boards of WESGRO and MEDIRO Industrial Holdings, an empowerment company. He currently serves on the Boards of Sheraton Textile Holdings, the South African Savings Institute (SASI), Capex Finance, Capital Harvest Emerging Farmers Fund (CHEFF) and is one of the trustees of the Desmond Tutu Peace Trust. Mr Ntloko also serves on the steering committee of the Design Innovation Seed Fund administered by the Cape Craft Design Institute.

Miyelani Mushwana

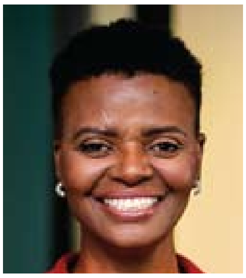
Mr Mushwana acquired his BCompt degree at Unisa. He completed his articles of clerkship with PricewaterhouseCoopers (PwC) in 2000. He worked in a financial position at various companies in the Information Technology, Transport, Mining and Logistics sectors. He is currently employed at the Transport National 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 the University of Wales. His career started in 1994 at Standard Bank as a product analyst followed by a move to investment banking within the Standard Bank group, where he supervised and managed foreign transactions for local and international clients, including banks.

In 1997 he joined Triton South Africa as National Sales Manager. In 1999 he joined KPMG as a senior consultant in the Advisory Unit and was seconded to a World Bank-funded international project driven by the DTI. In 2004, Mr Ngwenya joined the DTI as a director responsible for customer care, giving support to units managing different incentives by the DTI. In 2006 he moved from customer care to manage a key DTI programme supporting investment with critical infrastructure. 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), which entails management of about R1.6 billion per annum. He is a member of several DTI programme adjudication committees.



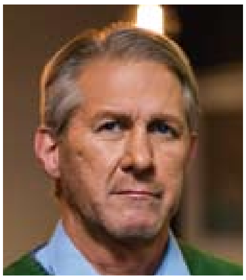
Basetsana Mathibe

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 offering 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 working 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 the Tirisano Training Organisation, a non-profit organisation accredited by the Health and Welfare SETA to provide home-based care programmes. She is also a founding member of the Saldanha Action Care Group and volunteers in the rollout of programmes that provide training 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 the schools in Saldanha Bay.



Pierre Voges

Dr Pierre Voges obtained a master's in economics (MComm) at the University of Stellenbosch and a doctorate in Urban Planning /Economics at the University of Pretoria.

Dr Voges served the South African Foreign Service as a diplomat in The Hague and Berlin. Upon his return to South Africa in 1994 he joined the Office of the President as an advisor in international development funding.

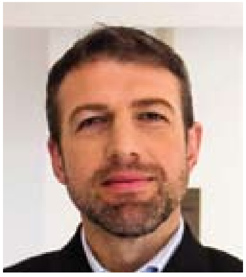
He then joined the Western Cape Government and subsequently the Western Cape Gambling and Racing Board, where he was primarily responsible for the rollout of the five casino developments in the Western Cape. He next joined Grant Thornton International as a director working mostly on infrastructure projects in Oman, United Arab Emirates and Qatar. Initially, his work at Grant Thornton was based in the tourism sector (e.g. hotel developments, tourism strategies for regions), but it later expanded to include public/private partnerships and sustainable urban development projects.

Dr Voges later served the Nelson Mandela Bay Development Agency in Port Elizabeth as the Chief Executive Officer where, over a 13-year period, the company delivered many catalytic infrastructure projects that changed the landscape of Port Elizabeth. He joined the Saldanha Bay Municipality as the Municipal Manager in 2017.

Douglas Southgate

Mr Douglas Southgate is a chartered accountant and a former partner at an international audit firm, where he operated initially in the audit practice and subsequently within the national consultancy practice. He is a past chairman of the Nelson Mandela University Foundation and served on its audit, finance and bursary committees. He also served on the Auditor General's special committee that investigated corruption in government that ultimately led to the Alexander Commission. He is a former chairperson of the Transkei Public Accountants and Auditors Board.

Mr Southgate's areas of expertise span multi-disciplinary programme management, infrastructure feasibility studies, business modelling and benefit analysis, economic impact assessments, financial modelling and feasibility studies, cost-benefit analysis and management (both financial and economic), quality assurance and benefit realisation, project management and project audit, compliance review and governance. He has worked on the Saldanha IDZ project since December 2009, initially as the Project Executive and subsequently as the Chief Operating Officer.



Herman Boneschans

Mr Herman Boneschans qualified as a professional accountant in 2003, after completing his articles at Ernst & Young. Shortly after, he joined the Department of Economic Development and Tourism, where he gained extensive public sector finance experience.

In 2007, he was appointed as the Chief Financial Officer for the Western Cape Tourism Authority, Cape Town Routes Unlimited (CTRU).

Mr Boneschans has extensive experience in organisational governance, compliance and policy development. Under his leadership, the organisations he has worked for have achieved clean audits over the past 11 years. He was appointed as Chief Financial Officer of the SBIDZ LiCo in 2014.

Sollie Marthinus
Company Secretary

Mr Sollie Marthinus acquired BProc and LLB degrees from the University of the Western Cape in 1999. He was admitted as an Attorney of the High Court of South Africa in 2001. Mr Marthinus has experience in the field of municipal governance, municipal and provincial legislative processes, constitutional law, administrative and corporate law and governance. He has worked in both the local and provincial spheres of government. Mr Marthinus was appointed as the Company Secretary of the SBIDZ in August 2016.

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 heading Report on the audit of the annual performance report section of the auditor's report.

Refer to page 66 of the Report of the Auditor-General, published in Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

The SBIDZ operates within an adaptable business model based around the sector-specific focus on upstream oil, gas and marine repair, fabrication, logistics and related services industries. This focus 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 were 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 have the 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 that 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 oil, gas and maritime markets continue 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 on or slowdown in investors looking to use 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 'glamorous' as the big rig repair projects, but they are more consistent and can include the repair of 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 a 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 policies 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. 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 on 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 contracts. 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.

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 a competitive advantage such as a Free Port which meets the needs of the sector. In providing this need, 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) 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 with a distinctive focus, which together creates 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 and maritime cluster to support the African continent, not only ensuring sustainable economic development for the area, but a sizeable contribution to the national GDP.

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.

2.3. Key Policy Developments and Legislative Changes

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

2.4. Strategic Outcome-Oriented Goals

To establish an industrial development zone (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 SBIDZ of **R13.7 billion** by the end of the FY 2019/2020.

3. PERFORMANCE INFORMATION

Programme 1: Administration

Purpose

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

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

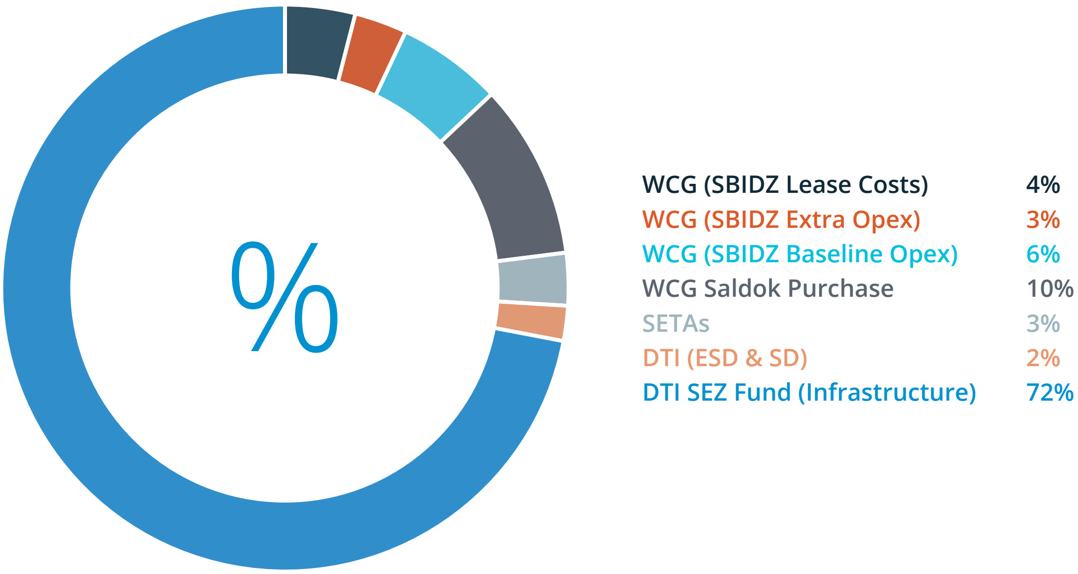
This is difficult as the SBIDZ has a business imperative to create a world-class business function with an 'ease of doing business' for investors. The Administration Programme is required to be agile and to support a world-class approach to doing business, while at the same time balancing the legislated requirements of a public entity within South Africa. It is a skill to achieve this balance while performing optimally in all areas of the 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 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.

The Funding Model



Programme structure

The programme is structured to include the following functions:

- Governance
- Financial Management
- Supply Chain Management
- Human Resource
- Information Technology
- Legal

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 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	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 2015/16**	**Actual Achievement 2016/17**	**Planned Target 2017/18**	**Actual Achievement 2017/18**	**Deviation from planned target to Actual Achievement for 2017/18**	**Comment on deviations**
Unqualified audit report: financial statements	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion	–	–
Number of frameworks developed and implemented to monitor and manage cooperative agreements	-	-	4 frameworks	4 frameworks	-	-
Number of frameworks developed and implemented to monitor and manage tenant lease agreements	-	-	1 framework	1 framework	-	-

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 upstream oil, gas and marine repair, fabrication, logistics and related services industries.

The Operations Programme is currently broken down into functional work streams that address the required deliverables within the programme in order to develop a zone within which industry investors can locate themselves. In time, some of these work streams may develop into sub-programmes, in line with the overarching strategic imperatives within the Strategic Plan.

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
- Enterprise Development
- Innovation.

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

Ease of Doing Business

The SBIDZ LiCo has identified the ease of doing business as a value proposition. The SBIDZ distinguishes itself through two key factors which include the initial sector-specific focus on the upstream oil, gas and marine repair, fabrication, logistics and related services industries, and the demarcation of a Free Port regime which includes the Port of Saldanha Bay. These two key factors ensure the SBIDZ has a unique value proposition, supporting its success and sustainability.

Given the competitive nature of the targeted industries, it is imperative that businesses within these industries be able to undertake their business with speed, accuracy and ease in order to compete in a global market. Part of the SBIDZ's successful implementation and sustainability is therefore to facilitate an ease of doing business approach for investors in the zone to support them in this business imperative.

A successful ease of doing business approach by the SBIDZ will ensure long-term investor attraction and retention.

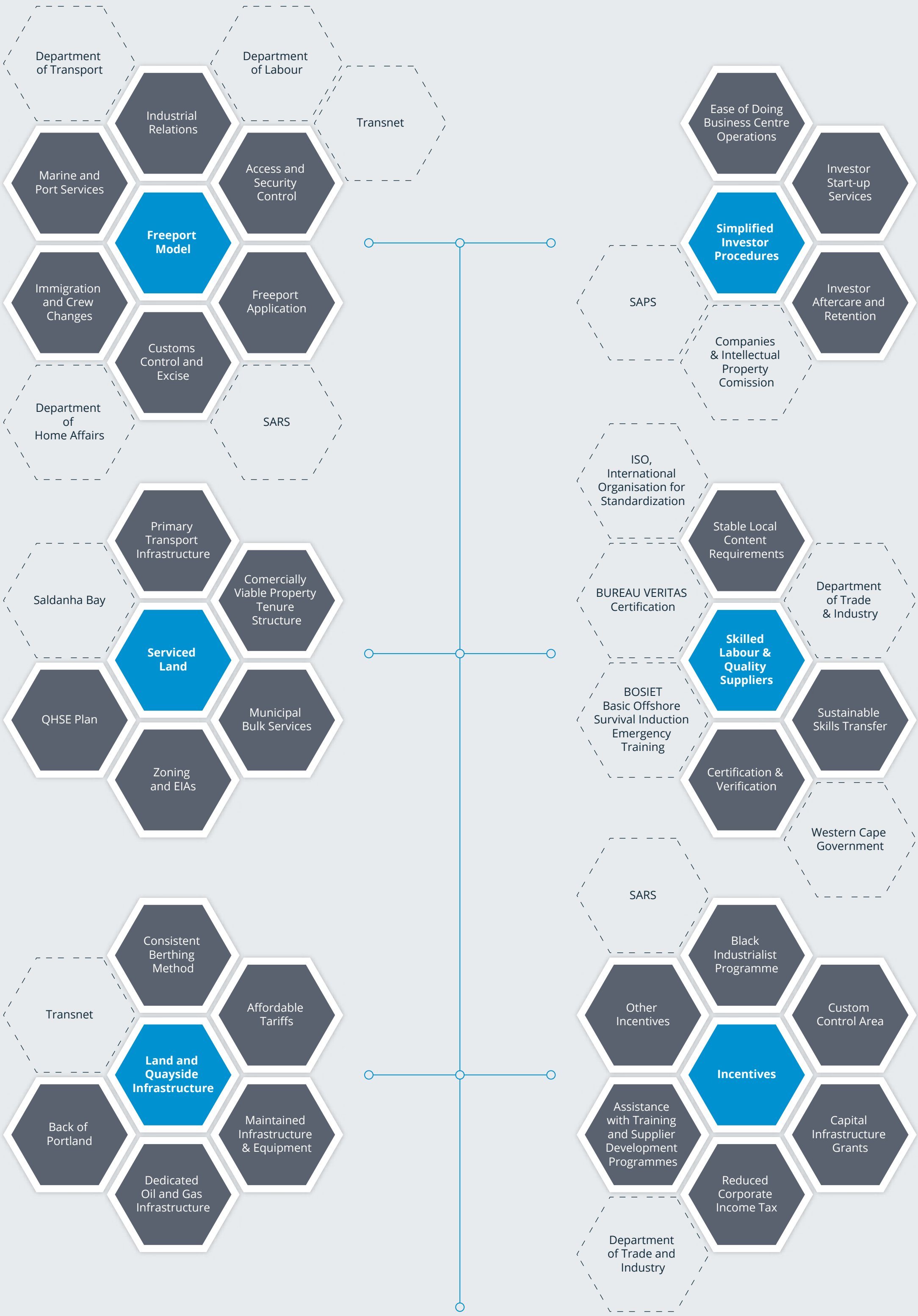
In its overarching Ease of Doing Business Framework of 2017, the SBIDZ thus outlined key focus areas to attract and retain investors through a project called 5x5 Voice of the Customer Global Best Practice Benchmarking. The framework provides for a proactive approach with regard to what investors require from the SBIDZ and the implementation of this framework is being driven as a result of robust ongoing discussions and ultimate agreements with various stakeholders.

The SBIDZ LiCo recently concluded seven further frameworks to expand on the Master EoDB Framework. These include:

Department of Labour

The purpose of the Ease of Doing Business: Department of Labour Strategic Framework is to provide the overall strategy and implementation protocols for the ease of doing business function within the zone to provide support to both employers and employees within the zone with regard to legislation and facilitation of good and safe working practices within the zone.

EASE OF DOING BUSINESS FRAMEWORK



Investor Requirements = EoDB Framework in response

Department of Home Affairs

The strategic goals have been set to focus on creating clearly defined and easily understood immigration processes for all users of the Free Port.

South African Police Service

The South African Police Service plays a critical function in the port that could have an impact on the ease of flow of goods and people into and out of the Free Port. It is important not only that SAPS is appraised of all the developments, but it is the intention of the SBIDZ LiCo to house SAPS in the EoDB Centre.

South African Revenue Services (SARS)

The purpose of the Ease of Doing Business: SARS Strategic Framework is to provide the overall strategy with one of the key stakeholders in the successful implementation of the Free Port model. SARS Customs and Excise legislation, as well as incentives provided to Special Economic Zones, make it possible to operate under the Free Port status.

Saldanha Bay Municipality (SBM)

The service level agreement concluded between the SBM and SBIDZ LiCo is the guiding document which monitors and will ensure efficiencies and good communication channels between the two organisations on the elements of providing ease of doing business.

Transnet National Ports Authority

The purpose of the Ease of Doing Business: TNPA Strategic Framework is to plan and manage the interface between planning and operations of the TNPA and that of the zone's Free Port regime.

Western Cape Government

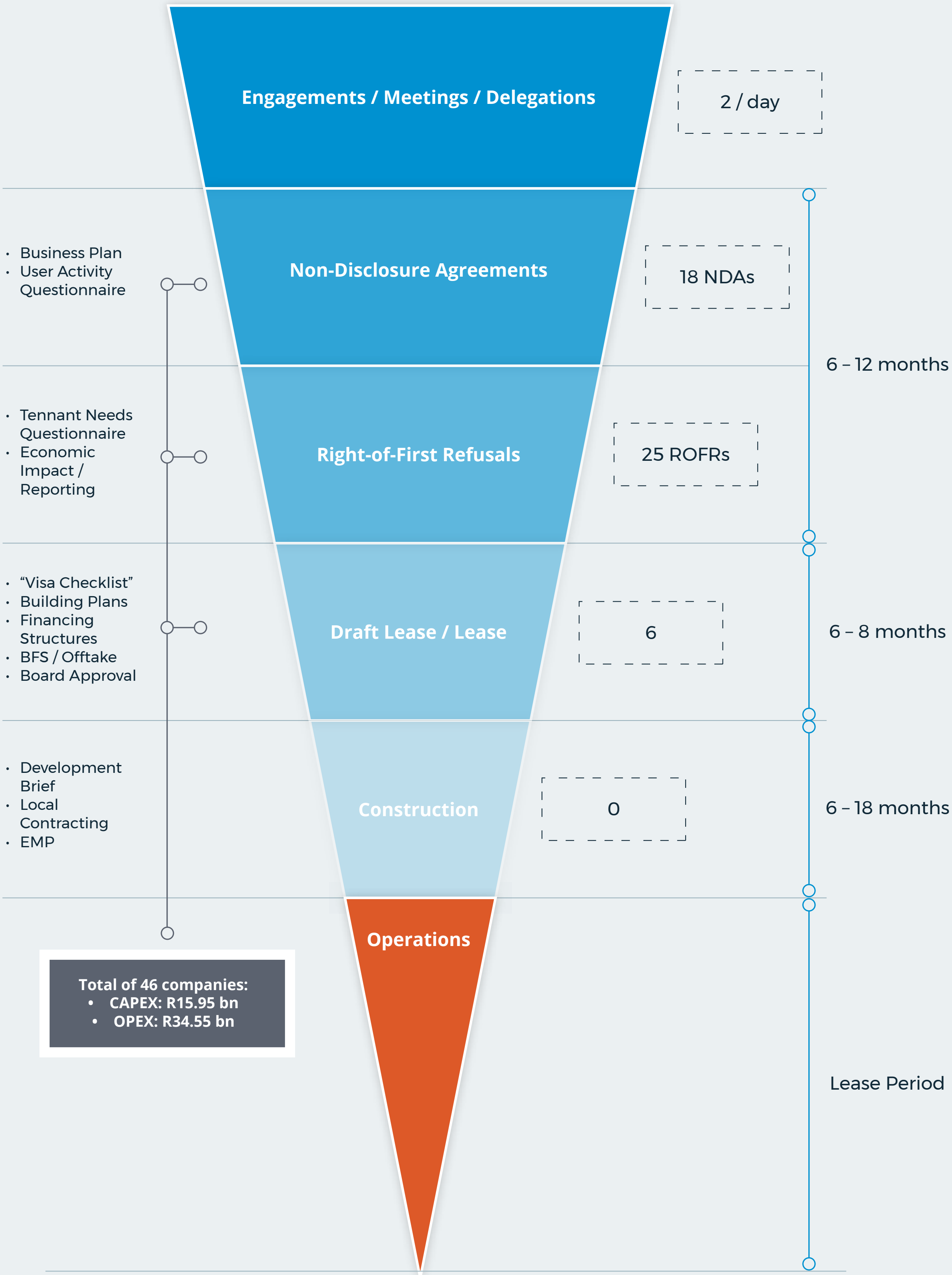
The purpose of the Ease of Doing Business: WCG Strategic Framework is to provide the overall strategy for the ease of doing business function within the zone for collaborative work with the Western Cape Government's relevant departments, and in particular DEDAT's Red Tape Reduction Unit (also known as the Ease of Doing Business Unit).

GTAC Freeport Model Development Project

The Government Technical Advisory Centre (GTAC) is an agency of the National Treasury established to support public finance management through professional advisory services, programme and project management and transaction support. In pursuing a globally competitive Free Port model in the South African context and fulfilling the mandates of job creation and economic growth, the SBIDZ LiCo required assistance to build a robust business case for a Free Port in Saldanha Bay and thus enlisted GTAC to assist in this endeavour. The business case needs to address the concerns of key government departments in various areas:

- National Treasury – ensuring fiscal integrity and the demonstration of the massive potential in financial returns via direct and indirect tax.
- South African Revenue Service – outlining the Customs and Excise protocol in order to demonstrate the integrity of the seamless flow of movement of the goods into, within and out of the zone.
- Department of Home Affairs – an integrated immigration model that easily facilitates crew changes, transit visas and emergency work visas and work permits.
- Department of Labour – provides a model for the integration of both local and international workforces and the associated legislation requirements.
- Department of Transport – an integrated model for the provision of port services to the mobile offshore drilling units that will be serviced in the Free Port.
- Department of Trade and Industry – exploring the list of goods needed to be included on ITAC databases and discussing updates to the SEZ Act and regulations.

GDP GLOBAL ESTIMATES: AVERAGE 2 YEARS FROM FIRST ENGAGEMENT TO COMMITTED INVESTMENT (2016 STATS)



InvestSA Western Cape Centre

A Memorandum of Understanding (MoU) was concluded and signed between the SBIDZ LiCo and Wesgro (the operator of InvestSA WC Centre). The centre houses government departments and agencies that are also key stakeholders of the zone but does not perform the entire function of the zone as defined and outlined in the Master Framework of February 2017.

Business Development

The Business Development work stream focuses on attracting investment into the zone as well as a number of supporting activities, including concluding key Memoranda of Agreements (MOAs), attending and presenting at domestic and international conferences and business meetings with a specific focus on increasing the value proposition and future investment into the zone.

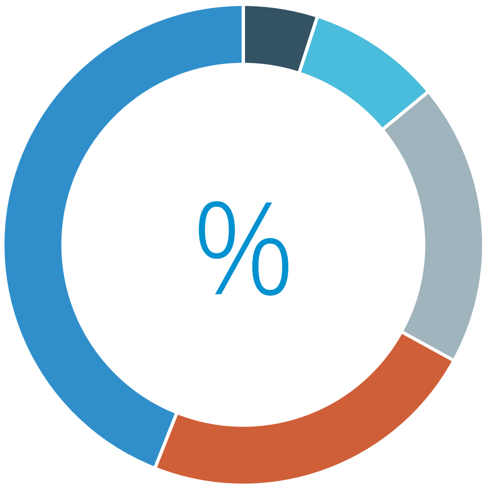
Investment promotion is focused around the five core subcategories within the upstream oil, gas and marine repair, fabrication, logistics and related services industries, including repair and maintenance, logistics, marine and subsea manufacturing and fabrication, exploration and production support, and support services.

The specific communication and marketing approach linked to investor attraction has been implemented to focus on attracting investment within each of these specific subcategories. The business development work stream has targets linked to obtaining investor interest in the zone, either through signing Right of First Refusals (ROFRs) or non-disclosure agreements (NDAs), until such time as an investor is prepared to conclude a lease and physically locate to the zone.

The timeframes linked to these processes are determined in line with the zone's macro infrastructure development programme, as well as best practice in business development, as described in the figure below. It is anticipated that the first investor will locate to the zone during the 2018/19 financial year and therefore the current Corporate Plan target links to the signing of ROFRs and NDAs at this juncture.

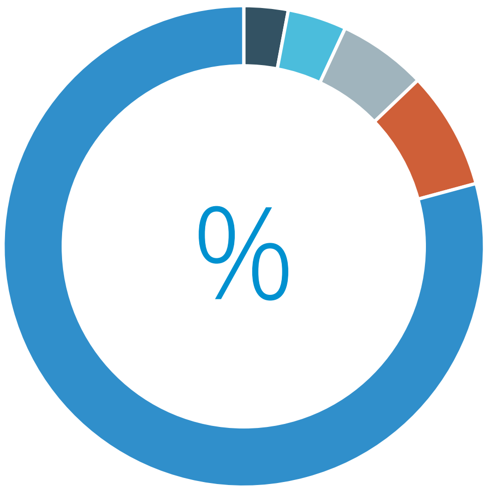
The following figure provides a high-order indication of current investor interest and profiles as of 31 March 2018.

Percentage Share of Investment by Activity Type

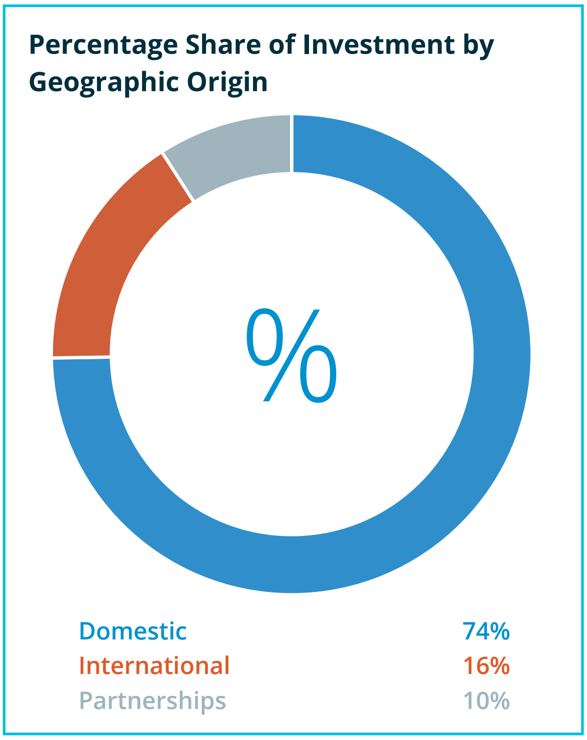


Exploration & Production	5%
Repair & Maintenance	9%
Support Services	19%
Logistics	23%
Fabrication & Engineering	44%

Percentage Share of Investment by Capex (Rmn)



Exploration & Production	2%
Repair & Maintenance	4%
Support Services	6%
Logistics	8%
Fabrication & Engineering	80%



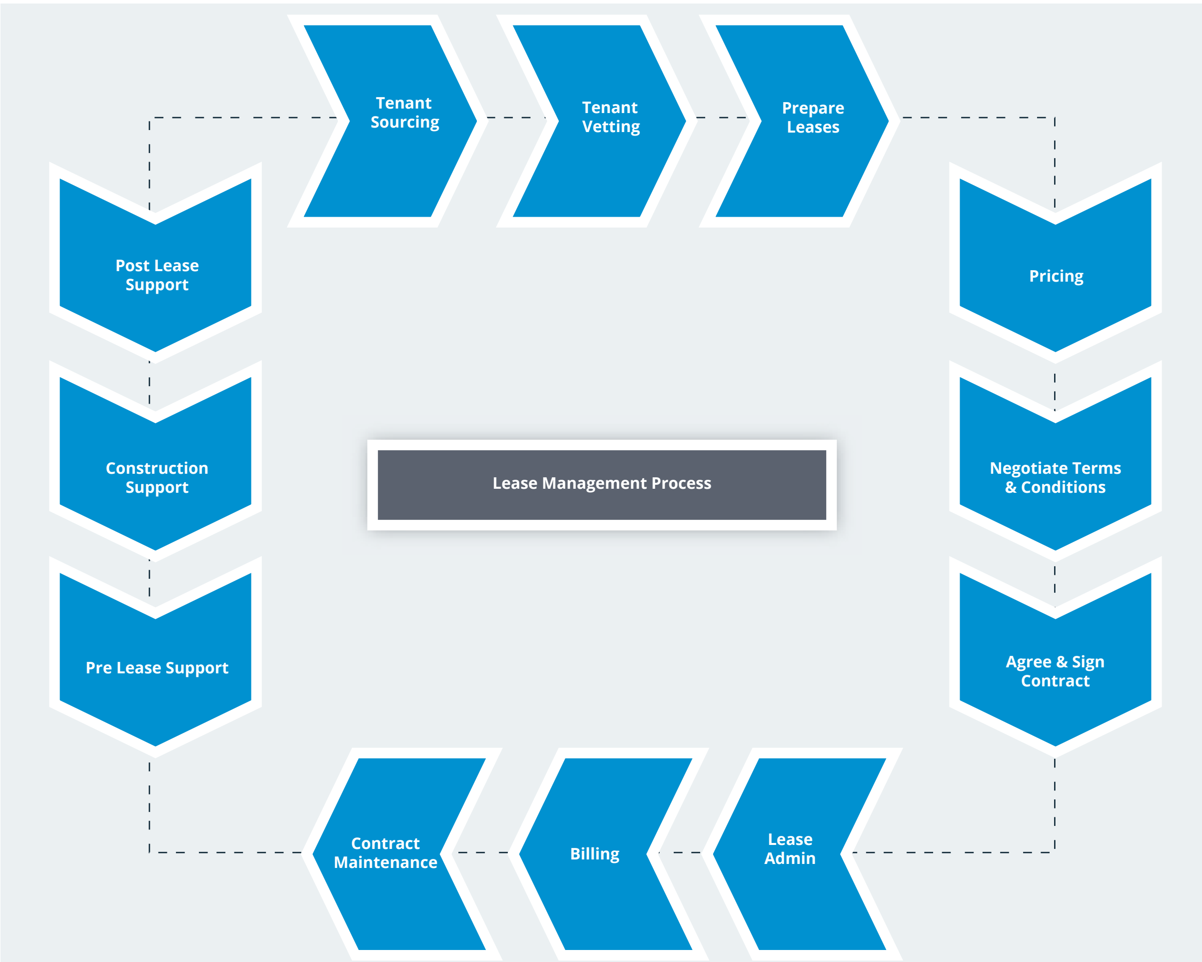
The specific communication and marketing approach linked to investor attraction has been implemented to focus on attracting investment within each of these specific tiers, and for the past financial year, we retained the interest of all investors in addition to sourcing new prospective tenants and converting some ROFRs and NDAs to tenant leases.

Commercial Management

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

Investor Leasing

The commercial function 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 work stream is also responsible for developing a framework and approach to managing the SBIDZ estate going forward, which will then be implemented under the current Strategic Plan. The main target for the commercial work stream in the short term was to develop an overarching framework which determines the approach to managing all commercial components of the zone.

Infrastructure Development

Infrastructure development within the SBIDZ includes two components, as follows:

- External – the development of internal bulk services in support of investors who locate to the zone
- Internal – the development of specific top structures (e.g. warehouses) on behalf of investors, once they have signed a lease to locate to the zone.

The 2017/18 financial year saw the completion of the external infrastructure, of which a 15 Ml reservoir, link road and bridge were the key projects. The reservoir was constructed to augment the municipal bulk water system to ensure a sustainable water supply to the SBIDZ. The link road and bridge were constructed to create contiguity between the port and the portion of the SBIDZ land located north of the provincial road. Both these projects were funded through the DTI's SEZ programme.

Extent of the SBIDZ Development showing the phased approach

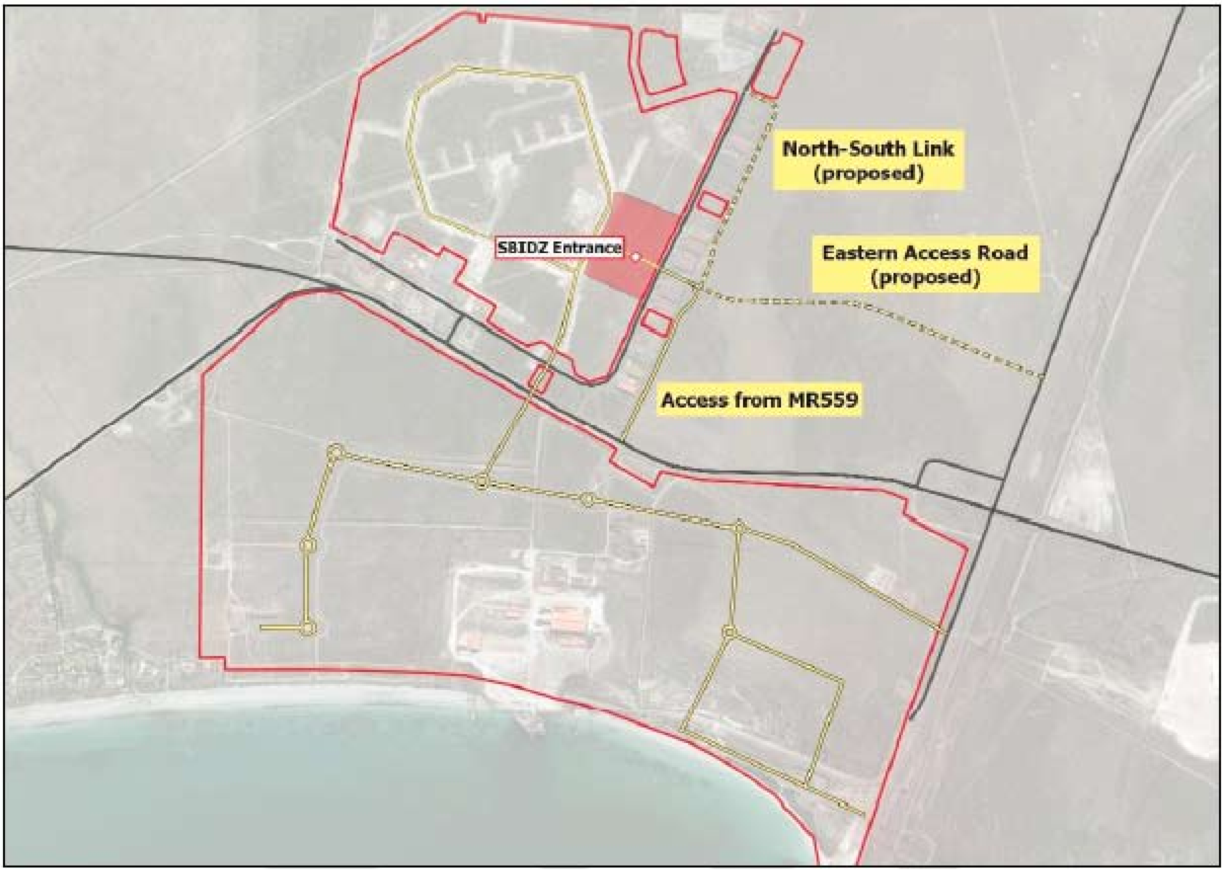
Currently, the internal services are under way to prepare the zone for investor location over the next five-year period. The development is broken down into key phases. The table below indicates past, present, and future delivery.

Completed projects	**Completion date**
Servicing of land (Phase 1)	Q4 2016
Upgrade Saldanha Bay Waste Water Treatment Works	Q3 2016
Extension to Besaansklip Reservoir	Q3 2017
Link road and bridge	Q2 2017
Current projects	
Erection of security fencing	Q2 2018
Servicing of the port land (Phase 2)	Q2 2019
Access and Ease of Doing Business Complex	Q2 2019
Future projects	
Establishment of a project leasing facility	Q4 2019

Stakeholder Management

The SBIDZ Stakeholder Management work stream is responsible for engaging with and facilitating relationships with key stakeholders on behalf of the SBIDZ, as well as for assisting the team in managing stakeholder approaches.

Given the need to create an effective economic hub for the oil, gas and maritime sectors, it is imperative that the SBIDZ attracts a variety of investors in fabrication, maintenance, repair and supply services. In addition, the SBIDZ must establish mechanisms to engage civil society at large. This, together with the formal legislative framework within which the SBIDZ LiCo operates, means that there is a vast number of stakeholder relationships the SBIDZ LiCo must develop and manage for the beneficial, sustainable implementation of the SBIDZ initiative and mandate. Each of these stakeholder relationships needs to be defined and managed in the most effective manner by the SBIDZ LiCo



Schematic illustration of SBIDZ bulk infrastructure

to ensure the longevity of key partnerships and mutual outcomes and synergies.

Key among these stakeholders is the TNPA and the past year saw formal structure added to that relationship with the lease agreement having been concluded. Elsewhere, the SBIDZ LiCo continued to utilise mechanisms established with the community, i.e. the IDZ Business Forum and the Community Skills and Training Committee, to drive and structure the skills and enterprise development programmes.

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 commits 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 and fabrication industries.

The skills development initiatives are currently not funded through the SBIDZ and therefore are largely dependant on the IDZ facilitating funding and training interventions, on a case-by-case basis, with funding currently secured through the DTI, CHIETA and MERSETA skills development programmes.

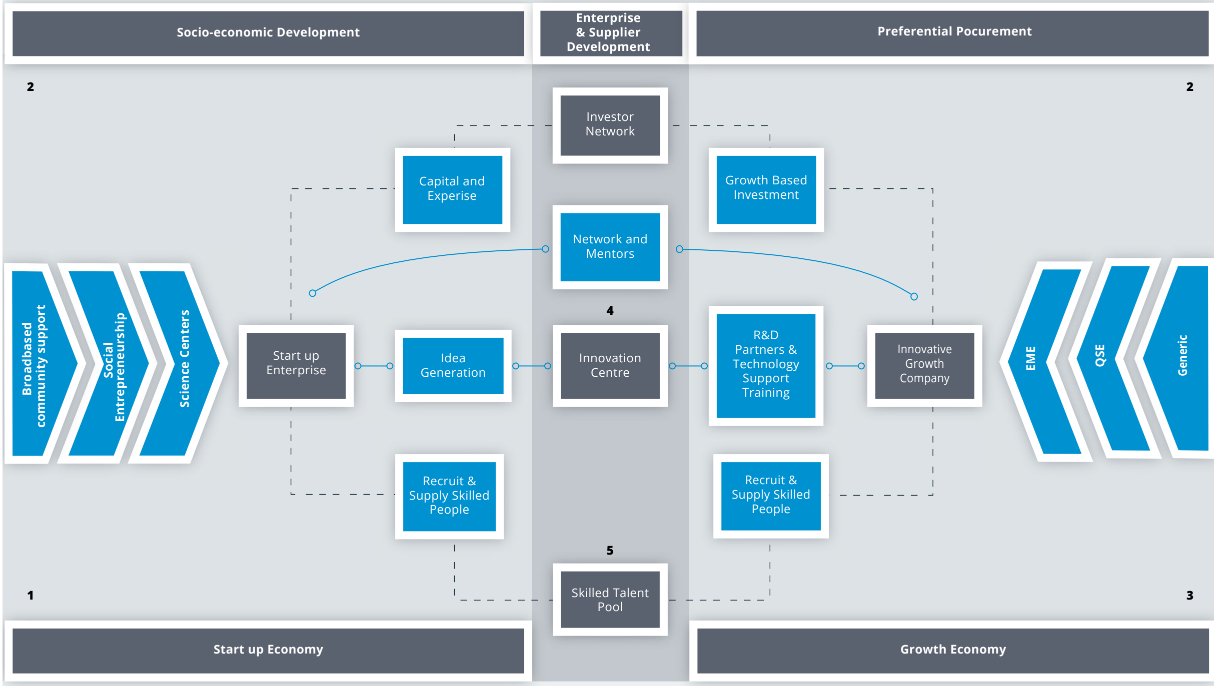
Current skills development interventions include:

- Artisan Experiential Learning Programme (Apprenticeship)
- Department of Labour: Employment Services System of South Africa (ESSA)
- Recognition of Prior Learning (RPL)
- Engineering and Construction-related skills programmes (SEZ Fund and MERSETA)
- Learnerships, apprenticeships and skills programmes in the oil & gas and the marine manufacturing sector (CHIETA)
- Career awareness
- Logistics, safety, hydraulics and pneumatics (TETA)
- Small business human capital development.

The complex and diverse character of the skills development ecosystem necessitates the development of strategic stakeholder relations with key players in the skills arena. The success of our skills development strategy hinges on sound partnership and cooperation with the relevant private and public sector institutions and structures. It is for these reasons that the skills development unit has active representation on and a working relationship with the following structures:

- Community Skills and Training Committee
- Operation Phakisa Marine Manufacturing Skills Working Group
- Operation Phakisa Oil & Gas Skills Working Group
- Project Khulisa Oil & Gas Technical Advisory Forum
- MERSETA Western Cape Regional Executive Committee
- Assessment, RPL and Mentorship Technical Advisory Forum
- BRICS Future Skills Working Group.

Enterprise and Supplier Development - An Integrated Model



Enterprise Development

The Enterprise Development unit remains an unfunded mandate within the SBIDZ LiCo but, with partnerships, engages various platforms to reach its strategic objective in rendering a database of compliant, competitive local business at a state of readiness for the oil and gas industry.

The strategy is to also establish an eco-system for tenants of the SBIDZ LiCo to form part of as and when they become ready to set up in the zone.

Innovation Campus

The Stakeholder 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 and fabrication industries.

Economic growth and job creation are only sustainable if they are competitive. Due to the fast-paced technological disruption that is affecting the industry and the labour market, sustainable job creation cannot only be rooted in intensive low-cost labour but must also be redirected to the growing areas of employment. In order to avoid massive imports of skills due to large quality and quantity gaps, we need to invest in research and training programmes that are demanded by the industry.

The innovation campus will invest in knowledge skills such as engineering, mechatronics, sub-sea technology, mathematics and computer job families to build a workforce with future-proof skills. It will create a dynamic environment where industry is included in the learning process to provide the skills in niched specialised areas of work that are aligned with the private sector. This will create a well-trained workforce, people at the forefront of the job market and global competitiveness. In order for the SBIDZ to become a world-class oil, gas and marine fabrication and repair centre, it is necessary that it is at the forefront of innovation and current world technical expertise, and that it is acknowledged as such.

The motivation for the establishment of the Innovation Campus in conjunction with the Saldanha Bay IDZ is to create a platform to

concentrate efforts to create visibility and promote the SBIDZ as an attractive business and research destination within the oil & gas and marine fabrication and repair arena on the international scene and especially on the southern tip of Africa.

This will include strengthening long-range-oriented basic research as a basis for innovation and to provide enterprises with highly-skilled personnel in areas considered important for future industry development. The Innovation Campus is intended to attract research-oriented enterprises to establish activities in South Africa, located in Saldanha Bay. The Innovation Campus aims to establish capacity and support research and sophisticated training intended to build national capabilities in the national industrial priority sector of oil & gas and marine fabrication and repair services, and to develop the scale and focus necessary for South Africa to achieve international standing in these areas.

The first step in the development of the Innovation Campus will be to develop a bankable feasibility study which identifies key requirements, value propositions and key partners. This is the targeted goal for this work stream for the financial year ahead, based on the pre-feasibility study completed this year.

Strategic Objective

Strategic Objective	**To establish a Special Economic Zone within the greater SBM area**
Objective Statement	4 131 direct and 1 889 indirect jobs facilitated within the Western Cape 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 2016/17	Planned Target 2017/18	Actual Achievement 2017/18	Deviation from planned target to Actual Achievement for 2017/18	Comment on deviations
Number of jobs facilitated within the Western Cape province as a result of the SBIDZ	367	425	538	113	More labour-intensive projects undertaken than originally modelled. These include direct (227) and indirect jobs (311)

Key performance indicators, planned targets and actual achievements

PROGRAMME: OPERATIONS						
Key Performance Indicators	**Actual Achievement 2015/16**	**Actual Achievement 2016/17**	**Planned Target 2017/18**	**Actual Achievement 2017/18**	**Deviation from planned target to Actual Achievement for 2017/18**	**Comment on deviations**
Number of EoDB frameworks	–	1	7	7	–	–
Number of retained NDAs or right of first refusals with potential investors	-	12	34	46	12	34 investors were retained and an additional 12 potential investors were signed up during the financial year.
Number of cumulative signed tenants within the SBIDZ	–	–	3	3	–	–
Percentage of land occupied	–	–	5%	5%	–	–
Tenant lease agreements designed and approved	–	–	3	3	–	–
Develop an estate financial management model to manage lease agreements	–	–	1	1	–	–

PROGRAMME: OPERATIONS						
Key Performance Indicators	**Actual Achievement 2015/16**	**Actual Achievement 2016/17**	**Planned Target 2017/18**	**Actual Achievement 2017/18**	**Deviation from planned target to Actual Achievement for 2017/18**	**Comment on deviations**
Completion of infrastructure phases	–	–	Phase 1a bridge and site clearance	Phase 1a bridge and site clearance	–	
Number of beneficiaries participating in the skills development programme per annum	–	565	520	526	6	Additional learners enrolled for the skills programmes.
Number of agreements concluded and maintained with key stakeholders	–	–	5	4	1	WOSA Framework of Action was developed, tabled and accepted within the financial year; however, it was not signed due to internal acceptance protocols. Indicator descriptor requires signed agreements.
Drafting of a labour zone arrangement	–	–	1	1	-	
Completion of the innovation campus pre-feasibility study	–	–	1	1	–	

Strategy to overcome underperformance
None required.

Changes required to planned targets
None required.

Linking Performance with Budget

	2016/17			2017/18		
Programme	**Budget** **R**	**Actual Expenditure (incl. capital)** **R**	**(Over)/ Under Expendi-ture** **R**	**Budget** **R**	**Actual Expenditure (incl. capital)** **R**	**(Over)/ Under Expenditure** **R**
Administration	17,551,422	15,330,565	2,220,857	21,218,988	17,934,864	3,284,124
Operations	162,642,098	167,474,644	(4,832,546)	213,633,984	179,753,152	33,880,832
Total	**180,193,520**	**182,805,209**	**(2,611,689)**	**234,852,972**	**197,688,016**	**37,164,956**

Revenue Collections

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

Capital Investment

	2016/17			2017/18		
Capital Investment	**Budget** **R**	**Actual Expenditure** **R**	**(Over)/ Under Expenditure** **R**	**Budget** **R**	**Actual Expenditure** **R**	**(Over)/ Under Expenditure** **R**
Total	134,952,015	140,351,156	(5,438,082)	170,775,268	138,317,127	32,458,141

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
Security fence	Q2 2018
Internal services on TNPA land	Q2 2019
Access and Ease of Doing Business Complex	Q2 2019
Project leasing facility	Q4 2019

The asset register is prepared in accordance with the National Treasury Regulations, 2005, and the Standards of Generally Recognised Accounting Practice (GRAP). 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.

C

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION

The Saldanha Bay IDZ Licencing Company SOC Ltd ensured that sound corporate governance structures and processes were implemented within the organisation from the outset and 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 Saldanha Bay IDZ Licencing Company SOC Ltd support the principles of the King IV 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 Governments that the structure of the SBIDZ LiCo Board should be representative of the founding partners from the three spheres of government. This SBIDZ LiCo Board composition was quite appropriate for setting up all the governance structures and taking the SBIDZ to where it is now. However, what was needed on the Board was industry experts to professionally and expertly deal with the next phases of the IDZ project.

2.1 Composition of the Board of Directors

In response to the Board's new focus, a decision was taken in the latter part of the year under review to reconstitute the Board as follows:

- Five institutional representatives (officials), one each from the DTI, IDC, TNPA,SBM and WCG representing the public sector interest;
- One person from the Saldanha Social community;
- One person from the Saldanha Economic community;
- One nominated representative from the SAOGA Board of Directors with the requisite sector-specific expertise;
- Two proven accomplished broader business practitioners with relevant expertise; and
- Two executive directors, one the Chief Executive Officer and the other the Chief

Financial Officer of the SBIDZ LiCo in line with King III/IV to improve collective accountability.

The process to fill the three independent board vacancies (One nominated representative from the SAOGA Board of Directors and two proven accomplished broader business practitioners) commenced in the latter part of the year under review and the vacancies should be filled in the 2018 /2019 financial year. The interviews for the Saldanha Bay Economic community representative was held on 9 February 2018 and a decision on the filling of the vacancy will be made in the early parts of the 2018 / 2019 financial year.

The powers and duties of the Board are detailed in the Companies Act and aimed at ensuring the attainment of its objectives. It details the meetings and decisions of the Board, the establishment of and appointments to committees, powers of delegation as well as remuneration.

2.2 Board Remuneration

In terms of the Saldanha Bay Industrial Development Zone Licencing Act, 2016, the Minister responsible for finance in the Province shall determine the remuneration, allowance and reimbursement, payable to the Directors, 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 Saldanha Bay IDZ Licencing Company SOC Ltd has two Board Committees, namely the Audit, IT & Risk Committee, and the Human Resources, Remuneration, Social & 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.

Board Meeting Attendees	Gender	24 May 2017	23 August 2017	22 November 2017	21 February 2018
Johann Stegmann	M	√	√	√	√
Lizo Ntloko	M	√	√	√	√
Miyelani Mushwana	M	√	√	Apology	√
Basetsana Mathibe	F	√	√	√	√
Justice Ngwenya	M	√	√	√	√
Pierre Voges[1]	M		√	Apology	√
Douglas Southgate[2]	M			√	√
Herman Boneschans[3]	M			√	√

2.4 Human Resources, Remuneration, Social & Ethics Committee

The Committee consists of three non-executive directors. The Committee has a clearly defined charter. The purpose of the Committee is to review, consider and recommend on 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.

Human Resource Remuneration, Social & Ethics Committee Board Meeting Attendees	3 May 2017	2 August 2017	1 November 2017	31 January 2018
Miyelani Mushwana	√	√	√	√
Basetsana Mathibe	√	√	√	√
Justice Ngwenya	√	√	Apology	√

[1] Appointed on 22 November 2017 (attended the August Board meeting as an invitee).
[2] Appointed as an Executive Director on 22 November 2017.
[3] Appointed as an Executive Director on 22 November 2017.

3. INTERNAL AUDIT AND AUDIT COMMITTEES

The Audit, IT & Risk Committee consists of three non-executive 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 both 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 30 October 2019. The Board of Directors is responsible for the appointment of the Internal Auditor. The Internal Auditors operates under the direction of the Audit Committee which approves the scope of work to be performed. Significant findings are reported to both 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 as to 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 Meeting Attendees	24 May 2017	23 August 2017	22 November 2017	21 February 2018	29 March 2018
Paul Slack (Chairperson and independent member)	√	√	√	√	√
Danny Naidoo (independent member)	√	√	√	√	√
Johann Stegmann	√	√	√	√	Apology
Lizo Ntloko	√	√	√	√	Term ended 24 Feb 2018
Miyelani Mushwana	√	√	Apology	√	Apology

4. RISK MANAGEMENT

The Saldanha Bay IDZ Licencing Company (SOC) Ltd remains duly committed to a risk management process that is aligned to principles of good corporate governance and is in accordance with the provision of the Public Finance Management Act (PFMA), Act 1 of 1999, King IV 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.

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 agendas 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 statements and annual report. Materiality is determined as 1.5% of total income recognised.

8. SCOPA RESOLUTIONS

Resolution No.	Background/Concerns	Resolution	Action Date	Response by the entity	Resolved (Yes/No)
28.1					**Resolved (Yes/No)**
28.1	**Page: 91 of the Annual Report Heading: "Note 18: General expenses" Description: The Committee notes the total spending on training of R338 004 and R6 040 600 and the 367 jobs facilitated within the Western Cape Province during 2016/17. As further highlighted in the performance information on page 32 of the Annual Report, the objective statements is to provides 6 020 direct and indirect jobs as a result of the SBIDZ by the end of the 2019/20 financial year.**	**That the Entity provides more detail on the upskilling and the number of direct versus indirect jobs facilitated within the Western Cape Province in its 2017/18 Annual Report, as well as the annual spending in his regard.**			
	SBIDZ Staff Training - Upskilling of staff members		30 Sept 2018	For the year 2017/18 R 284 653 (2016/17 R 338 004) as per note 18 on page 108 in the Annual report	Yes
	Learners upskilling Training - training of beneficiaries participating in the upskilling programmes		30 Sept 2018	For the year 2017/18 R 7 927 828 (2016/17 R 6 041 300). The programme trained 526 learners in 2017/18 (565 learners in 2016/17) as per page 44 in the Annual report	Yes
	Direct verse indirect job facilitation		30 Sept 2018	Total direct jobs 227 and total indirect jobs 311. Total jobs for the Western Cape 538, as per page 42 in the Annual report	Yes
28.1	**Page: 41 of the Annual Report Heading: "Risk management". The Committee noted the risk of a possible negative impact regarding the ongoing drought in the West Coast, including the operations of the SBIDZ.**	**That the Board, including the Internal and Audit Risk Committee, manage the risk of the ongoing drought on the operations of the SBIDZ**	Continue working on solution	The estimated water demand of the full zone at maturity is 1,45 Mℓ/day. The intial intention was to utilize water for the zone from the municipal supply. The water supply crisis during the summer or 2017/18 however requires a reassessment of the situation, including SBIDZ investigating alternative water sources in order to be self sufficient.	Yes

D

HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

1. INTRODUCTION

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

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme

Programme	Total expenditure for the entity	Personnel expenditure	Personnel exp. as a % of total	No. of employees	Average personnel cost per employee
Operations Management	3,810,935	3,156,129	83%	2	1,578,065
Corporate Services	16,753,016	8,069,846	48%	11	733,622
Business Development	2,669,214	1,685,588	63%	2	842,794
Stakeholders' Management	23,181,564	6,401,661	28%	13	492,435
Ease of Doing Business and Commercial	13,654,898	2,825,809	21%	3	941,936
Subtotal	**60,069,627**	**22,139,033**	**37%**	**31**	**714,162**
Infrastructure	137,618,389	5,224,985	4%	6	870,831
Totals	**197,688,016**	**27,364,018**	**14%**	**37**	**739,568**

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	11,724,235	43%	7	1,674,891
Professional qualified	11,361,067	42%	14	811,505
Skilled	2,279,402	8%	6	379,900
Semi-skilled	1,999,314	7%	10	199,931
TOTAL	**27,364,018**		**37**	

Performance Rewards

Level	Performance Rewards	Personnel Expenditure	% of Performance Rewards to Total Personnel Cost
Top Management	2,068,782	11,724,235	18%
Professional qualified	1,888,946	11,361,067	17%
Skilled	378,439	2,279,402	17%
Semi-skilled	331,103	1,999,314	17%
TOTAL	**4,667,270**	**27,364,018**	**17%**

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	3,156,129	0	0%	-	-
Corporate Services	8,069,846	193,769	2%	14	13,841
Business Development	1,685,588	0	0%	-	-
Stakeholders' Management	6,401,661	53,275	1%	4	13,319
Ease of Doing Business and Commercial	2,825,809	37,609	1%	3	18,805
Infrastructure	5,224,985	0	0%	-	-
Totals	**27,364,018**	**284,653**	**1%**	21	13,555

Employment and vacancies

Programme	2017/18 No. of Employees	2017/18 Vacancies	% of vacancies
Operations Management	2	2	50%
Corporate Services	11	1	8%
Business Development	1	1	50%
Stakeholder Management	12	0	0%
Ease of Doing Business and Commercial	3	2	40%
Infrastructure	6	0	0%
TOTAL	**35**	**6**	**15%**

Programme	2017/18 No. of Employees	2017/18 Vacancies	% of vacancies
Top Management	7	1	13%
Professional qualified	13	5	28%
Skilled	6	0	0%
Semi-skilled	9	0	0%
TOTAL	**35**	**6**	**15%**

Employment Changes

Salary Band	Employment at beginning of the period	Appointments	Terminations	Employment end of the period
Top Management	7	0	0	7
Professional qualified	13	1	1	13
Skilled	4	2	0	6
Semi-skilled	9	1	1	9
TOTAL	**33**	**4**	**2**	**35**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	–	–
Resignation	1	50%
Dismissal	–	–
Retirement	–	–
Expiry of contract	1	50%
Other	–	–
Total	**2**	**100%**

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	2	0	1	2	4	0	2
Skilled	1	1	0	0	0	2	0	0
Semi-skilled	1	1	0	0	3	4	0	0
TOTAL	**6**	**4**	**1**	**4**	**6**	**11**	**0**	**3**

E

FINANCIAL INFORMATION

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 Justice Ngwenya (Non-Executive) Miyelani Mushwana (Non-Executive) Basetsana Mathibe (Non-Executive) Pierre Voges (Non-Executive) Doug Southgate (Executive) Herman Boneschans (Executive)
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

Index

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 is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the 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 auditors are engaged to express an independent opinion on the annual financial statements and were 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 of Directors 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 directors 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 Board of Directors is 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.

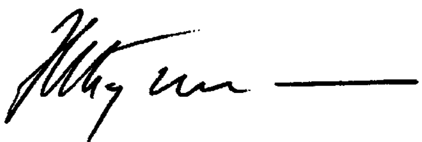
The Board of Directors has reviewed the entity's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, it is satisfied that the entity, has or has access to, adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Department of Economic Development and Tourism 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 has 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 auditors.

The external auditors are 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 auditors and their report is presented on page 65.

The annual financial statements set out on pages 73 to 120, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2018 and were signed on its behalf by:



Dr Johann Stegmann
Chairperson of the Board
31 July 2018

Audit, IT and Risk Committee Report

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

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)	5
Danny Naidoo (independent member)	5
Lizo Ntloko	4
Miyelani Mushwana	3
Dr Johann Stegmann	4

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 IV 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, Performance Information review, Skills development review, Business development review, Enterprise development review, Compliance with SEZ legislation and Stakeholder management review.

Chairperson of the Audit Committee

Date: 31 July 2018

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 73 to 120, which comprise the statement of financial position as at 31 March 2018, and the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saldanha Bay IDZ Licencing Company (SOC) Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with 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) (Companies Act).

Basis for opinion

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

Emphasis of matters

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

Early application of IGRAP 18: Interpretation of the Standard of GRAP on the Recognition and Derecognition of Land

7. With reference to note 2 to the financial statements, the entity has adopted IGRAP18, Interpretation of the Standard of GRAP on the Recognition and Derecognition of Land early, which resulted in the recognition of investment property of R87 119 197 as set out in note 3. The relevant property is the north precinct of Saldanha Bay IDZ land where the access complex and security fence will be located.

Assets transferred to the Saldanha Bay Municipality

8. As disclosed in notes 4 and 18 to the financial statements, assets of R75 024 665 were transferred to the Saldanha Bay Municipality during the year, which included upgrades to the waste water treatment works and the construction of the Besaansklip Reservoir.

Unspent conditional grants and receipts

9. As disclosed in note 13 to the financial statements, the unspent conditional grants and receipts as at 31 March 2018 amounted to R559,4 million (2017: R662,4 million), representing the funding previously received from government grants that would be utilised in future against the respective projects as detailed in note 16.

Responsibilities of the accounting authority for the financial statements

10. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
11. In preparing the financial 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 the accounting authority either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

12. 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.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
15. My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the annual performance report of the entity for the year ended 31 March 2018:

Programme	Pages in the annual report
Programme 2 – Operations	42 – 44

17. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:
    - Programme 2 – Operations

Other matters

19. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Achievement of planned targets

20. Refer to the annual performance report on pages 43 to 44 for information on the under-/overachievement of planned targets for the year.

Adjustment of material misstatement

21. 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: Operations. As management subsequently corrected the misstatement, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. I did not raise material findings on compliance with the specific matters in key legislation as set out in the general notice issued in terms of the PAA.

Other information

24. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
25. 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.
26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
27. If, based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
28. I have nothing to report in this regard.

Internal control deficiencies

29. 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 on it. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town
31 July 2018

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 programme and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority.
   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Saldanha Bay IDZ Licencing Company (SOC) Limited's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease continuing 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 to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Accounting Authority's Report

The directors submit their report for the year ended 31 March 2018.

1. Review of activities

Main business and operations

The entity uses 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 directors are not aware of any significant matter or circumstance arising since the end of the financial year.

3. Share capital

There were no changes in the authorised or issued share capital of the entity during the year under review. The shares of the entity were transferred from Wesgro (Cape Town & Western Cape tourism, trade & investment agency) to the Provincial Government on 1 April 2017.

4. Distributions to owners

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

5. Accounting Authority

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

Name	Nationality	Changes
Dr Johann Stegmann (Non-Executive)	South African	
Lizo Ntloko (Non-Executive)	South African	Term ended February 24, 2018
Justice Ngwenya (Non-Executive)	South African	
Miyelani Mushwana (Non-Executive)	South African	
Basetsana Mathibe (Non-Executive)	South African	
Pierre Voges (Non-Executive)	South African	Appointed November 22, 2017
Doug Southgate (Executive)	South African	Appointed November 22, 2017
Herman Boneschans (Executive)	South African	Appointed November 22, 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 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 consist of three Non-Executive directors and is chaired by Miyelani Mushwana. The committee met four times during the reporting period to review matters necessary to fulfil its role. Other members of the committee are/were:
Justice Ngwenya
Basetsana Mathibe.

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 five times during this year to review matters necessary to fulfil its role. Other members of the committee are:
Danny Naidoo (independent member)
Dr Johann Stegmann
Lizo Ntloko (Term ended February 24, 2018)
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 performs this function.

7. Entity status

Saldanha Bay IDZ Licencing Company (SOC) Limited operated as a provincial government business enterprise listed in the 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
31 July 2018

Statement of Financial Position as at 31 March 2018

Figures in Rand	Note(s)	March 2018	March 2017
Assets			
Current Assets			
Receivables from non-exchange transactions	6	12,250,129	3,373,295
VAT receivable	7	1,427,223	1,802,846
Prepayments	8	725,350	1,352,811
Cash and cash equivalents	9	657,811,861	680,873,478
		672,214,563	687,402,430
Non-Current Assets			
Investment property	3	87,119,197	6,526
Property, plant and equipment	4	238,543,303	270,878,928
Intangible assets	5	20,731	121,411
Receivables from non-exchange transactions	6	217,255	205,171
		325,900,486	271,212,036
Total Assets		998,115,049	958,614,466
Liabilities			
Current Liabilities			
Current tax payable		18,099	1,468
Operating lease liability	10	271,406	51,580
Payables from exchange transactions	11	92,973,883	16,982,300
Employee benefit obligation	12	5,896,210	5,269,402
Unspent conditional grants and receipts	13	559,405,518	662,380,556
		658,565,116	684,685,306
Non-Current Liabilities			
Operating lease liability	10	1,847,618	508,632
Payables from exchange transactions	11	603,693	1,676,574
		2,451,311	2,185,206
Total Liabilities		661,016,427	686,870,512
Net Assets		337,098,622	271,743,954
Share capital	14	120	120
Accumulated surplus		337,098,502	271,743,834
Total Net Assets		337,098,622	271,743,954

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Revenue from exchange transactions			
Coordination fee on special projects		-	9,488
Interest income		76,727	105,038
Gain on disposal of assets and liabilities		52,671	72,504
Total revenue from exchange transactions		129,398	187,030
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	199,637,445	172,965,443
Total revenue	15	199,766,843	173,152,473
Expenditure			
Employee related costs	17	(22,139,033)	(19,998,715)
Depreciation and amortisation		(8,605,400)	(3,425,469)
Lease rentals on operating lease		(4,116,470)	(2,400,117)
Loss on foreign exchange		(46)	(1,123)
General expenses	18	(24,509,930)	(21,462,907)
Transfer to Saldanha Bay Municipality	4&18	(75,024,665)	-
Total expenditure		(134,395,544)	(47,288,331)
Surplus before taxation		65,371,299	125,864,142
Taxation	34	(16,631)	(1,468)
Surplus for the year		65,354,668	125,862,674

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.

Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus	Total net assets
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 1 April 2017	120	271,743,834	271,743,954
Changes in net assets			
Surplus for the year	-	65,354,668	65,354,668
Total changes	-	65,354,668	65,354,668
Balance at 31 March 2018	120	337,098,502	337,098,622
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.

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Coordination fees		-	9,488
Grants		46,259,251	521,387,670
Interest received		41,631,184	28,087,319
		87,890,435	549,484,477
Payments			
Employee costs		(21,681,785)	(19,374,682)
Suppliers		(27,277,118)	(23,040,428)
		(48,958,903)	(42,415,110)
Net cash flows from activities	21	**38,931,532**	**507,069,367**
Cash flows from investing activities			
Purchase of property, plant and equipment		(61,943,797)	(140,351,156)
Proceeds from sale of property, plant and equipment	4	63,365	145,591
Purchase of investment property		(112,671)	(6,526)
Purchase of other intangible assets	5	-	(32,413)
Net cash flows from investing activities		**(61,993,103)**	**(140,244,504)**
Net increase in cash and cash equivalents		**(23,061,571)**	**366,824,863**
Cash and cash equivalents at the beginning of the year		680,873,478	314,049,738
Effect of exchange rate movement on cash balances		(46)	(1,123)
Cash and cash equivalents at the end of the year	9	**657,811,861**	**680,873,478**

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						
Interest received - investment	43,325,364	-	43,325,364	41,631,184	(1,694,180)	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies - current year	48,285,669	-	48,285,669	46,259,251	(2,026,418)	
Total revenue	91,611,033	-	91,611,033	87,890,435	(3,720,598)	
Expenditure						
Employee related costs	(24,273,316)	-	(24,273,316)	(21,681,785)	2,591,531	
Lease rentals on operating lease	(4,943,718)	-	(4,943,718)	(2,557,657)	2,386,061	
General Expenses	(34,860,668)	-	(34,860,668)	(24,719,461)	10,141,207	Note 31
Total expenditure	(64,077,702)	-	(64,077,702)	(48,958,903)	15,118,799	
Operating surplus	27,533,331	-	27,533,331	38,931,532	11,398,201	
Gain on disposal of assets and liabilities	-	-	-	63,365	63,365	
Loss on foreign exchange	-	-	-	(46)	(46)	
	-	-	-	63,319	63,319	
Surplus before taxation	27,533,331	-	27,533,331	38,994,851	11,461,520	
Actual Amount on Comparable Basis	27,533,331	-	27,533,331	38,994,851	11,461,520	

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						
Government grants & subsidies				153,378,194		Adjustment for actual cash received
Taxation				(16,631)		Non cash item
Personnel				(457,248)		Incentive and leave pay provision
Interest received				(41,554,457)		Interest allocated to unspent conditional grants. Refer note 13
Loss on disposal and foreign differences				(46)		Non cash item
Depreciation				(8,605,400)		Non cash item
General expenses				(74,815,135)		Prepayments, receivables and payables
Operating lease				(1,558,812)		Non cash item
Gain on disposal of property, plant and equipment				(10,648)		Adjusted for cash received
Actual surplus for the year in the Statement of Financial Performance				65,354,668		

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	537,631,539	-	537,631,539	657,811,861	120,180,322	Note 32
Non-Current Assets						
Investment property	106,526,595	-	106,526,595	112,671	(106,413,924)	Note 32
Property, plant and equipment	63,848,670	-	63,848,670	61,943,797	(1,904,873)	Note 32
Intangible assets	400,003	-	400,003	-	(400,003)	
	170,775,268	-	170,775,268	62,056,468	(108,718,800)	
Total Assets	708,406,807	-	708,406,807	719,868,329	11,461,522	
Net Assets	708,406,807	-	708,406,807	719,868,329	11,461,522	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus - opening balance	680,873,478	-	680,873,478	680,873,478	-	
Accumulated surplus	27,533,329	-	27,533,329	38,994,851	11,461,522	
Total Net Assets	708,406,807	-	708,406,807	719,868,329	11,461,522	

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.

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.

1.3 Significant judgements and sources of estimation uncertainty (continued)

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

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.

1.5 Property, plant and equipment (continued)

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.

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.

1.7 Financial instruments (continued)

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.

1.8 Tax (continued)

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

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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.

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.

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

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

1.13 Employee benefits (continued)

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.

1.15 Revenue from exchange transactions (continued)

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.

1.16 Revenue from non-exchange transactions (continued)

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

1.19 Irregular expenditure (continued)

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 2017-04-01 to 2018-03-31.

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

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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.

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 early adopted

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

GRAP 18 (as amended 2016): Segment Reporting

Amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the amendment is for years beginning on or after 1 April 2019

The entity has early adopted the amendment for the first time when the Minister sets the effective date for the amendment.

The impact of the amendment is not material.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 1 April 2019.

The entity has early adopted the interpretation for the first time in the 2018 annual financial statements.

The adoption of this interpretation has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

Notes to the Annual Financial Statements

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 1 April 2018.

The entity has early adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	87,119,197	-	87,119,197	6,526	-	6,526

Reconciliation of investment property - March 2018

	Opening balance	Additions	Total
Investment property	6,526	87,112,671	87,119,197

Reconciliation of investment property - March 2017

	Opening balance	Additions	Total
Investment property	-	6,526	6,526

Pledged as security

No investment property was pledged as security.

North precinct of Saldanha Bay IDZ land	87,119,197	6,526

IGRAP 18 applied for the initial recognition of the land. Acces complex and security fence will be located on the land. Refer note 4 for work in progress disclosure.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings and structures	6,511,141	(867,677)	5,643,464	6,511,141	(433,838)	6,077,303
Furniture and fixtures	1,328,199	(338,574)	989,625	1,209,667	(203,238)	1,006,429
Motor vehicles	471,882	(95,100)	376,782	471,882	(775)	471,107
Office equipment	278,224	(137,038)	141,186	248,799	(84,878)	163,921
IT equipment	1,506,068	(1,073,214)	432,854	1,294,599	(767,662)	526,937
Leasehold improvements	1,600,359	(955,388)	644,971	1,279,271	(599,877)	679,394
Work in process	48,257,817	-	48,257,817	118,927,883	-	118,927,883
Infrastructure assets	191,093,591	(9,036,987)	182,056,604	144,942,472	(1,916,518)	143,025,954
Total	251,047,281	(12,503,978)	238,543,303	274,885,714	(4,006,786)	270,878,928

Reconciliation of property, plant and equipment - March 2018

	Opening balance	Additions	Disposals	Transfer	Transfer to Saldanha Bay Municipality	Depreciation	Total
Buildings and structures	6,077,303	-	-	-	-	(433,839)	5,643,464
Furniture and fixtures	1,006,429	118,533	-	-	-	(135,337)	989,625
Motor vehicles	471,107	-	-	-	-	(94,325)	376,782
Office equipment	163,921	31,643	(974)	-	-	(53,404)	141,186
IT equipment	526,937	227,474	(9,720)	-	-	(311,837)	432,854
Leasehold improvements	679,394	321,088	-	-	-	(355,511)	644,971
Work in process	118,927,883	49,247,355	-	(44,892,756)	(75,024,665)	-	48,257,817
Infrastructure assets	143,025,954	1,258,363	-	44,892,756	-	(7,120,469)	182,056,604
	270,878,928	51,204,456	(10,694)	-	(75,024,665)	(8,504,722)	238,543,303

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - March 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Buildings	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 progress	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

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	28,383,118	2,778,322
Infrastructure	19,874,699	116,149,561
	48,257,817	118,927,883

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress March 2018

	Buildings	Infrastructure	Total
Opening balance	2,778,322	116,149,561	118,927,883
Additions/capital expenditure	25,604,796	23,642,559	49,247,355
Transfer to Saldanha Bay Municipality	-	(75,024,665)	(75,024,665)
Transferred to completed items	-	(44,892,756)	(44,892,756)
	28,383,118	19,874,699	48,257,817

Reconciliation of Work-in-Progress March 2017

	Buildings	Infrastructure	Total
Opening balance	-	135,067,446	135,067,446
Additions/capital expenditure	2,778,322	125,103,275	127,881,597
Transferred to completed items	-	(144,021,160)	(144,021,160)
	2,778,322	116,149,561	118,927,883

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	13,475	7,010

5. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	709,571	(688,840)	20,731	709,571	(588,160)	121,411

Reconciliation of intangible assets - March 2018

	Opening balance	Amortisation	Total
Computer software	121,411	(100,680)	20,731

Reconciliation of intangible assets - March 2017

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

5. Intangible assets (continued)

Pledged as security

No intangible assets were pledged as security.

6. Receivables from non-exchange transactions

Receivables from non-exchange revenue	12,467,384	3,578,466
Non-current assets	217,255	205,171
Current assets	12,250,129	3,373,295
	12,467,384	3,578,466

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

7. VAT receivable

VAT	1,427,223	1,802,846

8. Prepayments

Prepayments	725,350	1,352,811

Prepayments in the current year consist of software assurance, travel costs and rent. In 2017 prepayment included cost relating to exhibition space for the annual offshore Technology Conference in Houston Texas.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	27,284	23,876
Bank balances	184,430,456	148,278,804
Corporation for Public Deposits and call accounts	473,354,121	532,570,798
	657,811,861	680,873,478

Included in the R657,811,861 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		
AAA	184,430,456	148,278,804

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

10. Operating lease liability

Non-current liabilities	1,847,618	508,632
Current liabilities	271,406	51,580
	2,119,024	560,212

Operating lease liability consist of:
- operating lease liability of R406,617 (March 2017: R444,157) (Cape Town and Saldanha Bay office)
- operating lease incentive of R64,475 (March 2017: R116,055)
- operating lease liability of R1,647,932 (Port of Saldanha Bay)

11. Payables from exchange transactions

Current trade payables	92,973,883	16,982,300

Saldanha Bay IDZ has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Included in payables is R87,000,000 payable to Saldok (Proprietary) Limited, a subsidiary of Industrial Development Corporation, for the purchase of the land.

Current	92,973,882	16,982,298
Non-current	603,693	1,676,574
	93,577,575	18,658,872

12. Employee benefits

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

Carrying value		
Performance incentive	4,611,337	4,097,676
Leave pay	1,239,787	1,094,288
Workmen's compensation	42,295	53,881
Other	2,791	23,557
	5,896,210	5,269,402

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

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Trade and Industry - SEZ fund	509,740,626	528,716,997
Department of Trade and Industry - SEZ fund skills development	559,298	1,512,730
Department of Economic Development and Tourism - Operating grant	12,593,584	7,275,704
Enterprise and skills development - DTI and DEDAT	14,877,317	22,754,014
Merseta - Skills development	645,511	(6,029)
CHIETA - Skills development	391,866	948,894
Department of Economic Development and Tourism - Procurement portal	-	352,579
Department of Economic Development and Tourism - Land	20,597,316	100,825,667
	559,405,518	662,380,556

Movement during the year

Balance at the beginning of the year	662,380,556	282,995,036
Received	47,459,251	521,387,670
Interest received	49,203,156	30,963,293
Income recognition during the year	(199,637,445)	(172,965,443)
	559,405,518	662,380,556

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:		
120 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	2018	2017
15. Revenue		
Coordination fee on special projects	-	9,488
Interest accrued on financial asset at amortised cost	76,727	105,038
Government grants & subsidies	199,637,445	172,965,443
	199,714,172	173,079,969
The amount included in revenue arising from exchanges of goods or services are as follows:		
Coordination fee on special projects	-	9,488
Interest accrued on financial asset at amortised cost	76,727	105,038
	76,727	114,526
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	199,637,445	172,965,443

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Government grants and subsidies

Operating grants		
Department of Economic Development and Tourism	38,085,942	37,218,140
Enterprise and skills development - DTI and DEDAT	10,232,374	-
Department of Economic Development and Tourism - Armscor special project	-	15,085
Merseta - Skills Development	835,160	2,780,422
Department of Trade and Industry - SEZ skills development	1,039,570	1,244,863
CHIETA - Skills development	3,689,228	3,794,426
	53,882,274	45,052,936
Capital grants		
Department of Trade and Industry - SEZ fund	58,642,500	127,905,982
Department of Economic Development and Tourism - Land	87,112,671	6,525
	145,755,171	127,912,507
	199,637,445	172,965,443

Conditional

Included in above are the following grants and subsidies received:

Conditional grants received	199,637,445	172,965,443

Department of Trade and Industry - SEZ fund

Balance unspent at beginning of year	528,716,997	244,409,784
Current-year receipts	-	384,951,074
Interest received	39,666,129	27,262,120
Conditions met - transferred to revenue	(58,642,500)	(127,905,981)
	509,740,626	528,716,997

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	1,512,730	2,609,761
Interest received	86,138	147,832
Conditions met - transferred to revenue	(1,039,570)	(1,244,863)
	559,298	1,512,730

Objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in employment 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	2018	2017

16. Government grants and subsidies (continued)

Department of Economic Development and Tourism

Balance unspent at beginning of year	7,275,704	13,427,989
Current-year receipts	42,241,227	29,824,000
Interest received	1,162,595	1,241,856
Conditions met - transferred to revenue	(38,085,942)	(37,218,141)
	12,593,584	7,275,704

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.

Enterprise and skills development - DTI and DEDAT

Balance unspent at beginning of year	22,754,014	21,276,424
Interest received	1,403,974	1,477,590
Conditions met - transferred to revenue	(10,232,373)	-
Reallocation from procurement portal	352,579	-
Current year receipts	599,123	-
	14,877,317	22,754,014

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. This project is jointly funded by the Department of Trade and Industry and the Department of Economic Development and Tourism. 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	(6,029)	499,468
Current-year receipts	1,486,700	2,274,924
Conditions met - transferred to revenue	(835,160)	(2,780,421)
	645,511	(6,029)

Objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in employment 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	948,894	756,525
Current-year receipts	3,132,200	3,986,795
Conditions met - transferred to revenue	(3,689,228)	(3,794,426)
	391,866	948,894

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

16. Government grants and subsidies (continued)

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

Department of Economic Development and Tourism - Procurement portal

Balance unspent at beginning of year	352,579	-
Reallocation to Enterprise development	(352,579)	350,877
Conditions met - transferred to revenue	-	1,702
	-	352,579

The project relates to the development and procurement of a procurement portal for enterprise development. 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

Balance unspent at beginning of year	100,825,667	-
Current-year receipts	-	100,000,000
Interest received	6,884,320	832,192
Conditions met - transferred to revenue	(87,112,671)	(6,525)
	20,597,316	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.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

17. Employee related costs

Basic	17,959,918	16,027,706
Performance incentive	3,798,525	3,533,886
UIF	49,075	47,338
WCA	32,762	30,737
Leave pay provision charge	115,861	182,048
Other allowances	182,892	177,000
	22,139,033	19,998,715

Remuneration of Chief Executive Officer

Annual Remuneration	1,998,170	1,851,456
Performance incentive	428,067	418,909
Contributions to UIF, Medical and Pension Funds	32,492	39,507
Other	12,000	12,000
	2,470,729	2,321,872

Remuneration of Chief Finance Officer

Annual Remuneration	1,308,162	1,167,943
Performance incentive	286,003	252,700
Contributions to UIF, Medical and Pension Funds	28,305	25,580
Other	12,000	12,000
	1,634,470	1,458,223

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

18. General expenses

Assets transferred to Saldanha Bay Municipality	75,024,665	-
Auditors remuneration	773,011	1,176,747
Consulting and professional fees	3,475,153	4,270,972
Events	1,327,321	1,360,645
Exhibitions	2,273,151	2,551,104
Grownet enterprise development initiative	2,970,503	-
Internal Audit fee	453,983	294,608
Repairs and maintenance	97,589	99,290
Sundry expenses	2,532,007	2,330,707
Training	284,653	338,004
Training - Short skills project	7,927,828	6,041,330
Transport - Short skills project	450,870	567,157
Travel - local	1,108,667	1,270,420
Travel - overseas	835,194	1,161,923
	99,534,595	21,462,907

Assets transferred to Saldanha Bay Municipality	75,024,665	-
General expenses	24,509,930	-
	99,534,595	-

Assets transferred to Saldanha Bay Municipality include upgrades to the Waste Water Treatment Works and the construction of the Besaansklip Reservoir. Refer note 4.

19. Auditors' remuneration

Fees	773,011	1,176,747

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 9 for operating lease liability.

New lease agreement signed for letting port land from Transnet National Ports Authority. The lease period is 15 years with an option to renew. The first 5 years has a fixed annual escalation. The lease agreement will be reviewed and adjusted for market related rental for years 6-15.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

21. Cash generated from activities

Surplus	65,354,668	125,862,674
Adjustments for:		
Depreciation and amortisation	8,605,400	3,425,469
Gain on sale of assets and liabilities	(52,671)	(72,504)
Loss on foreign exchange	46	1,123
Movements in operating lease assets and accruals	1,558,812	69,337
Movements in employee benefits	626,808	860,814
Movement in tax receivable and payable	16,631	1,468
Movement in employee benefits included in infrastructure assets	(169,560)	(236,781)
Transfer to Saldanha Bay municipality	75,024,666	-
Changes in working capital:		
Other receivables from non-exchange transactions	(8,888,918)	(2,735,291)
Prepayments	627,461	338,843
Payables from exchange transactions	74,918,702	(9,551,630)
VAT	375,623	(1,802,846)
Unspent conditional grants and receipts	(102,975,038)	379,385,520
Property, plant and equipment payables	(76,091,098)	11,523,171
	38,931,532	507,069,367

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

22. Financial instruments disclosure

Categories of financial instruments

March 2018

Financial assets

	At amortised cost	Total
Other receivables from non-exchange transactions	12,467,384	12,467,384
Cash and cash equivalents	657,811,861	657,811,861
	670,279,245	670,279,245

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	93,577,576	93,577,576
Unspent conditional grants and receipts	559,405,518	559,405,518
	652,983,094	652,983,094

March 2017

Financial assets

	At amortised cost	Total
Other 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
Trade and other payables from exchange transactions	18,658,874	18,658,874
Unspent conditional grants and receipts	662,380,556	662,380,556
	681,039,430	681,039,430

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

23. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	233,960,382	47,201,338
• Investment property	13,050,000	99,180,000
	247,010,382	146,381,338
Not yet contracted for and authorised by directors		
• Property, plant and equipment	135,758,610	2,583,660
Total capital commitments		
Already contracted for but not provided for	247,010,382	146,381,338
Not yet contracted for and authorised by directors	135,758,610	2,583,660
	382,768,992	148,964,998

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	4,273,326	2,483,080
- in second to fifth year inclusive	127,589,983	4,568,714
	131,863,309	7,051,794

Operating lease payments represent rentals payable by the entity for office properties, estate land and office equipment. Leases are negotiated for an average term of five years except for the Transnet National Ports Authority lease. The TNPA lease is fixed for the first 5 years. In year 5 the lease would be reviewed and adjusted to a market related for years 6 to 15. There is an option to renew the lease for another 10 years. Contingent rent is not included in minimum future lease payments.

24. Contingencies

No contingencies identified.

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

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 balances - Owing to related parties		
Department of Trade and Industry - SEZ fund	509,740,626	528,716,997
Department of Trade and Industry - SEZ fund skills development	559,298	1,512,730
Department of Economic Development and Tourism	12,593,584	7,275,704
Department of Trade and Industry and Department of Economic Development and Tourism - Enterprise and skills development	14,877,317	22,754,014
Department of Economic Development and Tourism - procurement portal	-	352,579
Department of Economic Development and Tourism - Land	20,597,316	100,825,667

Related party transactions

Income recognised		
Department of Trade and Industry - SEZ fund	58,642,500	127,905,982
Department of Economic Development and Tourism	38,085,942	37,218,140
Department of Trade and Industry - Enterprise and skills development	10,232,374	-
Department of Economic Development and Tourism - Armscor project	-	15,085
Department of Economic Development and Tourism - Land	87,112,671	-
Department of Trade and Industry - Enterprise and skills development	1,039,570	1,244,863

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

26. Directors' emoluments

Non-executive/Co-opted independent members

March 2018

	Directors' fees	Travel expenses	Total
Lizo Ntloko (Non-Executive)	-	1,112	1,112
Basetsana Mathibe (Non-Executive)	18,425	-	18,425
Co-opted independent members			
Paul Slack (Audit, IT and Risk Committee)	68,534	-	68,534
Danny Naidoo (Audit, IT and Risk Committee - paid to employer)	27,875	-	27,875
	114,834	1,112	115,946

March 2017

	Directors' fees	Travel expenses	Total
Gerrit De Bruyn	-	1,002	1,002
Lizo Ntloko (Non-Executive)	-	2,929	2,929
Miyelani Mushwana (Non-Executive)	-	10,494	10,494
Basetsana Mathibe (Non-Executive)	6,989	-	6,989
Co-opted independent members			
Paul Slack (Audit, IT and Risk Committee)	81,682	-	81,682
Danny Naidoo (Audit, IT and Risk Committee - paid to employer)	38,779	-	38,779
	127,450	14,425	141,875

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.

Notes to the Annual Financial Statements

Figures in Rand

27. Risk management (continued)

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 March 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	559,405,518	-	-	-
Trade and other payables	92,973,883	603,693	-	-

At 31 March 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	662,380,556	-	-	-
Trade and other payables	16,982,300	1,676,574	-	-

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 2018	March 2017
Receivables from non-exchange transactions	12,467,384	3,578,466
Cash and cash equivalents	657,811,861	680,873,478

Market risk

Notes to the Annual Financial Statements

Figures in Rand

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 2018, 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 R3,289,061 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	6.75 %	657,811,861	-	-	-	-

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. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure identified during the financial year.

30. Unauthorised expenditure

No unauthorised expenditure identified during the financial year.

Notes to the Annual Financial Statements

31. 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:

General expenses - Difference consist mostly of funds committed on special projects and will be spent in the new financial year.

32. 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 - Actual amount include funds for the land purchase and difference between budgeted capital expenditure and actual capital expenditure. Also refer to government grants and subsidies in note 31.

Investment property - Transfer of the Industrial Development Corporation land has not been completed before yearend and funds not transferred.

Property, plant and equipment and Investment property - Construction on the land leased from Transnet National Ports Authority was delayed as it was dependant on signing the lease.

Notes to the Annual Financial Statements

33. 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, CHIETA, Procurement Portal and Enterprise development.

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

33. Segment information (continued)

Segment surplus or deficit, assets and liabilitie

March 2018

	Corporate Services	Operational Services	Infrastructure Implementation	Special projects	Total
Revenue					
Revenue from non-exchange transactions	18,499,267	19,586,675	58,642,500	102,909,003	199,637,445
Interest revenue	129,398	-	-	-	129,398
Total segment revenue	18,628,665	19,586,675	58,642,500	102,909,003	199,766,843
Entity's revenue					199,766,843
Expenditure					
Salaries and wages	9,077,744	12,561,537	-	499,752	22,139,033
Other expenses	8,158,372	14,580,013	75,024,665	14,493,461	112,256,511
Taxation	16,631	-	-	-	16,631
Total segment expenditure	17,252,747	27,141,550	75,024,665	14,993,213	134,412,175
Total segmental surplus/(deficit)	1,375,918	(7,554,875)	(16,382,165)	87,915,789	65,354,668

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

Notes to the Annual Financial Statements

Figures in Rand

33. Segment information (continued)

March 2017

	Corporate Services	Operational Services	Infrastructure implementation	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
Entity's revenue					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	27,288,493
Loss on exchange differences	1,123	-	-	-	1,123
Taxation	1,468	-	-	-	1,468
Total segment expenditure	16,522,441	20,581,640	2,350,922	7,834,796	47,289,799
Total segmental surplus/(deficit)	307,613		125,555,060		125,862,673

Notes to the Annual Financial Statements

Figures in Rand	2018	2017

33. 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.

34. Taxation

Major components of the tax expense

	2018	2017
Current		
Local income tax - current period	16,631	1,468

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

	2018	2017
Accounting surplus	65,371,299	125,864,142
Tax at the applicable tax rate of 28% (2017: 28%)	18,303,964	35,241,960
Tax effect of adjustments on taxable income		
Expenses attributable to exempt income - Local	26,424,232	13,240,733
Exempt income received or accrued in respect of government grants	(44,691,965)	(48,481,225)
Accounting profit on disposal of fixed assets	(14,748)	-
Accounting interest received	(3,384)	-
Prior year correction in income tax	(1,468)	-
	16,631	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.

PR205/2018
ISBN: 978-0-621-45380-4

www.sbidz.co.za