SALDANHABAY
INDUSTRIAL DEVELOPMENT ZONE

# ANNUAL REPORT 2018 / 19

**Saldanha Bay IDZ Licencing Company (SOC) Ltd**

www.sbidz.co.za
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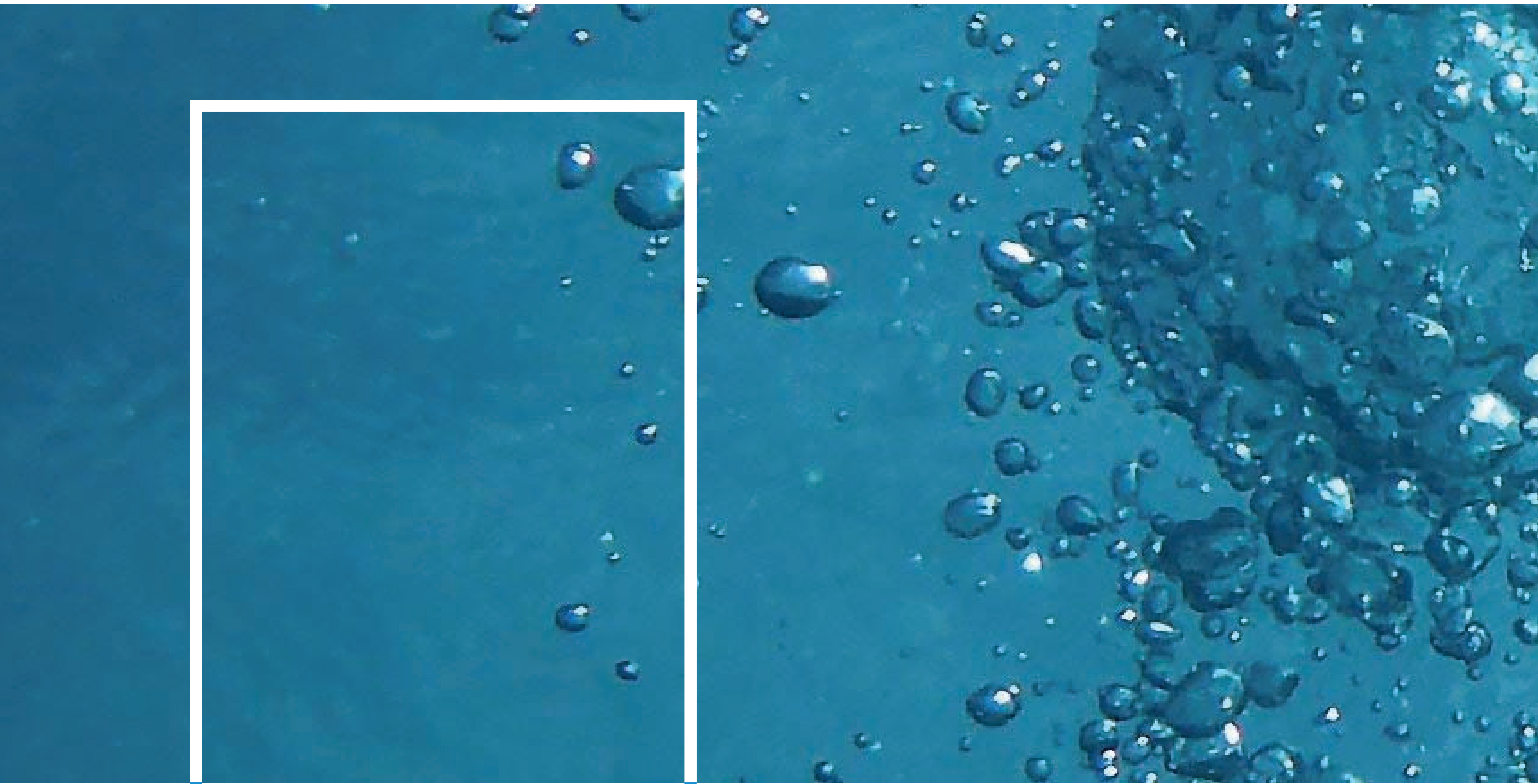

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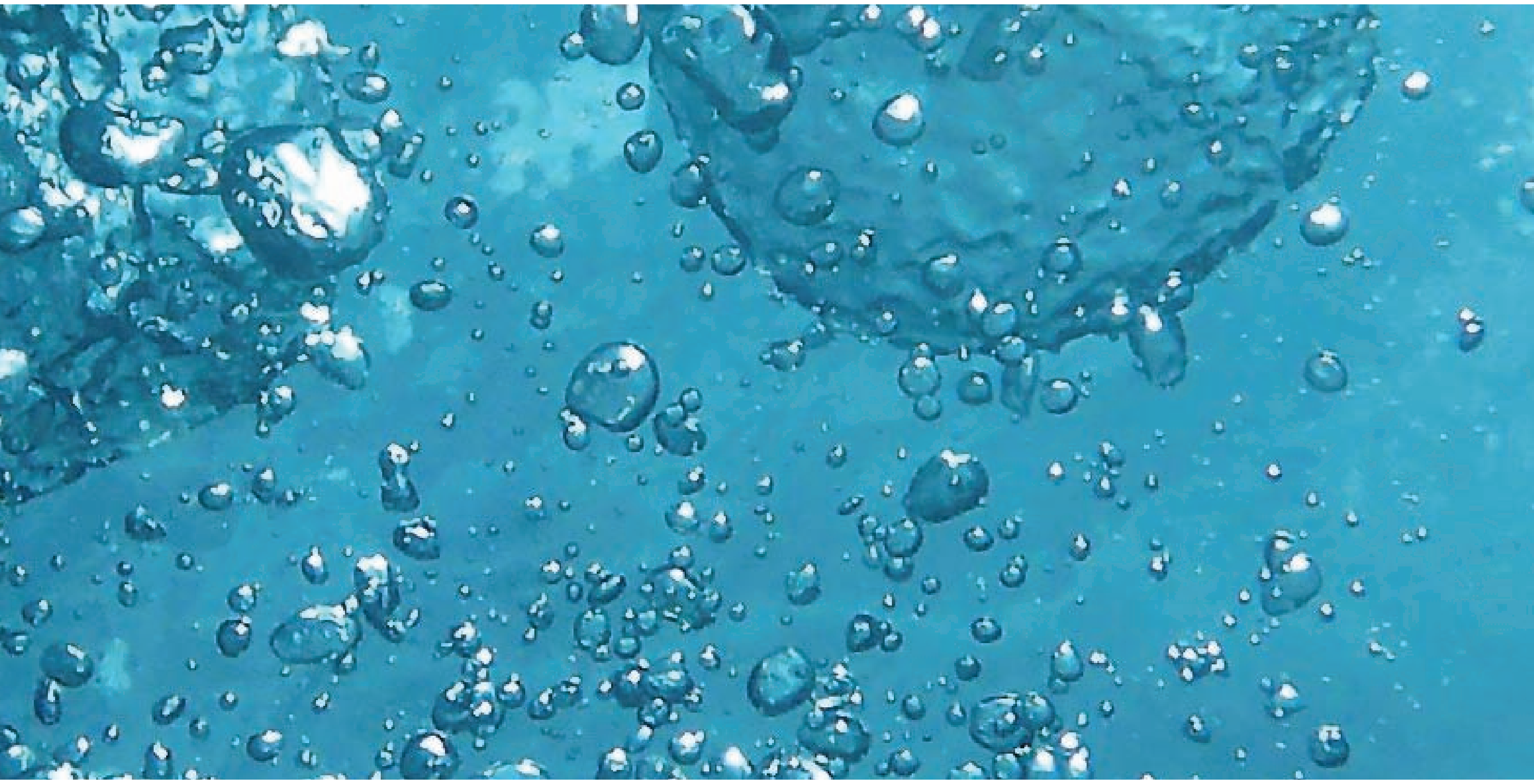

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# A

# 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<br>Saldanha Bay<br>7395 |
| **POSTAL ADDRESS**: | PO Box 304<br>Cape Town<br>8000 |
| **TELEPHONE NUMBER/S**: | +27 22 714 0206<br>+27 87 095 0261 |
| **EMAIL ADDRESS**: | info@sbidz.co.za |
| **WEBSITE ADDRESS:** | www.sbidz.co.za |
| **EXTERNAL AUDITORS:** | **Auditor-General of South Africa**<br>19 Park Lane Building<br>Park Lane<br>Century City |
| **BANKERS:** | **Nedbank**<br>5th Floor, Nedbank Building<br>Silo District<br>V&A Waterfront<br>Cape Town<br>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 |
| EDP | Economic Development Partnership |
| EIA | Environmental Impact Assessment |
| EIR | Environmental Impact Report |
| FEMOZA | World Free & Special Economic Zones Federation |
| GTAC | Government Technical Advisory Centre |
| IDC | Industrial Development Corporation |
| IDZ | Industrial Development Zone |
| KPI | Key Performance Indicator |
| MEC | Member of 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 Services |
| SARS | South African Revenue Services |
| SBIDZ | Saldanha Bay Industrial Development Zone |
| SBIDZ-LC | Saldanha Bay IDZ Licencing Company (SOC) Ltd |
| SBM | Saldanha Bay Municipality |
| SCM | Supply Chain Management |
| SEFF | Socio-Economic and Financial Framework |
| SEZ | Special Economic Zone |
| SIP5 | Strategic Integrated Project 5 |
| SOC | State Owned Company |
| TCP | Transnet Capital Projects |
| TNPA | Transnet National Ports Authority |
| TPT | Transnet Ports Terminal |
| UNCTAD | United Nations Conference on Trade and Development |
| UNIDO | United Nations Industrial Development Organisation |
| WCDM | West Coast District Municipality |
| WCG | Western Cape Government |
| WWTW | Waste Water Treatment Works |

# 3.

# FOREWORD BY THE CHAIRPERSON

This 2018/19 financial year has again been characterised by political-economy volatility, both internationally and domestically with the South African economy stuck in a low and mostly exclusive growth trajectory with widespread and escalating hardship with no clear encouraging signs of alleviation as yet.

In the Saldanha Bay environment, this picture also holds and will prove to be quite a challenge to turn around in spite of a number of initiatives over the years, the latest being the joint Socio-Economic and Financial Framework (SEFF) development with the Saldanha Bay Municipality.

That said, any initiatives in Saldanha Bay will be tied to changes in the domestic and international energy markets, the latter expected to require some adaptation due to better energy in efficiency, rise in renewals and growing share of the services sector. On the other hand, most of future world growth is projected to be in Africa, with its youthful population and under-developed energy markets. A watchful eye is being kept on developments and the latest iteration of the SBIDZ's medium to long term business plan takes all these variabilities into account.

On the property side, after a long drawn out saga, things are coming together with the major part of the old Saldok (Industrial Development Corporation or IDC) site now transferred into the name of the Saldanha Bay IDZ Licencing Company SOC Ltd (SBIDZ-LC), with the balance due to be formally transferred in the 2019/20 financial year. Similarly, apart from the one lease already signed with the Transnet National Ports Authority (TNPA), the remaining two, inclusive of the back-to-back lease with the TNPA contracted Off-Shore Supplier Base (OSSB) operator, are expected to be concluded during the 2019/20 financial year.

With the services infrastructure far advanced, potential investors can now begin to set up operations within the SBIDZ, with an accumulated total of 9 leases already signed by year-end and another 9 expected in the new financial year. Indications are that with the leases already signed, plus those in the investor pipeline, full occupation of the site could well materialise some five years hence.

What remains outstanding, is the finalisation of the necessary port infrastructure by the TNPA, currently some two years behind schedule. The SBIDZ team has been supporting the latest initiative by TNPA towards this end.

Strategic and operational partnerships continue to be strengthened with key players, amongst others with the Department of Trade and Industry (the DTI), TNPA, South African Revenue Services (SARS), Western Cape Government, and Saldanha Bay Municipality. The latter association has resulted in a joint initiative together with the Economic Development Partnership (EDP) to strengthen the West Coast Business Centre, a formal Socio-Economic agreement concluded in December 2018 and intrinsic to the latter, the SEFF action alluded to above.

Unfortunately, the current Special Economic Zones (SEZ) Act, 2014 and its accompanying regulations, remain problematic with no possibility of appropriate amendment in the near future. That would probably require some restructuring of the SBIDZ's governance arrangements.

However, on the governance side, the entity has again attained a clean audit and is doing well on the delivery side, improving on its local procurement footprint and holding up on its skilling endeavours. The key development challenge to be addressed in the entity's latest nascent business plan, is to develop a maritime economy and associated socio-economic ecosystem in partnership with the Municipality, local business people, the community at large and other players. To assist in this endeavour the Shareholder has appointed additional expertise on the Board.

My heartfelt thanks goes to the Saldanha Bay Municipality, the DTI, TNPA, the IDC, all Provincial Departments (notably those of Environmental Affairs and Development Planning, Health, Transport and Public Works and the Provincial Treasury) and the respective Standing Committees in the Provincial Parliament for their unstinting support.

In concluding, for their valued guidance and support, I would like to extend my sincere appreciation to the Ministers of Economic Opportunities, respectively Mr Alan Winde and Ms Beverley Schäfer, the Head of Department of Economic Development and Tourism, Mr Solly Fourie and his staff, my fellow Board members, the omnipresent acting CEO, Mrs Kaashifah Beukes and her committed SBIDZ staff.

**Dr Johann Stegmann**
**Chairperson of the Board**
**31 July 2019**

# 4.

# CHIEF EXECUTIVE OFFICER'S OVERVIEW

Fundamentally, the Saldanha Bay Industrial Development Zone's task is to create, deliver and sustain value to its shareholder, customers and stakeholders; and within the context of South Africa 25 years into democracy, the value we create must be inclusive, transformational and sustainably growth orientated in nature.

The 2018/19 financial year signifies the 5th year of the SBIDZ-LC's operations and the penultimate year of our current 5-Year SBIDZ Strategic Plan 2015/16 – 2019/20. Thus it is a seminal moment for the organization, for the year under review, as we reflect on how far we have come in our task, and equally so, what lies before us in the last year of our inaugural strategy.

We are a provincial government business enterprise, with our sole shareholder being the Western Cape Government. Our other government and civil and business society programme partners are equally well represented on the Board, namely, the Saldanha Bay Municipality, the DTI, the TNPA, the IDC, local civil and business society representatives and the South African Oil and Gas Alliance, a national industry association.

*"...the idea of the SEZ as an oasis in the desert may be a mirage — an SEZ's value appears to be intrinsically linked to the landscape in which it is situated."*

**Thomas Farole, 2011**
**Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience. - Washington D.C.: The World Bank.**

With regards to stakeholders generally, from the outset of our operations we have prioritized their role and matters material to them in our strategic framework and organisational design because we are acutely aware that we are connected to an external environment that influences, and provides challenges and opportunities, towards fulfilling our vision.

## Creating Value

Continuing the formation of a solid foundation on which to grow the SBIDZ's integrated value proposition was a key priority for the year under review.

For the year under review, we exceeded our target of maintaining and growing our tenant pipeline by 39%; signalling trust and appreciation of our offering from our targeted markets, and in particular, continuing strong interest from manufacturing and engineering sub-sectors.

In May this financial year, the DTI hosted a National Pavilion, focused on the oil & gas services and marine repair & fabrication sectors at the industry's premier Offshore Technology Conference (OTC) in Houston, Texas (USA). A total of 16 South African companies exhibited together with InvestSA, SAOGA and the SBIDZ to showcase South African competence and competiveness to existing and new clients. We look forward to reporting back on the attendance of 18 companies alongside the Richards Bay IDZ, InvestSA, the SBIDZ and SAOGA at OTC 2019 – further supported by the confirmed attendance from the South African Embassy in Washington who will be attending OTC to support South African companies in market access and growth.

Other highlights on our conference and exhibition calendar for 2018/19 included co-exhibiting together with the Petroleum Agency of South Africa (PASA) and SAOGA at Africa Oil Week in November 2018; undertaking a learning tour of Singapore and Australia and attending the Africa Singapore Business Forum in August 2018; and me personally presenting at the South Africa-UK Business Chamber Oil & Gas event in London at the South African High Commission in October 2018. Platforms such as these support investment promotion and keep us alert to opportunities and trends forming in our targeted markets, enabling us to learn, adapt and remain relevant.

This past year we submitted our application to SARS for CCA registration and participated in an extensive, inclusive study by SARS aimed at improving their partnership with SEZs nationally. The report, "Towards the Ease of Doing Business and Increasing Tax Compliance in the Special Economic Zones" (SEZ) provides a roadmap on specific matters important for each SEZ and their customers in their relationship with SARS. We are confident that this undertaking will bear fruit for our diverse tenants and industries.

Securing the port and back-of-port properties through head lease and transfer respectively continues to be an earnest endeavour and in that vein we established proactive and committed engagement with TNPA towards concluding the remainder of the lease agreements and new MOU in terms of our 2016 Heads of Agreement; with regards to the IDC properties, the bulk of the properties have been transferred and the remainder is targeted for the current financial year.

The evolution of our partnership with the local authority on matters related to the region's debilitating socio-economic landscape is pivotal towards enabling integrated, local impact. A Socio-Economic Development Cooperation Agreement was entered into with Saldanha Bay Municipality this year, with the purpose being to ensure the alignment of efforts towards building a socio-economic ecosystem that supports the successful participation of the broader Saldanha Bay communities in the growth and development prospects catalysed by the SBIDZ.

This year, with the support of the Board, we took pioneering steps towards more holistic and effective engagement with the local business community and civil society through organisational restructuring and the formation of a new unit called Development Programmes (incorporating skills, enterprise & contractor development). Channels for open, robust and constructive communication has subsequently been improved with these stakeholders, and the previously mentioned socio-economic agreement with the local authority will certainly benefit from this restructuring. The unit also initiated an industry specific SMME assessment study during the year, with the aim of formally assessing the state of readiness and understanding the specific business development requirements local businesses would need to meet to competitively participate in our targeted markets and industries. We see this as key to catalysing local, transformative, and sustainable impact from the SBIDZ, and we look forward to taking these results to our stalwart partners in development, namely DEDAT, the SETAs, the DTI and others in the new financial year once the study is complete.

Similarly, we also restructured the commercial unit, in order to empower the client acquisition and retention functions of the SEZ and thus created the Transaction and Investor Support unit. The unit will be responsible for managing client relations of the SEZ as part of its account management function; in areas of agreement interfaces with investors and tenants, tenant management & retention, operator interface, and zone labour relations. In addition, the unit will be responsible for estate, security and the physical management of the zone, the port operations interface and sourcing alternative funding towards bespoke transactions and projects. Capacitating the unit was partially complete as at the end of the financial year under review with two associates on board, with the Executive for the unit set to start June 2019.

## Delivering Value

Our ability to deliver on the potential of the SBIDZ, and Saldanha at large, matters to our shareholder and stakeholders in this time of political economy uncertainty.

We achieved our target of signing 6 new leases with tenants, bringing the total number of lease agreements signed to 9 at the end of the financial year. We are working with our tenants, their professional teams and the DTI to bring their investments to fruition and we are confident that construction will begin over the course of the 2019/20 financial year. The DTI and its Special Economic Zone (SEZ) fund has been invaluable in supporting our local, South African companies who required supplementary funding in establishing their topside infrastructure. In all of these projects, the company is already majority black-owned, and is in the process of either localising a proven foreign technology, or looking to replace an existing import business with a manufacturing, assembly and distribution facility, thereby contributing to growth in South Africa's manufacturing capabilities.

We are extremely proud of the fact that one of our tenants is a local, black-owned business from Saldanha Bay who approached the SBIDZ-LC with the need to expand operations in order to accommodate additional contracts; construction is planned for early June 2019 and is supported partially by the SEZ Fund.

Ensuring that the region and the zone has sufficient bulk and internal utility capacity was a priority for us since we began operations in 2014. Towards this end, we have implemented nearly all of our planned infrastructure projects these past 5 years, with grateful support from the DTI and its SEZ Fund, as well as the Western Cape Government for improvements and investments made in regional roads, public healthcare and human settlements and more. Consequently, we used this year to update our Infrastructure Master Plan. A first iteration has been developed and will be refined in the new financial year. Changing dynamics with regards to accessing grant funding to support our tenants' investments requires that this be a living document and process going forward.

Similarly to utility capacity, we set out to achieve a blanket Environmental Authorisation across most of the zone for our targeted markets when we began, and as intended, this did not create a barrier to entry for our tenants. However, during the year under review, we took it upon ourselves to conduct EIA processes for two large, bespoke projects that realized over the period. These processes are in progress and we look forward to concluding them successfully in the new financial year.

For the year under review, we continued to facilitate the transfer of knowledge and skills to local civil society and the business community alike. 520 Beneficiaries were trained during the year, with support from the SETAs, DEDAT, SAIMI, SAOGA and others. We sincerely appreciate the shared vision of our development partners in the pursuit of local, transformational impact to the lives of those in across Saldanha Bay.

This year the Development Programmes and Infrastructure units embarked on a new way of fulfilling our mandate and goal of local impact through establishing robust, inclusive and developmental-centred engagement structures between local small business associations, our main contractors and ourselves. These structures will enhance our ability to leverage our infrastructure capital expenditure programme towards increased local contractor capacity and resilience, and will be pivotal in managing the diverse interests and complexities that will come to bear once construction begins on tenant facilities. To date, this approach was enabled us to significantly increase local contractor spending to nearly R100.1 million by end of the 2018/19 financial year.

Contractor Development has become a key area of focus for us, and with the value-add restructuring under Development Programmes, the programme received a major boost through the establishment of a focused in-house contractor development capability and more beneficial partnerships with entities such as the Department of Transport and Public Works (DTPW) in the Province: 17 local SMME contractors benefitted from the DTPW's Contractor Development Training programme during the course of the year.

We completed the combined feasibility and draft business plan study of an Innovation Campus in the year. The study concluded that such a pioneering innovation cluster would be a highly desirable value-add as it will add significant interest in the region as a global centre of excellence. The study recommended a phased approach to the endeavour, building trusted networks with influential industry stakeholders first over time, which is keeping with our value of being partnership focused.

# Sustaining Value

Creating and delivering value cannot be a once off event, it must continue to accrue returns to shareholders and stakeholders over time.

The Whole of Society Approach (WoSA) is a Western Cape Government initiative that embeds and institutionalises a collaborative approach to service delivery which includes local, provincial and national government, state-owned institutions, the private sector and civil society to address a community's specific needs, thereby creating "public value" in communities. Saldanha Bay was chosen as a learning site in 2017 because the Western Cape Government resolved that the unprecedented mixture of public and private industrial activity, which has and is projected to take place in Saldanha Bay, presents a compelling case for innovative reform of traditional ways of governance towards socio-economic development. The SBIDZ has and will continue to be a strategic stakeholder in shaping the institutionalisation and delivery of WoSA.

Our collaborative partnership with the Saldanha Bay Municipality has grown significantly to become a mutually beneficial and well defined relationship, both at a strategic and operational level, geared towards the achievement of a shared vision. A joint planning and decision making platform has been established between ourselves, the Municipality and TNPA whereby monthly engagements are held between the respective leaders of each entity.

Saldanha Bay Municipality and Transnet are key programme partners and each have a unique role to play in the attainment of the SBIDZ's vision. Therefore our relationship is underpinned by a commitment to mutual goals, a jointly developed engagement structure, shared responsibility and the sharing of resources and ultimately the reward of pioneering the creation a world-class Oil and Gas and Maritime Service Centre in Africa.

# Outlook

Continuing our work in supporting companies to establish new facilities or expand on existing operations in the offshore and maritime sector will be one area of focus going forward, in addition to signing new lease agreements, and realizing operational revenue from those tenants once they are operational.

Whilst we do this, we will also continue our support for the implementation of dedicated, bespoke infrastructure capacity in the Port of Saldanha Bay, and working alongside TNPA in this regard. Additional quayside is the launch pad needed to take the emerging oil and gas and lagging maritime industry to new levels of market access, competitiveness and value-add to South Africa's economy.

Lastly, following the announcement of Total's gas condensate discovery off South Africa's southern coast in February 2019, we have been working closely with the Ministry of Economic Opportunities and the Western Cape Government's Project Khulisa team to keep ahead of developments following the announcement, and to ensure there is localisation and support for the project. We await the conclusion of the MPRDA Amendment Bill in Parliament, as this will provide clarity and certainty to the market on the state's view on its natural offshore endowments as it pertains to our current volatile energy landscape.

## Appreciation

**"We are a people at work.**

**We work to create plenty."**

The quote above is an extract of the Vision Statement in the National Development Plan 2030. It speaks to our daily endeavour here in the SBIDZ and broader, in South Africa. Our task is complex and requires diligent and daring effort, and at times, difficult trade-offs must be made.

I have, and always will be, deeply appreciative of the team we have assembled in the SBIDZ these 5 years as they make the possibility of plenty through their committed work. In that vein, I sincerely thank the Board for their wisdom and insight to these matters of our "work".

To our programme partners, the Saldanha Bay Municipality, the local business community and civil society, the DTI, TNPA, the IDC, all Provincial Departments and the respective Standing Committees in the Provincial Parliament, I thank them for their support and curiosity: learning together is invaluable and accountability is strengthened through it.

To the Minister of Trade and Industry, Dr Rob Davies, the Minister of Economic Development, Mr Ebrahim Patel, the Ministers of Economic Opportunities, respectively Mr Alan Winde and Ms Beverley Schäfer, and the Executive Mayor of Saldanha Bay, Mr Marius Koen and special thanks are expressed for your visionary leadership. To the Head of Department of Economic Development and Tourism, Mr Solly Fourie and his team, sincere gratitude and appreciation for your leadership, co-operation and support on all matters related to our development and operations.

**Kaashifah Beukes**
**Chief Executive Officer**
**31 July 2019**

# 5.

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

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

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor-General.

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

The annual report has been prepared in accordance with the guidelines on the annual report as 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.

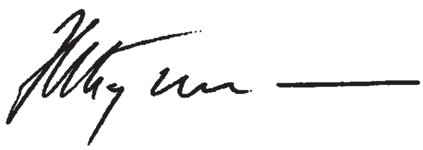
The accounting authority is responsible for establishing, and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

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 2019.

Yours faithfully

**Chief Executive Officer**
**Kaashifah Beukes**
**31 July 2019**



**Chairperson of the Board**
**Dr Johann Stegmann**
**31 July 2019**

# 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 upstream oil, gas and marine repair, fabrication, logistics and related servicing cluster:

- The ease of doing business
- A competitive environment
- Supporting Infrastructure
- 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:

- Having a shared vision
- Passionate ownership
- Going the extra mile
- Empowerment
- Self-Development
- Mutual respect
- Collaboration and partnership
- Pioneering spirit
- Sound decision making and judgement

# 7.

# LEGISLATIVE AND OTHER MANDATES

## Legal Framework

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

## National

The IDZ programme was gazetted in 1999 as an incentive programme under the Manufacturing Development Act (Act 187 of 1993). The regulations for the IDZ programme were promulgated in 2000. It was published in Gazette number 1224 of 1 December 2000, as amended by government notice number

R1065, published in Gazette number 29320 of 27 October 2006. The overall regulatory framework for the IDZ programme comprises of the following legislation:

- The Manufacturing Development Act as amended.
- The IDZ Regulations and subsequent amendments.
- The Special Economic Zones Act (Act 16 of 2014).
- Section 21A of the Customs and Excise Act (Act 91 of 1964), and relevant provisions of the Value-Added Tax Act (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 (SIP5).

## Provincial

The SBIDZ in line with the IDZ Regulations is operated by the SBIDZ-LC as designated in the Government Gazette No. 26988 of 2013, and is jointly funded and supported by the National Department of Trade and Industry (DTI) and the Western Cape Provincial Department of Economic Development and Tourism (WCDEDAT) The SBIDZ-LC successfully applied to National Treasury to be listed as a Schedule 3D Provincial Government Business Enterprise, making it further subject to the following legislative mandates:

- Income Tax Act, 1962 (Act 58 of 1962);
- Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000);
- Public Finance Management Act, 1999 (Act 1 of 1999) and its regulations;
- Companies Act, 2008 (Act 71 of 2008) and its regulations;
- Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (WC Provincial Act 1 of 2016);
- Value-Added Tax Act, 1991 (Act 89 of 1991);

- Customs and Excise Act, 1964 (Act 91 of 1964);
- Customs Duty Act, 2014 (Act 30 of 2014);
- Customs Control Act, 2014 (Act 31 of 2014).

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

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

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

## Other legislation

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

Employment Equity Act, 1998 (Act 55 of 1998)

Labour Relations Act, 1995 (Act 66 of 1995)

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

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

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

The Constitution of South Africa, 1996

Skills Development Act, 1998 (Act 97 of 1998)

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

National Treasury Regulation, 2005

Provincial Treasury Instruction, 2012

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

# 8. ORGANISATIONAL STRUCTURE

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

- Ease of Doing Business;
- Commercial Management (Transaction & Investor Support);
- Business Development;
- Infrastructure Development;
- Development Programmes (Skills, Enterprise & Contractor Developments);
- Stakeholder Management.

## Executive Management

**K Beukes**
Chief Executive Officer

**H Boneschans**
Chief Financial Officer

**D Southgate**
Chief Operating Officer

**B Mahlangu-Durcan**
Ease of Doing Business

**A Preller**[1]
Transaction & Investor Support

**L Peinke**
Business Development

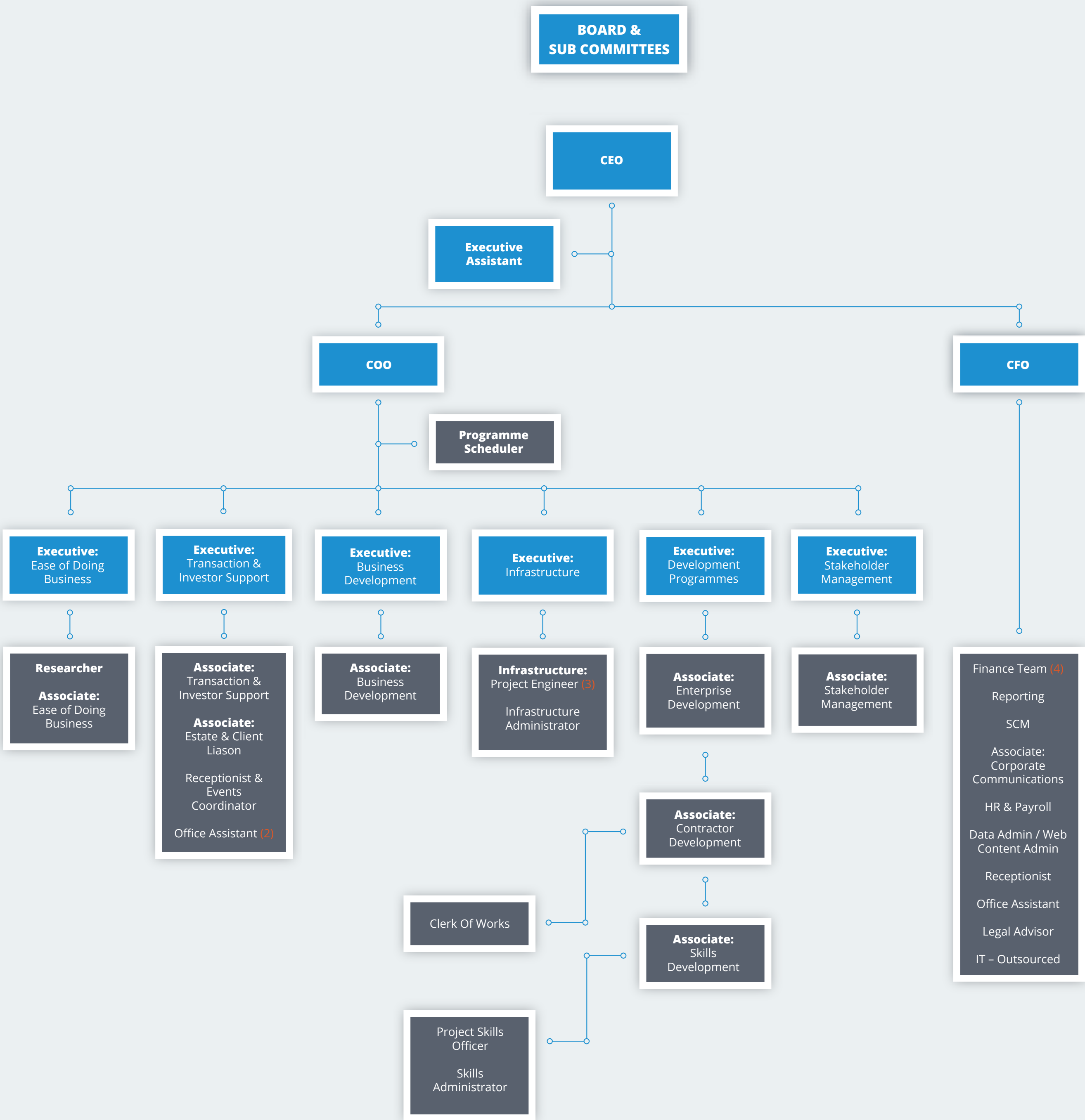
**J Marais**
Infrastructure

**P Lakabane**
Development Programmes

**D Manuel**
Stakeholder Management (Acting)

[1] Appointed on 10 June 2019

# ORGANISATIONAL STRUCTURE: BOARD & SUB COMMITTEES



# 9.

# BOARD OF DIRECTORS

The Board is composed of representatives of the founding partners from 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, a representative from the Saldanha Bay business community as well as industry experts.

**Johann Stegmann**
**Board Chairperson**

Acquired a Bachelor's degree in Medicine and Surgery (MB.ChB) from the University of Pretoria in 1969; and in 1999 and 2001 respectively, a Postgraduate Diploma in Economic Principles, followed by a MSc in Economics, both at SOAS, University of London,.

Work-wise after 1969, a number of years were spent practicing the art and science of medicine in Gauteng and Namibia respectively.

In the late seventies a shift into full-time health administration and management followed, initially in Namibia and then in the old Cape Province, as resource and financial Health management became more compelling. This morphed into being appointed as the Deputy to then Provincial Secretary and in 1994 as the Provincial driver for the phasing-in of first-ever democratic Constitution.

That led to the entrustment of the Western Cape Provincial Treasury function up to the end of December 2014. Post this to date, have been made responsible for strategic coordination in the Office of the Director-General of the Western Cape Government, as well as appointed to the Chair of the Saldanha Bay IDZ entity.

**Justice Ngwenya**

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

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

In 1997 he joined Triton South Africa, as a National Sales Manager, he was involved in reviewing business plans, strategies and budgets as part of the Executive team. In 1999 he joined KPMG as a Senior Consultant in the Advisory Unit and was seconded onto a World Bank Funded international Project driven by the Department of Trade and Industry (the dti). In 2004 Mr Ngwenya joined the Department of Trade and Industry 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 one of the key programmes of the dti 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 entail management of about R1.6 billion per annum. He sits in the Adjudication Committees of some of the dti programmes as a member.

### Basetsana Mathibe

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

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

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

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

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

### 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 sector9 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.

### Thembisile Salman

Mr Thembisile Salman holds a BSc Honours degree majoring in Chemistry and Biochemistry from the University of Fort Hare, a BSc degree in Chemical Engineering from The University of Cape Town as well as an MBA in finance from the University of Cape Town Graduate School.

In 2002 Mr. Salman started his technical career at Sasol Limited as an operations engineer in their graduate programme. Later he was appointed as lead engineer to assist Sasol Technology in putting together a CTL proposition for the India Government which resulted in securing a Joint Venture partner in Tata. In 2008 he was appointed as manager of Sasolburg Utilities and Environment team to drive the infrastructure expansion and other projects in Sasolburg.

In 2011 he joined the Industrial Development Corporation (IDC) as a Senior Project Development Manager with various expertise and a preferred focus on Oil & Gas.

## Heinrich Mettler

Mr Mettler studied at the Cape Technikon where he obtained a National Diploma in Civil Engineering. He then completed his Diploma in Business Administration at Damelin College in George and later obtained his BTech Business Administration and his MBA at the Port Elizabeth Technikon.

Heinrich joined the Department of Water Affairs in George as the Manager of Maintenance and Contraction and as the Manager of Calibration. He later joined the Development Bank of South Africa as a Junior Project Manager and later as a Civil Engineering Expert. In 2011 he became the Municipal Manager at the Prince Albert Municipality and was awarded the MFMA: Most Improved Audit Award for medium capacity municipalities in the Western Cape as well as best Integrated Residential Development programme for the Western Cape Govern Mbeki Award 2018, sharing the position with Saldanha Bay Municipality. In 2018 Heinrich was appointed as Municipal Manager of Saldanha Bay Municipality.

## John Smelcer

John has more than 15 years' experience working in the Energy & Infrastructure sectors with a focus on gas projects where he has been involved in some of the largest LNG projects in emerging economies including across the African continent as well as working on gas fired power projects and other gas transportation and downstream utilisation projects. Having previously worked for Webber Wentzel and Latham & Watkins on the legal side and as an independent commercial consultant, John now leads the development of the Temane gas fired power project for Globeleq in Mozambique and plays a leadership role in growing Globeleq's gas business across the African continent.

In addition to his Globeleq role, John regularly leads training seminars with senior government officials and other stakeholders related to energy and oil & gas developments and financings. John also is an LNG expert for the US Government's Departments of State and Commerce and provides technical assistance with respect to LNG projects to governments around the world with a focus on new LNG buyers.

John holds a Juris Doctor of Law degree from the University of Washington and an undergraduate degree from the Woodrow Wilson School for Public Administration and International Affairs at Princeton University. He is a member of the New York bar.

## Kaashifah Beukes

Kaashifah Beukes is the Acting Chief Executive Officer of the Saldanha Bay IDZ Licencing Company SOC Ltd, and is responsible and accountable to the Board of Directors for the management of the company and delivery of the SBIDZ's mandate and operationalisation strategy. Kaashifah has been with the SBIDZ-LC since its start up in 2014.

Kaashifah has 8 years' experience in leading people and teams through complexity and risk, and just under a decade of experience in design, construction and project management of civil engineering infrastructure. Kaashifah is passionate about making a sustainable, transformative impact, especially at the community level. Kaashifah holds a BSc in Civil Engineering and an MBA from the University of Cape Town.

## Herman Boneschans

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).

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

## Edwin Obiri

Edwin's professional career began when he was selected to participate in a talent development programme for Siemens AG. He worked as an intern with Siemens on various projects and assignments in the US and in Germany over a period of 4 years. He then assumed a role as a business development manager for an investment fund based in Johannesburg and Accra. There he developed a mining procurement business with blue chip clients including Anglogold Ashanti and BP/Castrol SA.

Edwin then joined Citigroup South Africa as a management associate and worked in Kenya, Tunisia and Egypt in various departments of the bank. He joined the corporate finance team at Citigroup South Africa covering East Africa and Non-Presence countries and eventually joined the Fixed Income Currencies and Commodities team in Johannesburg as a Corporate Sales Dealer with specific product coverage of commodities, foreign exchange and money market structured products.

Edwin founded several businesses including Powerbet Gaming (PTY) Ltd, Africore Energy Ltd, Empower Workforce Solutions Limited, Empower Facilities Management Limited, Frontier Pipeline Services Gh. Limited, among others. Edwin holds a Bachelor of Business Systems Degree from Monash University.

### Linda Seroka

Ms Seroka obtained her a B.Compt Hons at the University of Natal and later completed her MBA at GIBS, University of Pretoria.

Linda completed her TOPP articles in 2003 and became an internal consultant and a resource of choice in driving large scale strategic transformation programmes across different disciplines at Transnet. After joining Deloitte Consulting in 2011 she served as a Client Account Manager and later a Consulting Lead Director for one of the top 20 "Office of the CEO Clients". She is currently the Business Development Officer at TNPA responsible for the Commercial and Marketing department and lead the development and implementation of TNPA business strategy to position TNPA as a competitive system of Ports globally.

### Irvin Esau

Irvin Esau obtained his B-Comm in Management Accounting in 1991 and later completed a Management Development Programme at the University of Stellenbosch.

In March 1998, Irvin started as a Management Accountant at Sea Harvest Ltd in Saldanha Bay and later was promoted to Group Admin Manager in 1999.

In July 2000, Irvin joined Sea Vuna Fishing in Mossel Bay as a General Manager and in 2001 was appointed as the Managing Director until 2006.

In April 2006, Irvin moved back to Sea Harvest in Saldanha Bay where he worked as the Operations Executive and later was appointed as the Operations Director until 2014.

In 2014, Irvin made the decision to explore his options in the property market and is now a self-employed businessman developing property in and around Saldanha Bay.

### Sollie Marthinus
### Company Secretary

Mr Sollie Marthinus acquired a BProc degree and a LLB degree 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 private and public sector experience and has spent the last couple of years working in both the local and provincial spheres of government. Mr Marthinus has a strong background in the fields of Constitutional law, Administrative law, Corporate law and governance, municipal governance and municipal and provincial legislative processes,. Mr Marthinus was appointed as the Company Secretary of the SBIDZ-LC on 24 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 any 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 70 of the Report of the Auditor-General, published in Part E: Financial Information.

# 2.
# SITUATIONAL ANALYSIS

## 2.1. Service Delivery Environment

### *Emerging SEZ Trends*

Historically, priority in SEZ Programmes has largely been placed on economic growth impacts, as countries aim to industrialise their economies, attract investments and stimulate employment. And as their initial SEZs mature and evolve, and are seen as successful ventures, countries may expand their policy view to include elements of good environmental stewardship and advanced skills and enterprise development. Recent reports and presentations by UNCTAD[1], UNIDO[2] and FEMOZA[3] however underscore the multi-faceted responsibilities of SEZs in the twenty-first century: that they must contribute to growth that is socially, economically and environmentally sustainable.

UNCTAD proposes an entirely new type of SEZ: the SDG Model Zone. Their latest report argues that based on increasing competition for investments for industrial development and more difficult trade climates, and increasing regard for the important role that environmental, social and governance factors can play in promoting investment in emerging markets, SEZs must transform into this new type of SEZ: *"SDG model zones could act as catalysts to transform the "race to the bottom" for the attraction of investment (through lower taxes, fewer rules and lower standards) into a race to the top – making sustainable development impact a locational advantage...The key objective should be to make SEZs work for the SDGs: from privileged enclaves to sources of widespread benefits."*

Echoing the awareness of the complexity of the challenge before SEZs (and their governments), UNIDO advocates for inter-disciplinary approaches to industrial development policy and design, where cross-cutting, problem-solving approaches are trialled and tested, all supported by an integrated innovation ecosystem; ultimately where the unique nature of each SEZ and each host city or region supports the development and experimentation of practical solutions for the context of their location and markets.

FEMOZA offers a blunter guide to making SEZs successful in the 21st Century: Location, location, location; good infrastructure; power; an available labour force; agreements with local universities; flexible law (which enables competition with the rest of the region); and lastly, comfort and security.

For the SBIDZ, these discourses on a zone's purpose and design present some key considerations in setting the strategic focus of the company for the next 5 years, and at a high level include such aspects as sustainability, continued attractive investment propositions, possible value addition, integrated spatial and connected development, place-based transformation and inclusive benefits, clear business goals, good communication, understanding and effectively channelling local aspirations, energy and water availability, appropriate skills, good governance, efficiency, dynamism, agility, forward looking, catalytic and the integrating role of the SBIDZ.

[1] World Investment Report 2019: Special Economic Zones, UNCTAD, 2019
[2] "UNIDO & Special Economic Zones / Industrial Development Zones: Trends, Possibilities and Realities", Presentation by Conrad Kassier, UNIDO, April 2019
[3] Presentation by Juan Torrents, FEMOZA, April 2019

## *Local Environment*

Saldanha Bay has the undeniable advantage of being on one of three global trade routes (Suez, Panama, SA), with the Port of Saldanha within one day of the global Southern trade route. The bay has the largest and deepest port in the Southern Hemisphere. It has good road infrastructure to Cape Town and Johannesburg, and also good rail infrastructure into the hinterland of South Africa, therefore minerals, metals, and agricultural products can easily be brought in for further processing and/or export, and likewise, imported goods can easily be transported into the rest of SA. And finally, it is within 2 hours drive from Cape Town, and thus has access to a metropolitan city that can serve the needs of more people and business alike.

These advantages make Saldanha Bay an excellent location for development for many different sectors and industries. However, there are some key constraints and opportunities to the potential of the region's development that must be considered in taking a view on the overall potential of the region going forward.

Some constraints include: water is a major fixed constraint for development of any kind, within the current engineering and design paradigm of water supply in South Africa. The availability of suitable land or sea, where relevant to a particular industry, is another fixed constraint: suitability is highly dependent on environmental status and zoning. Lastly, skilled labour and electricity supply are short-term constraints that can be overcome through interventions (Stratecon, 2019).

Some opportunities include: The degree to which industries can use either treated effluent water or groundwater, rather than potable water, would be a major opportunity to attract industries into the region, and an opportunity to meet the SDGs; Saldanha Bay offers a closer distance to markets for some specific industries, e.g. local-area tourism, maritime-based industries like boat building and repair; Rents and land costs in the Saldanha Bay area are low relative to Cape Town, but conversely, the low costs may need to be offset against the possibility of higher transport costs; Saldanha Bay has sunshine, wind, the Langebaan peninsula and sea access.

Within the social context, as a universal factor of the local environment, a comprehensive qualitative survey undertaken across the seven towns of the Municipality in 2015 revealed key matters to consider in the region's socio-economic context (Mthente, 2015). Key findings in the survey revealed that the communities are primarily young people (18-35 years) with a low level of education, and that the communities are willing to engage with the private sector. However, there are issues of deep mistrust, coupled with high expectations regarding the benefits of development. Further, the survey found that awareness of the SBIDZ is highly localised to the Saldanha Bay town itself, meaning building a sense of inclusion and transparency is of paramount importance for the SBIDZ-LC. Lastly, that the communities' identified needs include improved access to educational and training facilities, as well as more facilities for the area's youth. This, especially, in response to overwhelmingly concerns on the abuse of drugs and alcohol amongst youth – and adults as well overall. In aiming to understand the communities' needs, aspirations and visions for the future, the survey revealed that ideas and dreams for the future are affected by desperation, apathy and destitution, where poor residents in particular have limited access to the financial, social and educational resources needed to achieve their goals.

In the holistic context of the Saldanha Bay municipal region, trade-offs will need to be made and managed with respect to its natural and man-made advantages, constraints, opportunities and social contexts, to develop the full potential of the region, including people and environment. The development of such trade-offs, and remedial steps thereof, will require close consultation and engagement with stakeholders, and in particular those government departments and entities that share or own the responsibility of the management of trade-offs.

## *Emerging Market Trends and Status*

### The South Africa Oil and Gas Market

South Africa's upstream sector is continuing to attract investor interest following a major discovery announced earlier in 2019. However, the country's upstream potential remains constrained by regulatory uncertainty as the South African government is in the process of reviewing oil and gas legislation. South Africa has one of the largest downstream sectors in Sub-Saharan Africa, but it is running considerably below its capacity and is unable to meet domestic fuels needs. Unless the existing refining facilities are modernised or replaced by new ones, the country will become even more dependent on fuels imports (Fitch Solutions Macro Research, July 2019).

### The Sub-Saharan Africa Oil and Gas Market

Investment in Sub-Saharan Africa is showing signs of recovery as marginally higher oil prices and strengthened investor confidence underpin renewed interest in frontier and under-explored areas. A global revival of interest in deep-water plays holds some promise for exploration in the region. However, the medium-term oil production forecast is clouded by a severely dwindling project pipeline and heavy decline rates at maturing assets across several markets. Prospects in the gas sector are brighter, with export-led projects continuing to make progress (Fitch Solutions Macro Research, July 2019)

### The Global Oil and Gas Market

As at mid-2019, trade war impacts have reduced the demand growth trajectory for both the US and China. Wider global economic headwinds have also impacted India where growth rates have turned down rather than up. OPEC, led by Saudi Arabia, continue to hold new supply from the market with the latest extensions of OPEC+ production cuts agreed to March 2020. The lengthening of cuts from six-month rolling agreements to nine-month pacts show that more management of supply is needed, without this management, oil prices would be significantly lower. US Shale producers have pared back investments to focus on increasing profitability, though output continues to grow albeit at slowing pace. The uptick in rigs drilling internationally has increased for both onshore and offshore rigs with 16% and 29% rises, respectively. Fitch attributes the increase in exploration budgets to record cash flows from elevated oil prices and the waning volume of low cost greenfield projects which have spurred investment in exploration. Seasonal trends countered their expectations that increased refinery output for diesel would swamp gasoline markets in the ramp up to IMO 2020. However, Fitch notes the second half of the year should support divergence and any run-up for diesel should have an amplified effect (Fitch Solutions Macro Research, July 2019).

### West & East Africa Port Infrastructure

The rising demands of rapidly growing populations across these regions continues to drive investments into better quality sea ports, and transport infrastructure to facilitate trade with underserved landlocked areas. Rail development plans are targeted at boosting access to landlocked markets, and this will also require investment in port facilities to meet increased demand and transhipment traffic.

Considering the extent of services and manufacturing demand that would be generated by these traditional oil and gas-centred African markets, it is interesting to note that the bulk of these port projects are focused on containerisation and dry bulk cargo handling capacity - only Banana Deep Water Port in the Congo (DRC) is for new quays, which will be an integrated greenfield port, industrial and logistics zone. This is perhaps indicative of countries and markets discounting the ability to set up and operate successful maritime services, logistics and manufacturing bases in these countries industrial sectors.

## *Conclusion*

Noting the status and trends of the oil, gas and maritime markets in South Africa and abroad, the strategic focus of the SBIDZ going forward must be centred on Africa over the next 5 years to strengthen the zone's positioning. And further, that lower carbon strategies be explored with innovative approaches to zone waste management policies, circular economies, and new incoming standards for the shipping industry from the IMO. To support the strategic focus on African markets and as an economic enabler for South Africa, the strategic focus must be inclusive of liaison with South African, Provincial and local industry bodies and business associations. And further, assess the repairs and fabrication potential within the nascent maritime industry, both from an investment potential and demands placed on support facilities such as a dry dock, quay facilities, and the like.

For the first 5 years of its operations, the SBIDZ-LC has set in motion some elements of these aspects, as part of its current 5-Year Strategic Plan and the subsequent annual Corporate Plans tabled previously: The performance indicators are evidence of that forethought and progress. Thus, as the activity in the zone changes, the successive strategic objectives and performance indicators will change, and these will be considered against the context of the emerging trends in SEZs, the context of the Saldanha Bay municipal region, and the status and trends of the oil, gas and maritime markets in South Africa and abroad.

## 2.2. Organisational Environment

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

By using the vehicle of an SEZ to facilitate sustainable economic growth in the Saldanha Bay Area, the SBIDZ-LC has enabled the required level of infrastructure development and support to capitalise on the unique value proposition of an upstream oil, gas and marine repair, fabrication, logistics and related servicing cluster to support the African continent, thus ensuring sustainable economic development not only for the area, but for a sizeable contribution to the national GDP of the country.

## 2.3. Key Policy Developments and Legislative Changes

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

## 2.4. Strategic Outcome Oriented Goals

To establish an 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:<br>• Facilitating a cumulative contribution to National GDP by investors within the SBIDZ of **R16.133 billion** by the end of the FY 2019/20.<br>• Facilitating a cumulative contribution to the Western Cape GDP of investors in the Zone of **R13.7 billion** by the end of the FY 2019/20. |

# 3.

# PERFORMANCE INFORMATION

## Programme 1: Administration

### *Purpose*

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

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

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

### *Programme Structure*

The programme is structured to include the following functions:

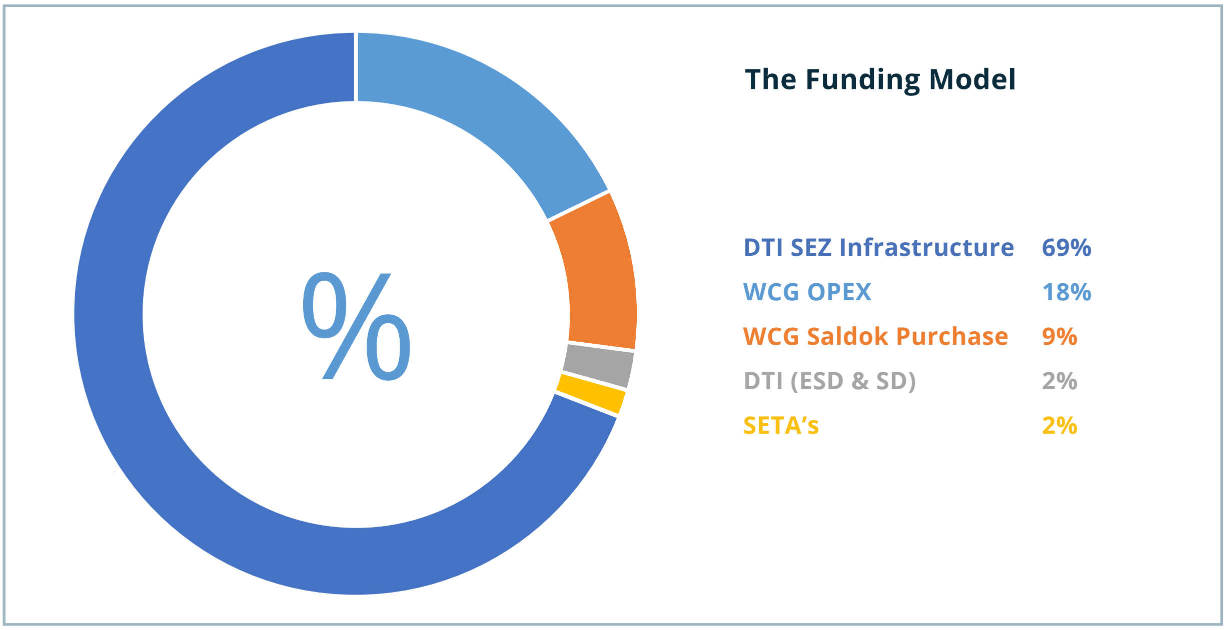
- Governance
- Financial Management
- Human Resource
- Supply Chain Management
- Information Technology
- Legal

### *Funding*

Operations are funded by the Western Cape Government, whilst Infrastructure is funded by the National Government by way of the Special Economic Zone (SEZ) Fund.

Western Cape Government has also funded the purchase of the Saldok land from the IDC.

Skills and Enterprise Development are funded from various sources as it does not form part of the formal funding programme. Below is a depiction of the funding model.



## 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 2017/18 | Planned Target 2018/19 | Actual Achievement 2018/19 | Deviation from planned target to Actual Achievement for 2018/19 | 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 2016/17** | **Actual Achievement 2017/18** | **Planned Target 2018/19** | **Actual Achievement 2018/19** | **Deviation from planned target to Actual Achievement for 2018/19** | **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 implemented | 4 frameworks reviewed | 4 frameworks reviewed | – | – |
| Number of frameworks developed and implemented to monitor and manage tenant lease agreements | – | 1 framework implemented | 1 framework reviewed | 1 framework reviewed | – | – |

**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 servicing industries.

## *Programme Structure*

The programme is structured to include the following functions:

- Ease of Doing Business
- Business Development
- Commercial Management (Transaction & Investor Support)
- Infrastructure Development
- Stakeholder Management
- Skills Development
- Enterprise Development
- Innovation

DEVELOPMENT PROGRAMMES (Incl. Contractor Development

The main focus areas of each work-stream are included below:

## *Ease of Doing Business (EoDB)*

The EoDB work stream aims to establish a world class, proactive way of operating in the zone and port that takes doing business in Saldanha easier for all, because doing so will ensure, and increase, the SBIDZ's comparative advantage to its targeted markets.

Consistency, certainty and fairness are the primary deciding factors in port calls across the globe, with price increasingly becoming part of that decision-making matrix as markets become more and more cost competitive.

The SBIDZ-LC must establish a reputation that engenders trust and repeat visits to the port. With a long-term view of the realised and touted public and private investments in the SBIDZ, the entire value chain is considered in the EoDB work stream, such as estate management, port operations, tenant services, services from the public sector, adjacent business offering, local skills, transportation, energy, water, local environment, and more.

Materially, the EoDB work stream focusses on six key elements of the SBIDZ's long-term sustainability and value offering:

- Freeport Model
- Stream lined investor procedures
- Serviced land
- Skilled labour and quality suppliers
- Land and quayside infrastructure
- Incentives

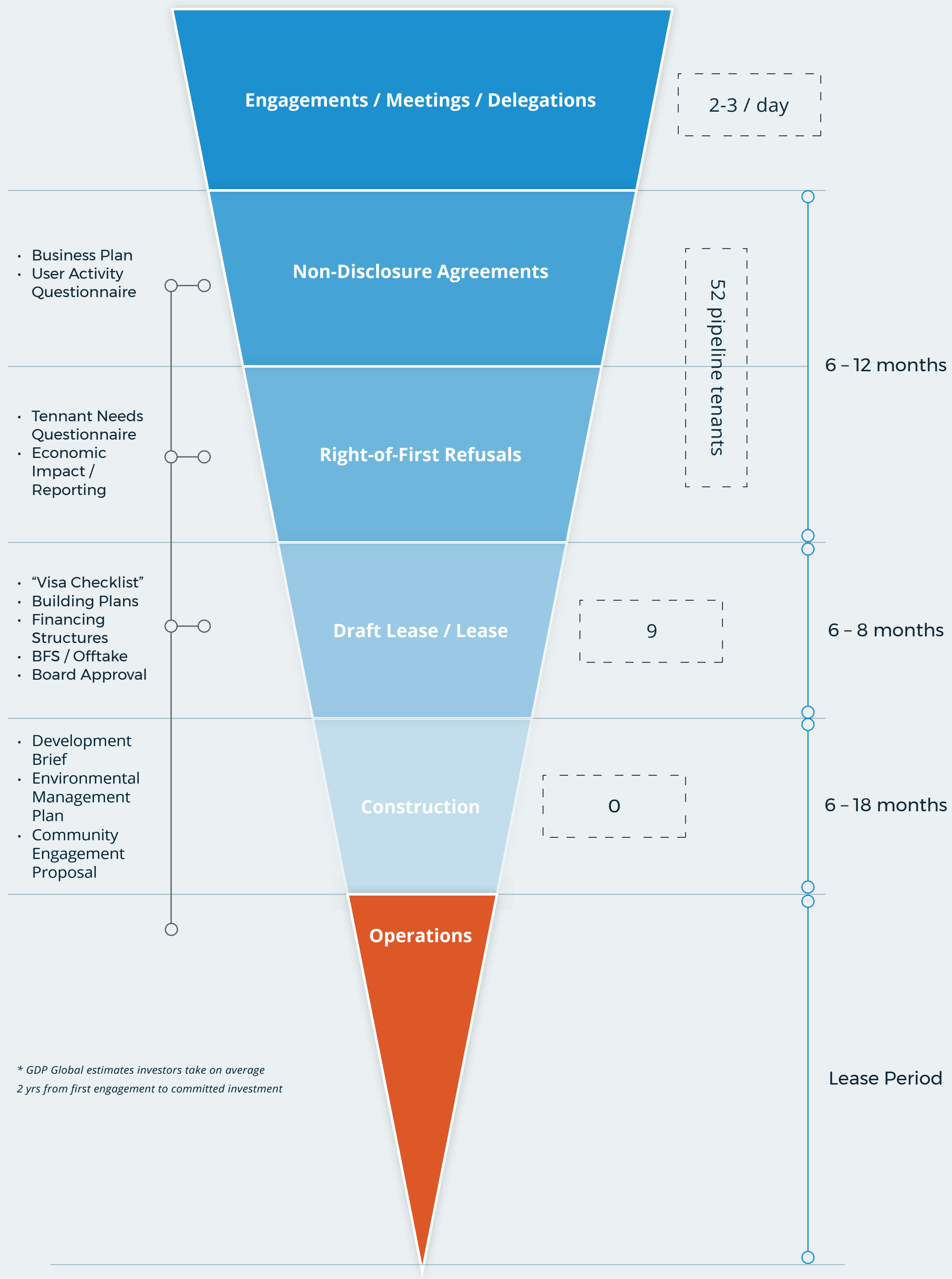

## *Business Development*

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

The SBIDZ has established a robust and growing tenant pipeline, with 9 signed leases (as at 31 March 2019) with an investment size of just over R3 billion in sectors including Vessel Fabrication, Aluminium LPG Cylinder Manufacturing, Support Services, Vessel Servicing and Repair, Fuel Blending and Storage, Oil Recycling and Lubricant Blending, and HVAC Pipe Manufacturing (Oil & Gas, Marine).

A further 5 leases are in advanced negotiations, with an investment size of R656 million in sectors including), Equipment Servicing and Repair, Supporting Logistics, Offshore data centre (Bespoke for Oil & Gas), LPG Gas Cylinder Maintenance and Distribution, and Oil and Gas Equipment Fabrication (Africa market).

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



## *Commercial Management (Transaction & Investor Support)*

The Transaction and Investor work-stream focuses on optimal support and retention of Tenants and the long-term self-sustainability of the SBIDZ Estate. Estate Management and Transaction & Investor Support are the two main focus areas:

### Estate Management

Building on the best practice leasing model developed previously, the Transaction and Investor Support work-stream is 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 first investor is expected to locate in the SBIDZ in FY2019/20.

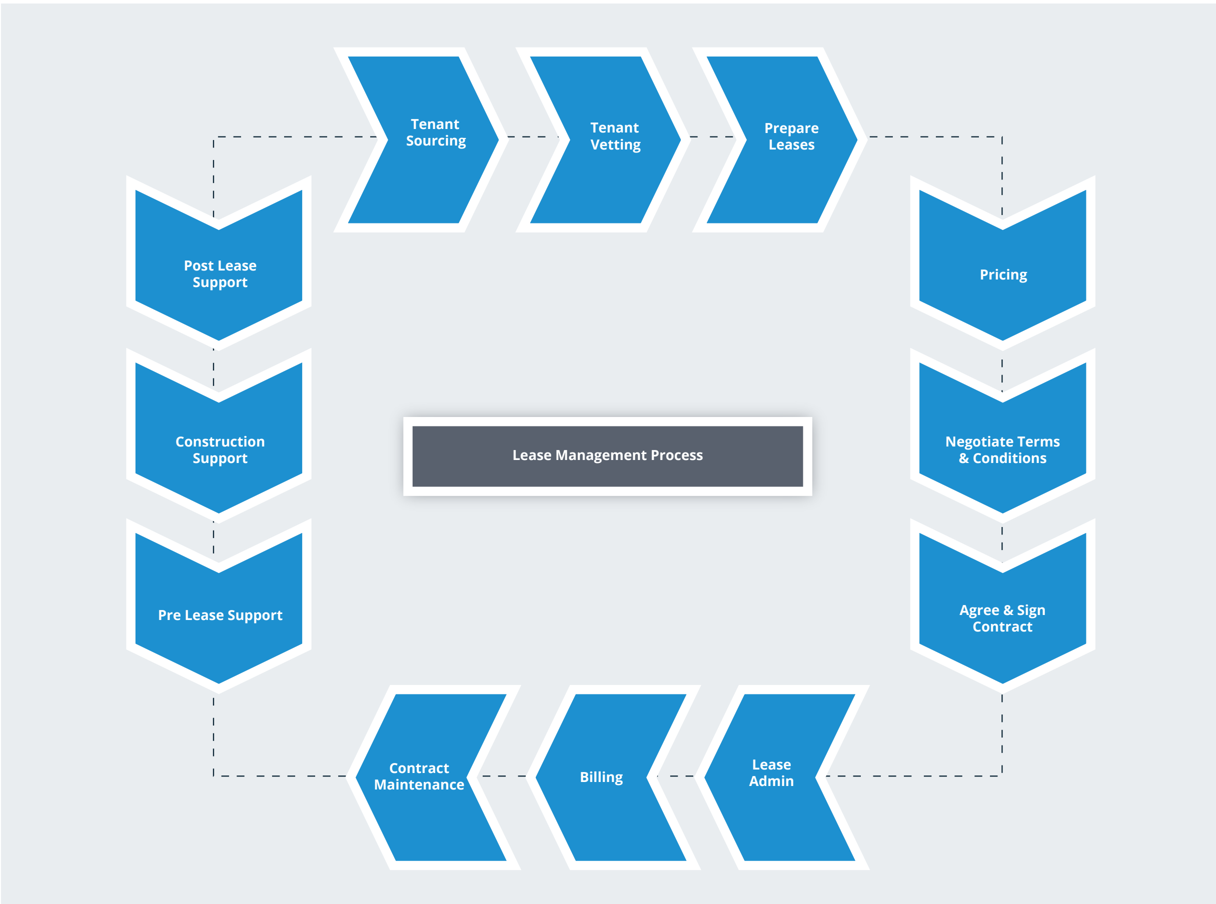
This covers

- Estate Access
- Estate Maintenance
- Estate Safety & Security
- Estate Utilities
- Other
  - ICT Broadband
  - Canteen & Conferencing
  - Common Parking
  - Transport
  - Waste Management

### Transaction & Investor Support

Transaction & Investor Support includes targeted tenant support activities such as investments into generic top structures, providing access to specialist operators and facilities and establishing a Zone Labour Agreement.

## LEASE MANAGEMENT PROCESS



## *Infrastructure Development*

To date, Infrastructure Development focused on the provision of relevant external and internal bulk services to enhance the zone's value proposition. The year under consideration includes the commencement of the servicing of land in the Port of Saldanha and construction of an Access Complex in the zone. Currently, the key focus is preparing a master plan for the systematic and effective occupation of the land by tenants, once the zone is in full operation.

| Completed projects | Completion date |
|---|---|
| Internal Engineering Services (Saldok land) | Q4 2016/17 |
| Upgrade Saldanha Bay Waste Water Treatment Works | Q3 2017/18 |
| Link road and Bridge | Q3 2017/18 |
| Extension to Besaansklip Reservoir | Q4 2017/18 |
| Erection of Saldok Security fence | Q1 2018/19 |

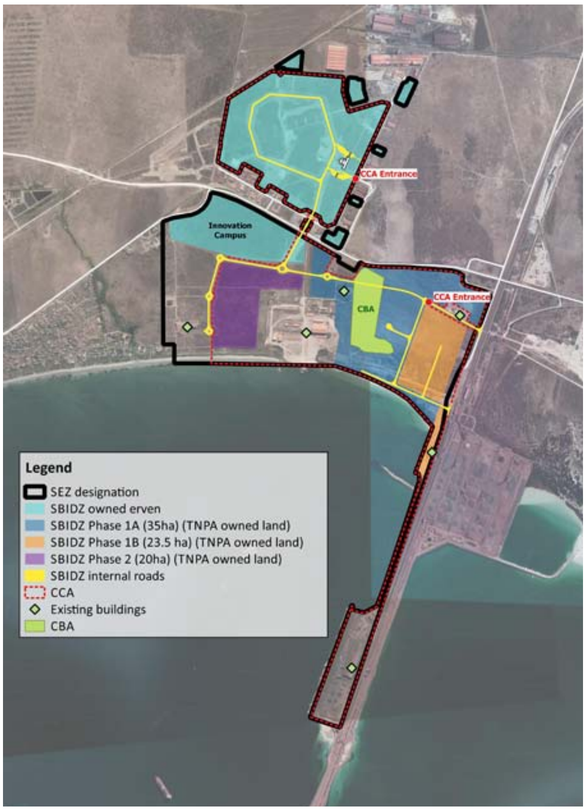
**Current projects**

| | |
|---|---|
| Access and Ease of Doing Business Complex | Q3 2019/20 |
| Internal Engineering Services (Port land) | Q4 2019/20 |
| Leasing Facility | Q4 2019/20 |

**Future projects**

| | |
|---|---|
| Various Tenant Structures | Q4 2021/22 |

The Phakisa projects, are included in tenant structures as the modality of their delivery is subject to a Transaction Advisory process, initiated by the TNPA in January 2019.




## *Stakeholder Management*

The SBIDZ-LC 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 SBIDZLC operates, means that there is a vast number of stakeholder relationships the SBIDZ-LC 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-LC to ensure the longevity of key partnerships and mutual outcomes and synergies.

Stakeholder management and engagement is therefore a dynamic process central to effectively managing and communicating the SBIDZ's vision. Establishing mutually beneficial partnerships with stakeholders who have an interest in and those who are affected by the SBIDZ operations is a strategic imperative for the SBIDZ-LC. The guiding principles governing our stakeholder engagements and relations are to be purposeful, inclusive, transparent and respectful. Our key programme stakeholders include the Western Cape Government, National Department of Trade and Industry, Saldanha Bay Municipality and Transnet National Ports Authority (TNPA).

The Whole of Society Approach (WoSA) is a Western Cape Government (WCG) initiative that embeds and institutionalises a collaborative approach to service delivery which includes local, provincial and national government, state-owned institutions, the private sector and civil society (viz. stakeholders) to address a community's specific needs, thereby creating "public value" in communities. Saldanha Bay was chosen as a learning site as the WCG resolved that the unprecedented mixture of public and private industrial activity which has and is projected to take place in Saldanha Bay presents a compelling case for innovative reform of traditional ways of governance towards socio-economic development. The SBIDZ has and will continue to be a strategic stakeholder in shaping the institutionalisation and delivery of WoSA.

In a determined effort to address the socio-economic challenges in Saldanha Bay in an integrated and co-ordinated manner, the SBIDZ-LC has entered into a Socio-Economic Development Cooperation Agreement with Saldanha Bay Municipality. The fundamental purpose of the agreement is to ensure the alignment of efforts towards building a socioeconomic ecosystem that supports the successful participation of the broader Saldanha Bay Community in the growth and development prospects catalysed by the SBIDZ.

Our collaborative partnership with the Saldanha Bay Municipality has grown significantly to become a mutually beneficial and well defined relationship both at a strategic and operational level geared towards the achievement of a shared vision. A joint planning and decision making platform has been established between ourselves, the Municipality and Transnet whereby monthly engagement are held between the respective leaders of each entity. Saldanha Bay Municipality and Transnet are key programme partners and each have a unique role to play in the attainment of the SBIDZ's vision. Therefore our relationship is underpinned by a commitment to mutual goals, a jointly developed engagement structure, shared responsibility and the sharing of resources and ultimately the reward of pioneering the creation a World Class Oil and Gas and Maritime Service Centre in Africa.

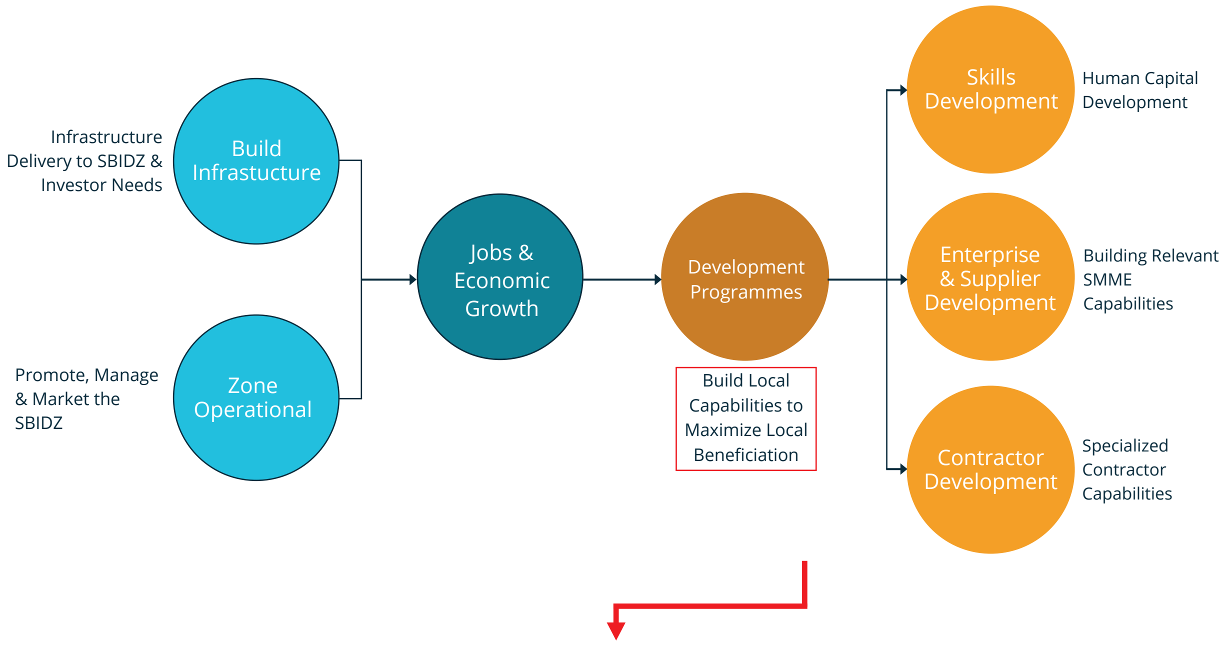
In respect of the Saldanha Bay Oil and Gas and Marine Repair related Operation Phakisa projects and property management matters with Transnet we have instituted regular progress engagement with the appropriate Transnet structures and workforce to influence and monitor development of our joint initiatives. These engagement have facilitated accountability and ensured momentum of our joint initiatives (i.e Operation Phakisa Projects, Lease Agreements, Memorandum of Agreement and Environmental Impact Assessments).

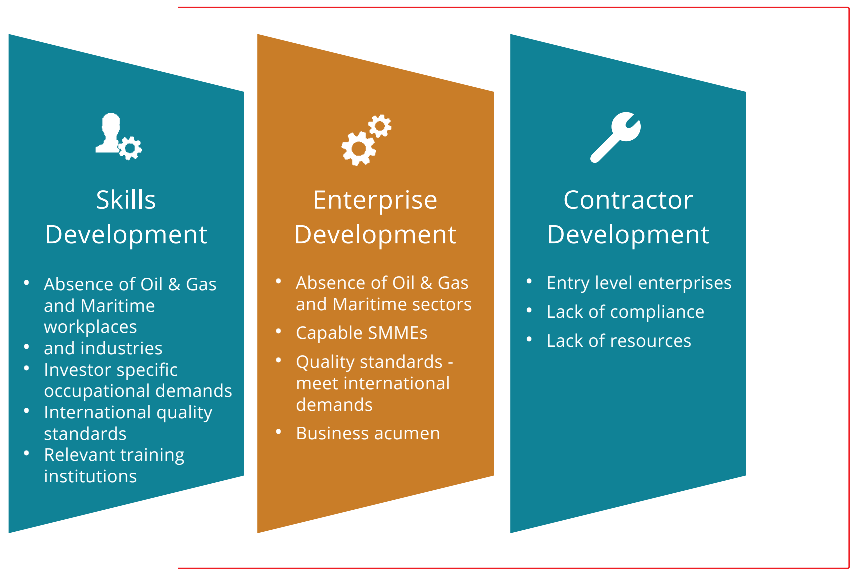
Furthermore, constructive and robust stake-holder relationships have been established with a wide range of diverse stakeholders including National Government, Local Business Community, Private Sector, Civil Society and Industry Association and Agencies.

## *Development Programmes (Skills, Enterprise & Contractor Development)*

The Development Programmes Work-streams mandate is to facilitate the development and broadening of the local skills available within the SBM area, as well as the competence levels and capacity of local businesses, enterprises and contractors. To ensure increased local participation and beneficiation in both our construction and operational phases, it is required from us to form strategic under-standing and relationships with key main contractors and investors in the SBIDZ to enable us to understand their technical skills requirements and local supply chain needs.

This mandate is not funded in accordance to the current SEZ funding regime and requires funding from external sources. The Development Programmes mandate is executed through the Skills Development, Enterprise Development and Contractor Development Units through the following methodology:



## *Skills Development*

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

Our skills development strategy and implementation plan is based on the assumption that a sufficient pool of competent candidates has been built through our previous interventions. Our strategy is designed to build particular competencies to enable the individuals to progress to demand driven and more advanced and "fit-for-purpose" training programmes in the Oil & Gas Services and Marine Fabrication & Repair to meet the investors' workforce demands.

## *Enterprise Development*

The role of Enterprise Development (ED) within the SBIDZ is crucial for the achievement of local economic development, and focuses on building the capabilities of enterprises within the SBM area to support:

- The SBIDZ Infrastructure Development Programme in the short-medium term – using local contractors to develop the required top structures and other buildings within the SBIDZ
- The off-shore Oil and Gas and Maritime Fabrication Sectors in the medium-long term, to adequately support investor supply chain needs when they are located in the Zone

Part of the value proposition of the SBIDZ to its investors is the availability of quality and experienced enterprises to respond to the supply chain demands for goods and services of our investors. This imperative informs and influences the better part of our Enterprise Development agenda and if implemented successfully has the potential to directly respond to our local socio-economic challenges.

## *Contractor Development*

The SBIDZ Contractor Development is responsible for the enhancement of local contractors through the scope available from the SBIDZ's infrastructure programme. The objective is to increase the quality, productivity and competitiveness of local construction enterprises to enable the maximisation of their participation in our current and future infrastructure projects.

Based on this environment, past and current Contract Development initiatives were focused around leveraging the SBIDZ infrastructure spend to advance and increase local contractor capacity and capabilities through the following interventions:

- Contractor Development Management, capacity building and training support
- SBIDZ local Contractor Monitoring & Assessment Programmes
- SMME Business Hub

## *WoSA (Whole of Society Approach)*

Whole-of-society Approach (WOSA) is an alternative approach to service delivery and socio-economic development within government to encourage and put into practice a new way of working in partnership across all levels of government, as well as with civil society, business, NGOs, and intermediary organisations to achieve the shared purpose of socioeconomic development to the benefit of all South Africans.

The undelaying principles and ethos of the WoSA project is characterised by the structured partnerships between essential public and private sector stakeholders around the theme of community service and finding possible solutions to the complex socio economic challenges in our communities. The SBIDZ, through its Development Programmes work stream cemented its commitment to this essential project by consolidating its partnerships with the Saldanha Bay Municipality and the Western Cape Provincial Government to give proposer meaning to citizen-centric public service and servant leadership.

## *Innovation Campus*

Economic growth and job creation is only sustainable if it is competitive. Fast pace technological disruption means sustainable job creation cannot only be rooted in intensive low cost labour, but must also be redirected to the growing areas of employment. The concept of the Innovation Campus is to establish capacity and support research, and sophisticated training, intended to build national capabilities in the arena of Oil, Gas and Marine Fabrication & Repair Services, as a national industrial priority sector, and to develop the scale and focus necessary for South Africa to achieve international standing in these areas.

The SB-IDZ Innovation Centre strives to become a vibrant and globally competitive innovative ecosystem in the upstream oil, gas, and marine services industry, with state of the art research and innovative outputs, and robust human resource capabilities that serve both local and global industry needs.

The Innovation Centre aims to drive sustainable research, development and innovation in the upstream OG&M services industry through:

- Facilitating and stimulating collaboration within the OG&M ecosystem between industry, academia, government, and local community
- Support entrepreneurs through incubation and acceleration programmes that provide access to sources of capital funding for ongoing development and commercialisation.
- Establishing training and education programmes to develop specialised and lacking industry skills
- Facilitating working through complex regulatory requirements
- Supporting the development of innovative technologies that can be applied in the OG&M industry.

The Innovation Centre will target both local and international operators within the OG&M industry, specifically to meet their required service, innovation, and human needs. Whilst simultaneously targeting the local working community, research entities (such as tertiary institutions, Centres of Expertise, local and international clusters) and government departments.

A feasibility study was carried out in January 2019 which has built a business model canvas from a range of inputs through the research study, including market research, trend analysis, stakeholder engagement, and best practice comparison. Finally this study has provided a roadmap to the future state of the innovation centre, with suggested timeline and phases for implementation.

## Strategic Objective

| | |
|---|---|
| **Strategic Objective 1.1** | **To establish a Special Economic Zone within the greater SBM area** |
| **Objective Statement** | **1400** direct and **600** indirect jobs facilitated within the Western Cape Province as a result of the SBIDZ by the end of the FY 2019/20 |
| **Baseline** | 25 152 jobs in the WC Province 2014 |

## Strategic objectives, performance indicators, planned targets and actual achievements

**PROGRAMME: OPERATIONS**

| **Strategic Objective Performance Indicator** | **Actual Achievement 2017/18** | **Planned Target 2018/19** | **Actual Achievement 2018/19** | **Deviation from planned target to Actual Achievement for 2018/19** | **Comment on deviations** |
|---|---|---|---|---|---|
| Number of direct and indirect jobs facilitated within the Western Cape Province as a result of the SBIDZ | 538 | 850 | 881 | 31 | Projects were labour intensive resulting in 367 direct and 514 indirect jobs |

## Key performance indicators, planned targets and actual achievements

| PROGRAMME: ADMINISTRATION | | | | | | |
|---|---|---|---|---|---|---|
| **Key Performance Indicators** | **Actual Achievement 2016/17** | **Actual Achievement 2017/18** | **Planned Target 2018/19** | **Actual Achievement 2018/19** | **Deviation from planned target to Actual Achievement for 2018/19** | **Comment on deviations** |
| Completion of Phase 1 of GTAC Freeport Business Case Project | – | – | Phase 1 Completion | Phase 1 & 2 Completion | Phase 1 Completed sooner than anticpated | With the completion of phase 1, phase 2 commenced and completed in the financial year |
| Number of pipeline investors with NDA's and/or RoFR | 5 | 46 | 31 | 43 | 12 | 31 investors were retained and an additional 12 potential investors were signed up during the financial year. |
| Number of signed tenants within the SBIDZ | – | 3 | 6 | 6 | – | – |
| Number of tenant lease agreements designed and approved | – | 3 | 1 | 1 | – | – |
| Completion of ifrastructure phases | – | Phase 1a bridge and site clearance 1 | Phase 1a: Generic top structures Phase 1b: Selected buildings | Partially Achieved | Phase 1a completed Phase 1b partially completed | Target partially achieved Phase 1b - late commence-ment of project and site closure due to protest |

| PROGRAMME: ADMINSTRATION | | | | | | |
|---|---|---|---|---|---|---|
| **Key Performance Indicators** | **Actual Achievement 2016/17** | **Actual Achievement 2017/18** | **Planned Target 2018/19** | **Actual Achievement 2018/19** | **Deviation from planned target to Actual Achievement for 2018/19** | **Comment on deviations** |
| Completion of the innovation campus bankable Business Plan | – | 1 Feasibility study | 1 Draft Business Plan | 1 Draft Business Plan | – | |
| Appointment of a service provider to manage the estate security | – | – | 1 | 1 | – | |
| Number of beneficiaries participating in the skills development programme per annum | 565 | 526 | 520 | 520 | – | |
| Number of charters developed for key stakeholders<br>– | – | 5 | 10 | 17 | 7 | Vigorous engagements with key stakeholders resulted in additional charters being developed |
| Drafting of a labour zone arrangement | – | 1 Framework | 50% Draft charter | 50% Draft charter | – | – |

**Strategy to overcome underperformance**

The incompletion of the infrastructure phases was due to unforseen circumstances. The target will be achieved in the 2019/20 financial year.

**Changes required to planned targets**

None required.

## Linking Performance with Budget

| | 2017/18 | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| **Programme** | **Budget R** | **Actual Expenditure (incl. capital) R** | **(Over)/ Under Expenditure R** | **Budget R** | **Actual Expenditure (incl. capital) R** | **(Over)/ Under Expenditure R** |
| Administration | 21,218,978 | 17,934,864 | 3,284,124 | 22,651,509 | 22,413,138 | 238,371 |
| Operations | 213,633,984 | 179,753,152 | 33,880,832 | 233,916,541 | 218,633,511 | 15,283,030 |
| **Total** | **234,852,962** | **197,688,016** | **37,164,956** | **256,568,050** | **241,046,649** | **15,521,401** |

### *Revenue Collections*

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

| | 2017/18 | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| **Source of Revenue** | **Estimate R** | **Actual Amount Collected R** | **(Over)/ Under Collection R** | **Estimate R** | **Actual Amount Collected R** | **Under Collection R** |
| **Total** | - | - | - | 359,101 | 32,848 | 326,253 |

### *Capital Investment*

| | 2017/18 | | | 2018/19 | | |
|---|---|---|---|---|---|---|
| **Capital Investment** | **Budget R** | **Actual Expenditure R** | **(Over)/ Under Expenditure R** | **Budget R** | **Actual Expenditure R** | **(Over)/ Under Expenditure R** |
| **Total** | 170,775,268 | 138,317,127 | 32,458,141 | 191,278,000 | 181,630,108 | 9,647,892 |

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** |
|---|---|
| Access and Ease of Doing Business Complex | Q3 2019/20 |
| Internal services on TNPA land | Q4 2019/20 |
| Leasing facility | Q4 2019/20 |

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

The Directors of 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 a top priority of the Board, its committees and management.

# 2. THE ACCOUNTING AUTHORITY (BOARD OF DIRECTORS)

## Introduction

It was agreed by both the Provincial and National Government that the structure of the SBIDZ-LC Board should be representative of the founding partners from the three spheres of government as well as industry experts to professionally and expertly deal with the next phases of the IDZ project. During the year under review industry experts were appointed to the SBIDZ-LC Board to help with the next phase of the IDZ project.

### *2.1 Composition of the Board of Directors*

In response to the Board's new focus, the Board was reconstituted 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-LC in line with King IV to improve collective accountability.

At the end of the Financial Year only the independent board member vacancy (one proven accomplished broader business practitioner) remained to be filled. A decision on the filling of the vacancy will be made in the early parts of the 2019/20 financial year.

The powers and duties of the Board are detailed in the Companies Act read together with the various Board charters. It details the meetings and decisions of the Board, the establishment of and appointment to Board 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 reimbursements, 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 have clear mandates and derive its power and duties from legislation read together with its approved charters.

The Saldanha Bay IDZ Licencing Company SOC Ltd has two Board Committees namely, the Audit, IT and Risk Committee and the Human Resources and Remuneration and Social and Ethics Committee. A third Board Committee namely, an Investment Committee wil be established in the 2019/2020 financial year.[1]

### 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 | 23 May 2018 | 4 September 2018 | 21 November 2018 | 20 February 2019 |
|---|---|---|---|---|---|
| Johann Stegmann | M | √ | √ | √ | √ |
| Thembisile Salman[2] | M | √ | √ | √ | √ |
| Heinrich Mettler[3] | M | - | - | - | √ |
| Basetsana Mathibe | F | √ | √ | √ | √ |
| Justice Ngwenya[4] | M | √ | √ | √ | √ |
| Pierre Voges[5] | M | √ | Resigned | - | - |
| John Smelcer[6] | M | - | - | - | Apology |
| Kaashifah Beukes[7] | F | √ | √ | √ | √ |
| Herman Boneschans | M | √ | √ | √ | √ |
| Linda Seroka[8] | F | - | - | - | - |

## 2.4 Human Resources and Remuneration and Social and Ethics Committee

The Committee consists of two non-executive directors and two 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 the remuneration and development, the formulation of remuneration and human resource policies, the performance management system and related performance incentives.

[1] The Board established an Investment Committee on 22 May 2019
[2] Appointed as a Non-Executive Director 1 April 2018
[3] Appointed as a Non-Executive Director 18 February 2018
[4] Reappointed as a Non-Executive Director 22 November 2018
[5] Resigned 31 July 2018
[6] Appointed as a Non-Executive Director 11 March 2019
[7] Appointed as an Executive Director 20 June 2018 (Attended the May Board meeting as an invitee)
[8] Appointed as a Non-Executive Director 6 March 2019 (Appointed after all meetings were concluded for the 2018/19 financial year)

| Human Resource Remuneration, Social & Ethics Committee Board Meeting Attendees | 9 May 2018 | 1 August 2018 | 31 October 2018 | 20 November 2018 | 30 January 2019 |
|---|---|---|---|---|---|
| Justice Ngwenya | √ | √ | √ | √ | √ |
| Basetsana Mathibe | Apology | √ | √ | √ | √ |
| Kaashifah Beukes | √ | √ | √ | √ | √ |
| Herman Boneschans | √ | √ | √ | √ | √ |

# 3. INTERNAL AUDIT AND AUDIT COMMITTEES

The Audit, IT and 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 Sizwe Ntsaluba Gobodo (SNG) Grant Thornton 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 | 9 May 2018 | 1 August 2018 | 8 November 2018 | 6 December 2018 | 31 January 2019 |
|---|---|---|---|---|---|
| Paul Slack (Chairperson and independent member) | √ | √ | √ | √ | √ |
| Danny Naidoo (indpendent member) | √ | √ | Apology | Apology | √ |
| Johann Stegmann | √ | √ | √ | √ | √ |
| Thembisile Salman | √ | √ | √ | 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) no.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-LC 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-LC 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-LC 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-LC 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-LC's Audit Committee, are properly recorded in accordance with the Companies Act;

e) certifying in the SBIDZ-LC's Annual Financial Statements whether the SBIDZ-LC 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-LC's Annual Financial Statements is sent, in accordance with the Companies Act, to every person who is entitled to it; and
g) carrying out the functions of a person designated in terms of section 33(3) of the Companies Act.

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

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

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

# 7. MATERIALITY

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

# 8. SCOPA RESOLUTIONS

| Resolution No. | Subject | Details | Response by the entity | Resolved (Yes/No) |
|---|---|---|---|---|
| 25.3 | **Page 116: The Committee notes that under notes 31 and 32, the Department explained the actual operating expenditure versus budgeted operating expenditure and the actual capital expenditure versus the budgeted capital expenditure. The Committee wishes to see an in-depth explanation between the different types of expenditures in all future annual reports.** | **That the Department, in all future annual reports, provides a footnote in order to give a detailed breakdown of actual operating expenditure versus budgeted operating expenditure and the actual capital expenditure versus the budgeted capital expenditure.** | Note 35 - For the year 2018/19, additional information on the operational expenditure was disclosed and referenced to the the Statement of Financial Performance, in the Statement of Comparison of Budget and Actual Amounts. | Yes |
| 25.3 | | | Note 36 - For the year 2018/19, additional information on the capital expenditure was disclosed and referenced to the the Statement of Financial Position, in the Statement of Comparison of Budget and Actual Amounts. | Yes |

# D

# HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

# 1. INTRODUCTION

The Human Resource unit aims to provide high quality professional assistance to managers and staff fulfilling their day to day roles. Attention to detail and speed of response are essential to the nature of the tasks undertaken. HR role is as follow, recruitment and selection, Training and Development, Performance Management, Employee Wellness and Payroll. The role reports to the Chief Financial Officer.

# 2. HUMAN RESOURCE OVERSIGHT STATISTICS

## Personnel Cost by programme

| Programme | Total Expenditure for the entity R | Personnel Expenditure R | Personnel exp. as a % of total | No. of employees | Average personnel cost per employee R |
|---|---|---|---|---|---|
| Operations Management | 4,404,418 | 3,749,945 | 85% | 2 | 1,874,972 |
| Corporate Services | 21,949,819 | 11,105,958 | 51% | 15 | 740,397 |
| Business Development | 3,263,927 | 1,851,636 | 57% | 2 | 925,818 |
| Stakeholders' Management | 3,805,626 | 2,795,656 | 73% | 2 | 1,397,827 |
| Ease of Doing Business and Commercial | 2,773,060 | 1,886,081 | 68% | 2 | 943,040 |
| Development Programmes | 16,428,731 | 3,221,438 | 20% | 5 | 644,287 |
| Transaction and Investor Support | 24,967,367 | 1,425,476 | 6% | 6 | 237,579 |
| **Subtotal** | **77,592,948** | **26,036,190** | **34%** | **34** | **765,770** |
| Infrastructure | 110,657,031 | 5,861,161 | 5% | 6 | 976,860 |
| **Totals** | **188,249,979** | **31,897,351** | **17%** | **40** | **797,433** |

## Personnel cost by salary band

| Level | Personnel Expenditure | % of personnel exp. to total personnel cost R | No. of employees | Average personnel cost per employee R |
|---|---|---|---|---|
| Top Management | 12,437,250 | 39% | 7 | 1,776,750 |
| Professional qualified | 15,563,080 | 49% | 20 | 778,154 |
| Skilled | 1,649,202 | 5% | 4 | 412,301 |
| Semi-skilled | 2,247,819 | 7% | 9 | 249,758 |
| **TOTAL** | **31,897,351** | | **40** | |

## Performance Rewards

| Level | Performance Rewards R | Personnel Expenditure R | % of Performance Rewards to Total Personnel Cost |
|---|---|---|---|
| Top Management | 2,284,768 | 12,437,250 | 18.37% |
| Professional qualified | 2,618,698 | 15,563,080 | 16.83% |
| Skilled | 315,030 | 1,649,202 | 19.10% |
| Semi-skilled | 390,007 | 2,247,819 | 17.35% |
| **TOTAL** | **5,608,503** | **31,897,351** | **17.58%** |

## Training costs

| Programme | Personnel Expenditure R | Training Expenditure R | Training Expenditure as a % of Personnel Cost | No. of employees trained | Avg training cost per employee R |
|---|---|---|---|---|---|
| Operations Management | 3,749,945 | 40,457 | 1% | 1 | 40,457 |
| Corporate Services | 11,105,958 | 73,817 | 1% | 5 | 14,763 |
| Business Development | 1,851,636 | 40,457 | 2% | 1 | 40,457 |
| Stakeholders' Management | 2,795,656 | 40,457 | 1% | 1 | 40,457 |
| Ease of Doing Business and Commercial | 1,886,081 | 40,457 | 2% | 1 | 40,457 |
| Development Programmes | 3,221,438 | 46,238 | 1% | 2 | 23,119 |
| Transaction and Investor Support | 1,425,476 | 66,370 | 5% | 3 | 22,123 |
| Infrastructure | 5,861,161 | | 0% | | |
| **Totals** | **31,897,351** | **348,253** | | **14.00** | **24,875** |

## Employment and vacancies

| Programme | 2018/19 No. of Employees | 2018/19 Vacancies | % of vacancies |
|---|---|---|---|
| Operations Management | 2 | 2 | 50% |
| Corporate Services | 14 | 0 | 0% |
| Business Development | 2 | 0 | 0% |
| Stakeholder Management | 2 | 0 | 0% |
| Ease of Doing Business and Commercial | 2 | 1 | 33% |
| Development Programmes | 6 | 1 | 14% |
| Transaction and Investor Support | 5 | 1 | 17% |
| Infrastructure | 4 | 1 | 20% |
| **TOTAL** | **37** | **6** | **14%** |

| Programme | 2018/19 No. of Employees | 2018/19 Vacancies | % of vacancies |
|---|---|---|---|
| Top Management | 7 | 2 | 22% |
| Professional qualified | 16 | 4 | 20% |
| Skilled | 5 | 0 | 0% |
| Semi-skilled | 9 | 0 | 0% |
| **TOTAL** | **37** | **6** | **14%** |

## Employment Changes

| Salary Band | Employment at beginning of the period | Appointments | Terminations | Employment end of the period |
|---|---|---|---|---|
| Top Management | 8 | 0 | 1 | 7 |
| Professional qualified | 12 | 5 | 1 | 16 |
| Skilled | 6 | 0 | 1 | 5 |
| Semi-skilled | 9 | 0 | 0 | 9 |
| **TOTAL** | **35** | **5** | **3** | **37** |

## Reasons for staff leaving

| Reason | Number | % of total no. of staff leaving |
|---|---|---|
| Death | 0 | |
| Resignation | 2 | 67% |
| Dismissal | 0 | |
| Retirement | 0 | |
| Expiry of contract | 1 | 33% |
| Other | 0 | |
| **Total** | **3** | **100%** |

## Equity Target and Employment Equity Status

| Level | Male | | | | Female | | | |
|---|---|---|---|---|---|---|---|---|
| | African | Coloured | Indian | White | African | Coloured | Indian | White |
| Top Management | 0 | 0 | 0 | 3 | 1 | 1 | 0 | 1 |
| Professional qualified | 5 | 4 | 0 | 1 | 2 | 5 | 0 | 2 |
| Skilled | 1 | 1 | 0 | 0 | 0 | 1 | 0 | 0 |
| Semi-skilled | 1 | 1 | 0 | 0 | 4 | 3 | 0 | 0 |
| **TOTAL** | **7** | **6** | **0** | **4** | **7** | **10** | **0** | **3** |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# 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 (Non-Executive)<br>Justice Ngwenya (Non-Executive)<br>Basetsana Mathibe (Non-Executive)<br>Thembisile Salman (Non-Executive)<br>Herman Boneschans (Executive)<br>Kaashifah Beukes (Executive)<br>Heinrich Mettler (Non-Executive)<br>John Smelcer (Non-Executive)<br>Linda Seroka (Non-Executive) |
| **Registered office** | 24 Main Road<br>Saldanha Bay<br>7395 |
| **Postal address** | PO Box 304<br>Cape Town<br>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 are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the 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 was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board of Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the 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 are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Board of Directors have reviewed the entity's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are 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, they are 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 69.

The annual financial statements set out on pages 77 to 127, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2019 and were signed on its behalf by:

**Dr Johann Stegmann**
**Chairperson of the Board**
**31 July 2019**

# Audit, IT and Risk Committee Report

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

**Audit committee members and attendance**

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

| Name of member | Number of meetings attended |
|---|---|
| Paul Slack (Chairperson) (independent member) | 5 |
| Danny Naidoo (independent member) | 3 |
| Dr Johann Stegmann | 5 |
| Thembisile Salman (appointment 01/04/2018) | 2 |

**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 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 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, Ease of doing business review, Enterprise development review, Financial control review and Stakeholder management review.

**Chairperson of the Audit Committee**

**Date: 31 July 2019**

# 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 financial statements of the Saldanha Bay IDZ Licencing Company (SOC) Ltd set out on pages 77 to 127, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, and 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, financial position of the Saldanha Bay IDZ Licencing Company (SOC) Ltd as at 31 March 2019, 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 the 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 sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and, parts 1 and 3 of the International Ethics Standards Board of Accountants' *International code of ethics for professional accounts (including International Independence Standards)* (IESBA codes) as well as 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 matter paragraphs

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

### Work-in-progress

7. As disclosed in note 4 to the financial statements, the cost of work-in-progress on buildings and infrastructure increased from R28,4 million and R19,9 million at 31 March 2018 to R64,0 million and R81,1 million as at 31 March 2019, respectively and is recognised in the carrying value of property, plant and equipment.

### Unspent conditional grants and receipts

8. As disclosed in note 15 to the financial statements, the unspent conditional grants and receipts as at 31 March 2019 amounted to R460,3 million (2018: R559,4 million), representing the funding previously received from government grants that will be utilised in the future against the respective projects as detailed in note 19.

## Responsibilities of the accounting authority for the financial statements

9. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of 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.
10. In preparing the financial statements, the accounting authority is responsible for assessing the Saldanha Bay IDZ Licencing Company (SOC) Ltd's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

11. My objectives are to obtain reasonable assurance about whether 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.
12. 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

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
14. 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.
15. 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 2019:

| Programme | Pages in the annual report |
|---|---|
| Programme 2 – Operations | 46 – 48 |

16. 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.
17. I did not raise any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Programme 2 – Operations

## Other matters

18. I draw attention to the matter below.

## Achievement of planned targets

19. Refer to the annual performance report on pages 46 to 48 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of the targets for programme 2.

# Report on the audit of compliance with legislation

## Introduction and scope

20. 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.
21. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

# Other information

22. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report mwhich includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The otheinformation does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported in this auditor's report.
23. 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.
24. 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 financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
25. I have nothing to report in this regard.

## Internal control deficiencies

26. 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 2019

AUDITOR-GENERAL
SOUTH AFRICA

*Auditing to build public confidence*

# Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected 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) Ltd's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a 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 2019.

## 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.

## 4. Distributions to owners

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

## 5. Accounting Authority

The directors of the entity for the year under review are as follows:

| Name | Nationality | Changes |
|---|---|---|
| Dr Johann Stegmann (Non-Executive) | South African | |
| Justice Ngwenya (Non-Executive) | South African | Reappointed 22 November 2018 |
| Miyelani Mushwana (Non-Executive) | South African | Term ended 24 April 2018 |
| Basetsana Mathibe (Non-Executive) | South African | |
| Pierre Voges (Non-Executive) | South African | Resigned 31 July 2018 |
| Thembisile Salman (Non-Executive) | South African | Appointed 1 April 2018 |
| Doug Southgate (Executive) | South African | Resigned 19 June 2018 |
| Herman Boneschans (Executive) | South African | |
| Kaashifah Beukes (Executive) | South African | Appointed 20 June 2018 |
| Heinrich Mettler (Non-Executive) | South African | Appointed 18 February 2019 |
| John Smelcer (Non-Executive) | South African | Appointed 11 March 2019 |
| Linda Seroka (Non-Executive) | South African | Appointed 6 March 2019 |

## 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 compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2017. The accounting authority discussed the responsibilities of management in this respect at Board meetings, and monitored the entity's compliance with the code on a three monthly basis.

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

**Board of Directors**

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - non-executive directors, all of whom are independent directors as defined in the Code; and
  - executive directors.
- has established a Board directorship continuity programme.

**Chairperson and Chief Executive**

The Chairperson is a non-executive and independent director.

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

**Human Resources, Remuneration, Social and Ethics Committee**

The committee consist of two Non-Executive directors and chaired by Justice Ngwenya. The committee met four times during the reporting period to review matters necessary to fulfil its role. Members of the committee are:
Justice Ngwenya
Basetsana Mathibe

**Accounting authority**

The accounting authority has met on 4 separate occasions during the period under review. The accounting authority aims to meet at least 4 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
Thembisile Salman

**Internal audit**

To comply with the Public Finance Management Act 1 of 1999, the entity must have an internal audit function.

SNG Grant Thornton 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 71 of 2008, as amended, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

**Sollie Marthinus**
**Company Secretary**

# Statement of Financial Position as at 31 March 2019

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Receivables from exchange transactions | 7 | 2,190,261 | - |
| Receivables from non-exchange transactions | 6 | 2,036,748 | 12,250,129 |
| VAT receivable | 8 | 6,570,724 | 1,427,223 |
| Prepayments | 9 | 1,948,290 | 725,350 |
| Cash and cash equivalents | 10 | 524,160,214 | 657,811,861 |
| | | 536,906,237 | 672,214,563 |
| **Non-Current Assets** | | | |
| Investment property | 3 | 85,493,461 | 87,119,197 |
| Property, plant and equipment | 4 | 340,374,600 | 238,543,302 |
| Intangible assets | 5 | 415,571 | 20,731 |
| Receivables from non-exchange transactions | 6 | - | 217,255 |
| | | 426,283,632 | 325,900,485 |
| **Total Assets** | | 963,189,869 | 998,115,048 |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Current tax payable | 11 | 19,735 | 18,099 |
| Operating lease liability | 12 | 1,863,254 | 271,406 |
| Payables from exchange transactions | 13 | 16,274,213 | 92,973,881 |
| Employee benefit obligation | 14 | 6,880,240 | 5,896,210 |
| Unspent conditional grants and receipts | 15 | 350,105,610 | 152,764,892 |
| | | 375,143,052 | 251,924,488 |
| **Non-Current Liabilities** | | | |
| Operating lease liability | 12 | 15,043,539 | 1,847,618 |
| Unspent conditional grants and receipts | 15 | 110,228,201 | 406,640,626 |
| Deferred tax | 16 | 9,219 | - |
| Payables from exchange transactions | 13 | 5,677,567 | 603,693 |
| | | 130,958,526 | 409,091,937 |
| **Total Liabilities** | | 506,101,578 | 661,016,425 |
| **Net Assets** | | 457,088,291 | 337,098,623 |
| Share capital | 17 | 120 | 120 |
| Accumulated surplus | | 457,088,171 | 337,098,503 |
| **Total Net Assets** | | 457,088,291 | 337,098,623 |

* See Note 38

# Statement of Financial Performance

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Project management fee | | 250,000 | - |
| Rental income | | 32,848 | - |
| Interest income | | 966,646 | 76,727 |
| Gain on disposal of assets and liabilities | | 195,418 | 52,671 |
| **Total revenue from exchange transactions** | | 1,444,912 | 129,398 |
| **Revenue from non-exchange transactions** | | | |
| **Transfer revenue** | | | |
| Government grants & subsidies | 19 | 195,972,580 | 199,637,445 |
| **Total revenue** | | 197,417,492 | 199,766,843 |
| **Expenditure** | | | |
| Employee related costs | 20 | (26,036,190) | (22,139,033) |
| Depreciation and amortisation | 4&5 | (9,240,256) | (8,605,400) |
| Lease rentals on operating lease | 24 | (18,943,353) | (4,116,470) |
| Loss on foreign exchange | | - | (46) |
| General expenses | 21 | (23,197,169) | (24,509,929) |
| Transfer to Saldanha Bay Municipality | 4&21 | - | (75,024,665) |
| **Total expenditure** | | (77,416,968) | (134,395,543) |
| **Surplus before taxation** | | 120,000,524 | 65,371,300 |
| Taxation | 22 | (10,855) | (16,631) |
| **Surplus for the year** | | 119,989,669 | 65,354,669 |

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 2017 | 120 | 271,743,834 | 271,743,954 |
| Changes in net assets | | | |
| Surplus for the year | - | 65,354,669 | 65,354,669 |
| Total changes | - | 65,354,669 | 65,354,669 |
| Restated* Balance at 1 April 2018 | 120 | 337,098,502 | 337,098,622 |
| Changes in net assets | | | |
| Surplus for the year | - | 119,989,669 | 119,989,669 |
| Total changes | - | 119,989,669 | 119,989,669 |
| Balance at 31 March 2019 | 120 | 457,088,171 | 457,088,291 |
| Note(s) | 17 | | |

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) | 2019 | 2018 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Services rendered | | 250,000 | - |
| Grants | | 54,416,088 | 46,259,251 |
| Rental income | | 32,848 | - |
| Interest received | | 52,676,668 | 41,631,184 |
| | | 107,375,604 | 87,890,435 |
| **Payments** | | | |
| Employee costs | | (25,224,754) | (21,681,785) |
| Suppliers | | (34,180,932) | (27,277,118) |
| | | (59,405,686) | (48,958,903) |
| Net cash flows from activities | 25 | 47,969,918 | 38,931,532 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | (94,090,778) | (61,943,797) |
| Proceeds from sale of property, plant and equipment | 4 | 8,547 | 63,365 |
| Purchase of investment property | | (87,081,425) | (112,671) |
| Purchase of other intangible assets | | (457,909) | - |
| Net cash flows from investing activities | | (181,621,565) | (61,993,103) |
| Net decrease in cash and cash equivalents | | (133,651,647) | (23,061,571) |
| Cash and cash equivalents at the beginning of the year | | 657,811,861 | 680,873,478 |
| Effect of exchange rate movement on cash balances | | - | (46) |
| Cash and cash equivalents at the end of the year | 10 | 524,160,214 | 657,811,861 |

# Statement of Comparison of Budget and Actual Amounts

| Budget on Cash Basis | | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand | Approved budget | Adjustments | Annual Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Rental income | 359,101 | - | 359,101 | 32,848 | (326,253) | |
| Administration fees received | 300,263 | - | 300,263 | 250,000 | (50,263) | |
| **Total revenue from exchange transactions** | 659,364 | - | 659,364 | 282,848 | (376,516) | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Interest, Dividends and Rent on Land | 52,329,616 | - | 52,329,616 | 52,676,668 | 347,052 | |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies - current year | 54,420,639 | - | 54,420,639 | 54,416,088 | (4,551) | |
| **Total revenue from non-exchange transactions** | 106,750,255 | - | 106,750,255 | 107,092,756 | 342,501 | |
| **Total revenue** | 107,409,619 | - | 107,409,619 | 107,375,604 | (34,015) | |
| **Expenditure** | | | | | | |
| Employee related costs | (26,415,245) | - | (26,415,245) | (25,224,754) | 1,190,491 | |
| Lease rentals on operating lease | (9,831,814) | - | (9,831,814) | (4,772,293) | 5,059,521 | Note 35 |
| Repairs and maintenance | (94,000) | - | (94,000) | (90,482) | 3,518 | |
| General Expenses | (28,948,990) | - | (28,948,990) | (29,318,158) | (369,168) | |
| **Total expenditure** | (65,290,049) | - | (65,290,049) | (59,405,687) | 5,884,362 | |
| **Operating surplus** | 42,119,570 | - | 42,119,570 | 47,969,917 | 5,850,347 | |
| Gain on disposal of assets and liabilities | - | - | - | 8,547 | 8,547 | |
| **Surplus before taxation** | 42,119,570 | - | 42,119,570 | 47,978,464 | 5,858,894 | |
| **Actual Amount on Comparable Basis** | 42,119,570 | - | 42,119,570 | 47,978,464 | 5,858,894 | |

# Statement of Comparison of Budget and Actual Amounts

| Budget on Cash Basis | | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand | Approved budget | Adjustments | Annual Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| **Reconciliation of surplus for year** | | | | | | |
| Government grants & subsidies | | | | 141,556,491 | | Adjustment for actual cash received and interest received |
| Taxation | | | | (10,855) | | Non cash item |
| Personnel | | | | 172,589 | | Movement in the Incentive and leave pay provision - infrastructure employees |
| Personnel | | | | (984,025) | | Movement in the Incentive and leave pay provision |
| Interest received | | | | (51,710,022) | | Interest allocated to unspent conditional grants. |
| Depreciation | | | | (9,240,256) | | Non cash item |
| General expenses | | | | 6,211,472 | | Accruals |
| Operating lease | | | | (14,171,061) | | Movement operating lease liability and prepaid rental |
| Gain on disposal of property, plant and equipment | | | | 186,872 | | Adjusted for cash received |
| **Actual surplus for the year in the Statement of Financial Performance** | | | | 119,989,669 | | |

# Statement of Comparison of Budget and Actual Amounts

| Budget on Cash Basis | | | | | | |
|---|---|---|---|---|---|---|
| Figures in Rand | Approved budget | Adjustments | Annual Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| **Statement of Financial Position** | | | | | | |
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | 508,653,431 | - | 508,653,431 | 524,160,214 | 15,506,783 | Note 36 |
| **Non-Current Assets** | | | | | | |
| Investment property | 87,100,000 | - | 87,100,000 | 87,081,425 | (18,575) | |
| Property, plant and equipment | 103,678,000 | - | 103,678,000 | 94,090,774 | (9,587,226) | Note 36 |
| Intangible assets | 500,000 | - | 500,000 | 457,909 | (42,091) | |
| | 191,278,000 | - | 191,278,000 | 181,630,108 | (9,647,892) | |
| Total Assets | 699,931,431 | - | 699,931,431 | 705,790,322 | 5,858,891 | |
| Net Assets | 699,931,431 | - | 699,931,431 | 705,790,322 | 5,858,891 | |
| **Net Assets** | | | | | | |
| **Net Assets Attributable to Owners of Controlling Entity** | | | | | | |
| **Reserves** | | | | | | |
| Accumulated surplus - opening balance | 657,811,861 | - | 657,811,861 | 657,811,861 | - | |
| Accumulated surplus | 42,119,570 | - | 42,119,570 | 47,978,461 | 5,858,891 | |
| Total Net Assets | 699,931,431 | - | 699,931,431 | 705,790,322 | 5,858,891 | |

# 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 | 15-25 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 | 10-120 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.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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 - 4 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 - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

### 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 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.

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.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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 amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

### Identification

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

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

### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

## 1.12 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).

## 1.12 Share capital (continued)

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.

### 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.

## 1.13 Share capital

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

## 1.14 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.

## 1.14 Employee benefits (continued)

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

## 1.15 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.

## 1.16 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.

## 1.16 Revenue from non-exchange transactions (continued)

### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
  and
- The amount of the revenue can be measured reliably.

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

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

## 1.17 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.

## 1.17 Revenue from no-exchange transactions (continued)

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

### Measurement

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

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### Grants and Project funds

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

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

## 1.18 Comparative figures

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

## 1.19 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.

## 1.20 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):

## 1.20 Irregular expenditure (continued)

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

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

## 1.21 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.

## 1.22 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 2018-04-01 to 2019-03-31.

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.

## 1.23 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.

## 1.24 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.

## *1.25 Materiality*

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

# Notes to the Annual Financial Statements

## 2. New standards and interpretations

### *2.1 Standards and interpretations effective and adopted in the current year*

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • IGRAP 19: Liabilities to Pay Levies | 1 April 2019 | Unlikely there will be a material impact |
| • GRAP 12 (as amended 2016): Inventories | 1 April 2018 | Unlikely there will be a material impact |
| • GRAP 16 (as amended 2016): Investment Property | 1 April 2018 | The impact of the is not material. |
| • GRAP 17 (as amended 2016): Property, Plant and Equipment | 1 April 2018 | The impact of the is not material. |
| • GRAP 21 (as amended 2016): Impairment of non-cashgenerating assets | 1 April 2018 | The impact of the is not material. |
| • GRAP 26 (as amended 2016): Impairment of non-cashgenerating assets | 1 April 2018 | The impact of the is not material. |
| • GRAP 27 (as amended 2016): Agriculture | 1 April 2018 | Unlikely there will be a material impact |
| • GRAP 31 (as amended 2016): Intangible Assets | 1 April 2018 | The impact of the is not material. |
| • GRAP 103 (as amended 2016): Heritage Assets | 1 April 2018 | Unlikely there will be a material impact |
| • Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities | 1 April 2018 | The impact of the is not |

# Notes to the Annual Financial Statements

## 2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 April 2019 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • GRAP 34: Separate Financial Statements | 1 April 2020 | Unlikely there will be a material impact |
| • IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue | 1 April 2020 | Unlikely there will be a material impact |
| • Directive 7 (revised): The Application of Deemed Cost | 1 April 2019 | Unlikely there will be a material impact |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | 1 April 2099 | Unlikely there will be a material impact |
| • GRAP 104 (revised): Financial Instruments | 1 April 2099 | Unlikely there will be a material impact |
| • GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements | 1 April 2019 | Unlikely there will be a material impact |
| • GRAP 7 (as revised 2010): Investments in Associates | 1 April 2019 | Unlikely there will be a material impact |
| • GRAP 8 (as revised 2010): Interests in Joint Ventures | 1 April 2019 | Unlikely there will be a material impact |
| • GRAP 18 (as amended 2016): Segment Reporting | 1 April 2019 | Unlikely there will be a material impact |
| • GRAP 20: Related parties | 1 April 2019 | Unlikely there will be a material impact |
| • GRAP 105: Transfers of functions between entities under common control | 1 April 2019 | Unlikely there will be a material impact |
| • GRAP 106 (as amended 2016): Transfers of functions between entities not under common control | 1 April 2019 | Unlikely there will be a material impact |
| • GRAP 109: Accounting by Principals and Agents | 1 April 2019 | Unlikely there will be a material impact |
| • IGRAP 11: Consolidation – Special purpose entities | 1 April 2019 | Unlikely there will be a material impact |

# Notes to the Annual Financial Statements

Figures in Rand

## 3. Investment property

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Investment property | 85,493,461 | - | 85,493,461 | 87,119,197 | - | 87,119,197 |

**Reconciliation of investment property - March 2019**

| | Opening balance | Additions | Disposals | Total |
|---|---|---|---|---|
| Investment property | 87,119,197 | 81,425 | (1,707,161) | 85,493,461 |

**Reconciliation of investment property - March 2018**

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

**Pledged as security**

No investment property was pledged as security.

| | 2019 | 2018 |
|---|---|---|
| North precinct of Saldanha Bay IDZ land | 85,493,461 | 87,119,197 |

# Notes to the Annual Financial Statements

Figures in Rand

## 4. Property, plant and equipment

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Buildings and structures | 85,933,539 | (3,028,367) | 82,905,172 | 36,494,617 | (1,823,065) | 34,671,552 |
| Furniture and fixtures | 1,322,251 | (473,812) | 848,439 | 1,328,199 | (338,574) | 989,625 |
| Motor vehicles | 471,882 | (189,425) | 282,457 | 471,882 | (95,100) | 376,782 |
| Office equipment | 278,224 | (192,652) | 85,572 | 278,224 | (137,038) | 141,186 |
| IT equipment | 1,351,121 | (997,028) | 354,093 | 1,506,068 | (1,073,214) | 432,854 |
| Infrastructure assets | 272,370,049 | (16,471,182) | 255,898,867 | 210,968,290 | (9,036,987) | 201,931,303 |
| Total | 361,727,066 | (21,352,466) | 340,374,600 | 251,047,280 | (12,503,978) | 238,543,302 |

Reconciliation of property, plant and equipment - March 2019

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Buildings and structures | 34,671,552 | 49,438,923 | - | (1,205,303) | 82,905,172 |
| Furniture and fixtures | 989,625 | - | (2,556) | (138,630) | 848,439 |
| Motor vehicles | 376,782 | - | - | (94,325) | 282,457 |
| Office equipment | 141,186 | - | - | (55,614) | 85,572 |
| IT equipment | 432,854 | 170,536 | (177) | (249,120) | 354,093 |
| Infrastructure assets | 201,931,303 | 61,401,759 | - | (7,434,195) | 255,898,867 |
| | 238,543,302 | 111,011,218 | (2,733) | (9,177,187) | 340,374,600 |

# Notes to the Annual Financial Statements

Figures in Rand

**4. Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - March 2018

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---|---|---|---|---|---|---|
| Buildings | 9,535,019 | 25,925,883 | - | - | (789,350) | 34,671,552 |
| 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 |
| Infrastructure assets | 259,175,515 | 24,900,922 | - | (75,024,665) | (7,120,469) | 201,931,303 |
| | 270,878,928 | 51,204,455 | (10,694) | (75,024,665) | (8,504,722) | 238,543,302 |

Pledged as security

No assets were pledged as security.

Leasehold improvements and Work-in-progress were reallocated to the buildings or infrastructure asset category for the year ending 31 March 2018.

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

| Cumulative expenditure recognised in the carrying value of property, plant and equipment | 2019 | 2018 |
|---|---|---|
| Buildings and structures | 64,025,242 | 28,383,118 |
| Infrastructure | 81,129,122 | 19,874,699 |
| | 145,154,364 | 48,257,817 |

# Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress March 2019

| | Buildings | Infrastructure | Total |
|---|---|---|---|
| Opening balance | 28,383,118 | 19,874,699 | 48,257,817 |
| Additions/capital expenditure | 49,402,608 | 61,254,423 | 110,657,031 |
| Transferred to completed items | (13,760,484) | - | (13,760,484) |
| | 64,025,242 | 81,129,122 | 145,154,364 |

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 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 |

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

| | | |
|---|---|---|
| Repair and maintenance costs | 90,482 | 13,475 |

### 5. Intangible assets

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Computer software | 1,167,480 | (751,909) | 415,571 | 709,571 | (688,840) | 20,731 |

Reconciliation of intangible assets - March 2019

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 20,731 | 457,909 | (63,069) | 415,571 |

Reconciliation of intangible assets - March 2018

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

Pledged as security

No intangible assets were pledged as security.

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 6. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Receivables from non-exchange revenue | 2,036,748 | 12,467,384 |
| Non-current assets | - | 217,255 |
| Current assets | 2,036,748 | 12,250,129 |
| | 2,036,748 | 12,467,384 |

Receivables consist mostly of interest receivable on bank balance.

## 7. Receivables from exchange transactions

| | | |
|---|---|---|
| Trade debtors | 8,976 | - |
| Other receivables from exchange transactions | 2,181,285 | - |
| | 2,190,261 | - |

The average credit period on exchange revenue is 30 days.

### Trade and other receivables past due but not impaired

Trade receivables which are less than 3 months past due are not considered to be im receivables were past due.

Analysis of total trade receivables ageing in days:

| | | |
|---|---|---|
| Current | 8,976 | - |

## 8. VAT receivable

| | | |
|---|---|---|
| VAT | 6,570,724 | 1,427,223 |

## 9. Prepayments

| | | |
|---|---|---|
| Prepayments | 1,948,290 | 725,350 |

Prepayments mainly consist of software subscriptions, operating lease paid in advance and travel costs relating to international oil and gas exhibitions.

## 10. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Cash on hand | 5,353 | 27,284 |
| Bank balances | 412,234,666 | 184,430,456 |
| Corporation for Public Deposits and call accounts | 111,920,195 | 473,354,121 |
| | 524,160,214 | 657,811,861 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

### 10. Cash and cash equivalents (continued)

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 | 412,234,666 | 184,430,456 |

### 11. Current tax payable

Balance payable to South African Revenue Services. Refer to note 22 for taxation expense.

| | | |
|---|---|---|
| Opening balance | 18,099 | 1,468 |
| Taxation expense for the year | 1,636 | 16,631 |
| | 19,735 | 18,099 |

### 12. Operating lease liability

| | | |
|---|---|---|
| Non-current liabilities | 15,043,539 | 1,847,618 |
| Current liabilities | 1,863,254 | 271,406 |
| | 16,906,793 | 2,119,024 |

Operating lease liability consist of:
- operating lease liability of R207,739 (March 2018: R406,617) (Cape Town and Saldanha Bay office)
- operating lease incentive of R12,895 (March 2018: R64,475)
- operating lease liability of R16,686,159 (March 2018: R1,647,932) (Port of Saldanha Bay)

Refer note 24 for further information on operating leases.

### 13. Payables from exchange transactions

| | | |
|---|---|---|
| Current trade payables | 16,274,213 | 92,973,881 |

Saldanha Bay IDZ has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. Included in the 2018 payables is R87,000,000 payable to Saldok (Proprietary) Limited, a subsidiary of Industrial Development Corporation, for the purchase of the land.

| | | |
|---|---|---|
| Current payables | 16,274,213 | 92,973,882 |
| Non-current payables | 5,677,567 | 603,693 |
| | 21,951,780 | 93,577,575 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 14. Employee benefits

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

| Carrying value | | |
|---|---|---|
| Performance incentive | 5,323,105 | 4,611,337 |
| Leave pay | 1,464,648 | 1,239,787 |
| Workman's compensation | 35,602 | 42,295 |
| Other salary related payables | 56,885 | 2,791 |
| | 6,880,240 | 5,896,210 |

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

## 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

| Unspent conditional grants and receipts | | |
|---|---|---|
| Department of Trade and Industry - SEZ fund | 416,388,555 | 509,740,626 |
| Department of Trade and Industry - SEZ fund skills development | - | 559,298 |
| Department of Economic Development and Tourism - Operating grant | 6,209,912 | 12,593,584 |
| Enterprise and skills development - DTI and DEDAT | 9,357,629 | 14,877,317 |
| Merseta - Skills development | 617,852 | 645,511 |
| CHIETA - Skills development | 1,307,581 | 391,866 |
| Department of Economic Development and Tourism - Land | 25,531,465 | 20,597,316 |
| Innovation campus - DTI and DEDAT | 920,817 | - |
| | 460,333,811 | 559,405,518 |

Movement during the year

| | | |
|---|---|---|
| Balance at the beginning of the year | 559,405,518 | 662,380,556 |
| Received | 54,416,089 | 47,459,251 |
| Interest received | 42,484,784 | 49,203,156 |
| Income recognition during the year | (195,972,580) | (199,637,445) |
| | 460,333,811 | 559,405,518 |

| | | |
|---|---|---|
| Non-current liabilities | 110,228,201 | 406,640,626 |
| Current liabilities | 350,105,610 | 152,764,892 |
| | 460,333,811 | 559,405,518 |

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 19 for details of each grant.

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|
| **16. Deferred tax** | | |
| **Deferred tax liability** | | |
| Property, plant and equipment | 9,219 | - |
| **Reconciliation of deferred tax liability** | | |
| Deductible temporary difference movement on tangible fixed assets | 9,219 | - |
| **17. 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 | 2019 | 2018 |
|---|---|---|

## 18. Revenue

| | | |
|---|---|---|
| Rendering of services | 250,000 | - |
| Rental income | 32,848 | - |
| Interest accrued on financial asset at amortised cost | 966,646 | 76,727 |
| Government grants & subsidies | 195,972,580 | 199,637,445 |
| | 197,222,074 | 199,714,172 |

The amount included in revenue arising from exchanges of goods or services are as follows:

| | | |
|---|---|---|
| Project management fee | 250,000 | - |
| Rental of facilities and equipment | 32,848 | - |
| Interest accrued on financial asset at amortised cost | 966,646 | 76,727 |
| | 1,249,494 | 76,727 |

The amount included in revenue arising from non-exchange transactions is as follows:

| | | |
|---|---|---|
| Transfer revenue | | |
| Government grants & subsidies | 195,972,580 | 199,637,445 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 19. Government grants and subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Department of Economic Development and Tourism | 56,206,985 | 38,085,942 |
| Enterprise and skills development - DTI and DEDAT | 6,525,259 | 10,232,374 |
| Merseta - Skills Development | 651,995 | 835,160 |
| Department of Trade and Industry - SEZ skills development | 581,994 | 1,039,570 |
| CHIETA - Skills development | 4,500,385 | 3,689,228 |
| Innovation campus - DTI and DEDAT | 1,545,899 | - |
| | 70,012,517 | 53,882,274 |
| **Capital grants** | | |
| Department of Trade and Industry - SEZ fund | 125,878,638 | 58,642,500 |
| Department of Economic Development and Tourism - Land | 81,425 | 87,112,671 |
| | 125,960,063 | 145,755,171 |
| | 195,972,580 | 199,637,445 |

### Conditional

Included in above are the following grants and subsidies:

| | | |
|---|---|---|
| Conditional grants | 195,972,580 | 199,637,445 |

### Department of Trade and Industry - SEZ fund

| | | |
|---|---|---|
| Balance unspent at beginning of year | 509,740,626 | 528,716,997 |
| Transfer to innovation campus - DTI and DEDAT | (2,450,000) | - |
| Interest received | 34,976,567 | 39,666,129 |
| Conditions met - transferred to revenue | (125,878,638) | (58,642,500) |
| | 416,388,555 | 509,740,626 |

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 15.

### Department of Trade and Industry - SEZ fund skills development

| | | |
|---|---|---|
| Balance unspent at beginning of year | 559,298 | 1,512,730 |
| Interest received | 22,696 | 86,138 |
| Conditions met - transferred to revenue | (581,994) | (1,039,570) |
| | - | 559,298 |

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 15.

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 19. Government grants and subsidies (continued)

Department of Economic Development and Tourism

| | | |
|---|---|---|
| Balance unspent at beginning of year | 12,593,584 | 7,275,704 |
| Current-year receipts | 48,375,652 | 42,241,227 |
| Interest received | 1,447,662 | 1,162,595 |
| Conditions met - transferred to revenue | (56,206,986) | (38,085,942) |
| | 6,209,912 | 12,593,584 |

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 15.

Enterprise and skills development - DTI and DEDAT

| | | |
|---|---|---|
| Balance unspent at beginning of year | 14,877,317 | 22,754,014 |
| Interest received | 1,005,571 | 1,403,974 |
| Conditions met - transferred to revenue | (6,525,259) | (10,232,373) |
| Reallocation from procurement portal - DEDAT | - | 352,579 |
| Current-year receipts | - | 599,123 |
| | 9,357,629 | 14,877,317 |

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 15.

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

| | | |
|---|---|---|
| Balance unspent at beginning of year | 645,511 | (6,029) |
| Current-year receipts | 624,336 | 1,486,700 |
| Conditions met - transferred to revenue | (651,995) | (835,160) |
| | 617,852 | 645,511 |

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 15.

The Chemical Industries Education and Training Authority (CHIETA)

| | | |
|---|---|---|
| Balance unspent at beginning of year | 391,866 | 948,894 |
| Current-year receipts | 5,416,100 | 3,132,200 |
| Conditions met - transferred to revenue | (4,500,385) | (3,689,228) |
| | 1,307,581 | 391,866 |

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 15.

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

**19. Government grants and subsidies (continued)**

Department of Economic Development and Tourism - Procurement portal

| | 2019 | 2018 |
|---|---|---|
| Balance unspent at beginning of year | - | 352,579 |
| Reallocation to Enterprise development | - | (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 15.

Department of Economic Development and Tourism - Land

| | 2019 | 2018 |
|---|---|---|
| Balance unspent at beginning of year | 20,597,316 | 100,825,667 |
| Interest received | 5,015,574 | 6,884,320 |
| Conditions met - transferred to revenue | (81,425) | (87,112,671) |
| | 25,531,465 | 20,597,316 |

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 15.

Innovation campus - DTI and DEDAT

| | 2019 | 2018 |
|---|---|---|
| Transfer from Department of Trade and Industry - SEZ fund | 2,450,000 | - |
| Conditions met - transferred to revenue | (1,545,898) | - |
| Interest received | 16,715 | - |
| | 920,817 | - |

The project relates to the development of a feasibility study that investigate the merit of having an Innovation Campus located inside the Zone. Interest earned on investment of grant is treated in accordance with the stipulations and conditions set out in the agreement. Refer note 15

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 20. Employee related costs

| | | |
|---|---|---|
| Basic | 20,952,292 | 17,845,085 |
| Performance incentive | 4,557,320 | 3,798,525 |
| UIF | 49,465 | 49,075 |
| WCA | 37,593 | 32,762 |
| Leave pay provision charge | 161,387 | 115,861 |
| Other allowances | 182,884 | 182,892 |
| Directors remuneration | 95,249 | 114,833 |
| | 26,036,190 | 22,139,033 |

### Remuneration of Chief Executive Officer (acting)

| | | |
|---|---|---|
| Annual Remuneration | 1,699,994 | 1,308,162 |
| Performance Bonuses | 321,291 | 282,160 |
| Contributions to UIF, Medical and Pension Funds | 36,877 | 28,305 |
| Other | 12,000 | 12,000 |
| | 2,070,162 | 1,630,627 |

### Remuneration of Chief Finance Officer

| | | |
|---|---|---|
| Annual Remuneration | 1,569,225 | 1,308,162 |
| Performance Bonuses | 324,995 | 286,003 |
| Contributions to UIF, Medical and Pension Funds | 34,177 | 28,305 |
| Other | 12,000 | 12,000 |
| | 1,940,397 | 1,634,470 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 21. General expenses

| | | |
|---|---|---|
| Assets transferred to Saldanha Bay Municipality | - | 75,024,665 |
| Auditors remuneration | 1,379,226 | 773,011 |
| Consulting and professional fees | 2,584,688 | 3,475,153 |
| IT expenses | 1,925,812 | 1,327,321 |
| Exhibitions | 545,997 | 2,273,151 |
| Grownet enterprise development initiative | 817,328 | 2,970,503 |
| Internal Audit fee | 333,471 | 453,983 |
| Repairs and maintenance | 90,482 | 97,589 |
| Sundry expenses | 2,584,927 | 2,532,007 |
| Training | 348,253 | 284,653 |
| Training - Short skills project | 9,168,739 | 7,927,828 |
| Transport - Short skills project | 821,208 | 450,870 |
| Travel - local | 1,162,921 | 1,017,328 |
| Travel - overseas | 1,434,117 | 926,532 |
| | 23,197,169 | 99,534,594 |

| | | |
|---|---|---|
| Assets transferred to Saldanha Municipality | - | 75,024,665 |
| General expenses | 23,197,169 | 24,509,929 |
| | 23,197,169 | 99,534,594 |

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

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 22. Taxation

### Major components of the tax expense

| | | |
|---|---|---|
| **Current** | | |
| Local income tax - current period | 1,636 | 16,631 |
| **Deferred** | | |
| Deferred tax - current period | 9,219 | - |
| | 10,855 | 16,631 |

### Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

| | | |
|---|---|---|
| Accounting surplus | 120,000,524 | 65,371,300 |
| Tax at the applicable tax rate of 28% (2018: 28%) | 33,600,147 | 18,303,964 |
| **Tax effect of adjustments on taxable income** | | |
| Expenses attributable to exempt income - Local | 4,864,804 | 26,424,232 |
| Exempt income received or accrued in respect of government grants | (38,426,879) | (44,691,965) |
| Accounting profit on disposal of fixed assets | (54,717) | (14,748) |
| Accounting interest received | (3,583) | (3,384) |
| Depreciation and amortisation | 20,228 | - |
| Wear and tear allowance (s11(e)) | (29,447) | - |
| Capital gain on disposal of fixed assets | 31,083 | - |
| Prior year adjustment | - | (1,468) |
| | 1,636 | 16,631 |

## 23. Auditors' remuneration

| | | |
|---|---|---|
| Fees | 1,379,226 | 773,011 |

## 24. Operating lease

| | | |
|---|---|---|
| Lease rentals on operating lease | 18,943,353 | 4,116,470 |

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 12 for operating lease liability.

New lease agreement signed for letting port land from Transnet National Ports Authority (TNPA). 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 | 2019 | 2018 |
|---|---|---|

## 25. Cash generated from activities

| | | |
|---|---|---|
| Surplus | 119,989,669 | 65,354,669 |
| Adjustments for: | | |
| Depreciation and amortisation | 9,240,256 | 8,605,400 |
| Gain on sale of assets and liabilities | (195,418) | (52,671) |
| Loss on foreign exchange | - | 46 |
| Movements in operating lease assets and accruals | 14,787,769 | 1,558,812 |
| Movements in employee benefits | 984,030 | 626,808 |
| Movement in tax receivable and payable | 1,636 | 16,631 |
| Movement in deferred tax asset | 9,219 | - |
| Movement in employee benefits included in infrastructure assets | (190,517) | (169,560) |
| Transfer to Saldanha Bay municipality | - | 75,024,666 |
| Changes in working capital: | | |
| Receivables from exchange transactions | (2,190,261) | - |
| Other receivables from non-exchange transactions | 10,430,636 | (8,888,918) |
| Prepayments | (1,222,940) | 627,461 |
| Payables from exchange transactions | (71,625,794) | 74,918,701 |
| VAT | (5,143,501) | 375,623 |
| Unspent conditional grants and receipts | (99,071,707) | (102,975,038) |
| Property, plant and equipment payables | 70,270,071 | (76,091,098) |
| Property, plant and equipment receivables | 1,896,770 | - |
| | 47,969,918 | 38,931,532 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 26. Financial instruments disclosure

### Categories of financial instruments

### March 2019

#### Financial assets

| | At amortised cost | Total |
|---|---|---|
| Trade and other receivables from exchange transactions | 2,190,261 | 2,190,261 |
| Other receivables from non-exchange transactions | 2,036,748 | 2,036,748 |
| Cash and cash equivalents | 524,160,214 | 524,160,214 |
| | 528,387,223 | 528,387,223 |

#### Financial liabilities

| | At amortised cost | Total |
|---|---|---|
| Trade and other payables from exchange transactions | 21,951,780 | 21,951,780 |
| Unspent conditional grants and receipts | 460,333,811 | 460,333,811 |
| | 482,285,591 | 482,285,591 |

### 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 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|
| **27. Commitments** | | |
| **Authorised capital expenditure** | | |
| **Already contracted for but not provided for** | | |
| • Property, plant and equipment | 250,906,160 | 233,960,382 |
| • Investment property | - | 13,050,000 |
| • Intangible assets | 268,662 | - |
| | 251,174,822 | 247,010,382 |
| **Not yet contracted for and authorised by directors** | | |
| • Property, plant and equipment | - | 135,758,610 |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 251,174,822 | 247,010,382 |
| Not yet contracted for and authorised by directors | - | 135,758,610 |
| | 251,174,822 | 382,768,992 |

This committed capital expenditure will be financed by unspent conditional grants. Refer note 15.

**Operating leases - as lessee (expense)**

| Minimum lease payments due | 2019 | 2018 |
|---|---|---|
| - within one year | 19,795,267 | 4,273,326 |
| - in second to fifth year inclusive | 65,107,389 | 127,589,983 |
| | 84,902,656 | 131,863,309 |
| The total future minimum sublease payment expected to be received under non-cancellable sublease | 2,484,595 | - |

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 (TNPA). 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.

**28. Contingencies**

No contingencies identified.

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 29. 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 20 |

### Related party balances

| Unspent balances - Owing to related parties | 2019 | 2018 |
|---|---|---|
| Department of Trade and Industry - SEZ fund | 416,388,555 | 509,740,626 |
| Department of Trade and Industry - SEZ fund skills development | - | 559,298 |
| Department of Economic Development and Tourism | 6,209,912 | 12,593,584 |
| Department of Trade and Industry and Department of Economic Development and Tourism - enterprise and skills development | 9,357,629 | 14,877,317 |
| Innovation campus - DTI and DEDAT | 920,817 | - |
| Department of Economic Development and Tourism - Land | 25,531,465 | 20,597,316 |

### Related party transactions

| Income recognised | 2019 | 2018 |
|---|---|---|
| Department of Trade and Industry - SEZ fund | 125,878,638 | 58,642,500 |
| Department of Economic Development and Tourism | 56,206,985 | 38,085,942 |
| Department of Trade and Industry - Enterprise Development and skills development | 6,525,259 | 10,232,374 |
| Department of Economic Development and Tourism - Land | 81,425 | 87,112,671 |
| Innovation campus - DTI and DEDAT | 1,545,899 | - |
| Department of Trade and Industry - SEZ skills development | 581,994 | 1,039,570 |

## 30. Directors' emoluments

### Non-executive/Co-opted independent members

March 2019

| | Directors' fees | Total |
|---|---|---|
| Basetsana Mathibe (Non-Executive) | 29,480 | 29,480 |
| Co-opted independent members | | |
| Paul Slack (Audit, IT and Risk Committee) | 50,711 | 50,711 |
| Danny Naidoo (Audit, IT and Risk Committee - paid to employer) | 15,057 | 15,057 |
| | 95,248 | 95,248 |

March 2018

| | Directors' fees | Travel fees | Total |
|---|---|---|---|
| Dr Johann Stegmann (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 |

# Notes to the Annual Financial Statements

| Figures in Rand | 2019 | 2018 |
|---|---|---|

## 31. Risk management

### Financial risk management

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

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

### Liquidity risk

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

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

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

| At 31 March 2019 | Less than 1 year | Between 1 and 5 years |
|---|---|---|
| Unspent conditional grants and receipts | 350,105,610 | 110,228,201 |
| Trade and other payables | 16,274,213 | 5,677,567 |

| At 31 March 2018 | Less than 1 year | Between 1 and 2 years |
|---|---|---|
| Unspent conditional grants and receipts | 152,764,892 | 406,640,626 |
| Trade and other payables | 92,973,883 | 603,693 |

### 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 2019 | March 2018 |
|---|---|---|
| Receivables from non-exchange transactions | 2,036,748 | 12,467,384 |
| Receivables from exchange transactions | 2,190,261 | - |
| Cash and cash equivalents | 524,160,214 | 657,811,861 |

### Market risk

# Notes to the Annual Financial Statements

## 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 2019, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, surplus for the year would have been R524,160  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 |
|---|---|---|
| Cash in current banking institutions | 6.50 % | 524,160,214 |

## 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.

## 32. Irregular expenditure

No irregular expenditure identified during the financial year.

## 33. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure identified during the financial year.

## 34. Unauthorised expenditure

No unauthorised expenditure identified during the financial year.

# Notes to the Annual Financial Statements

## 35. 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:

Lease rentals on operating lease - TNPA April rental was paid in April, however included in the cash flow estimates for March 2019.

Refer to the Statement of Comparison of Budget and Actual Amounts for the detail of the operating expenditure.

## 36. 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 difference between budgeted capital expenditure and actual capital expenditure. Also refer operating lease in note 35.

Property, plant and equipment - Large payable on yearend paid in April 2019.

Refer to the Statement of Comparison of Budget and Actual Amounts for the detail of the capital expenditure.

## 37. 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.

# Notes to the Annual Financial Statements

## 37. Segment information (continued)

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

Operational Services: Operations Management, Business Development, Stakeholders Management, Commercial Management, Ease of doing business, Enterprise Development, Skills Development 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

**37. Segment information (continued)**

Segment surplus or deficit, assets and liabilities

March 2019

| | Corporate Services | Operational Services | Infrastructure Implementation | Special projects | Total |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Revenue from non-exchange transactions | 21,581,153 | 34,625,832 | 125,878,638 | 13,886,957 | 195,972,580 |
| Revenue from exchange transactions | - | 32,848 | - | 250,000 | 282,848 |
| Gain on sale of property, plant and equipment | 195,418 | - | - | - | 195,418 |
| Interest revenue | 966,646 | - | - | - | 966,646 |
| Total segment revenue | 22,743,217 | 34,658,680 | 125,878,638 | 14,136,957 | 197,417,492 |
| Entity's revenue | | | | | 197,417,492 |
| Expenditure | | | | | |
| Salaries and wages | 12,084,712 | 13,408,256 | - | 543,222 | 26,036,190 |
| Other expenses | 9,689,128 | 29,393,281 | - | 12,298,369 | 51,380,778 |
| Taxation | 10,855 | - | - | - | 10,855 |
| Total segment expenditure | 21,784,695 | 42,801,537 | - | 12,841,591 | 77,427,823 |
| Total segmental surplus/(deficit) | 958,522 | (8,142,857) | 125,878,638 | 1,295,366 | 119,989,669 |

# Notes to the Annual Financial Statements

Figures in Rand

### 37. Segment information (continued)

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 | (7,554,87 | (16,382,165) | 65,354,66 | 65,354,668 |

# Notes to the Annual Financial Statements

Figures in Rand

## 38. Prior period adjustment

Prior year figures were amended for a disclosure adjustment of R406,640,626. This adjustment relates to the Department of Trade and Industry conditional grant, earmarked for infrastructure projects. The adjustment is a reclassification between current liabilities and non-current liabilities, however the total liabilities as at 31 March 2018 were correctly stated.

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