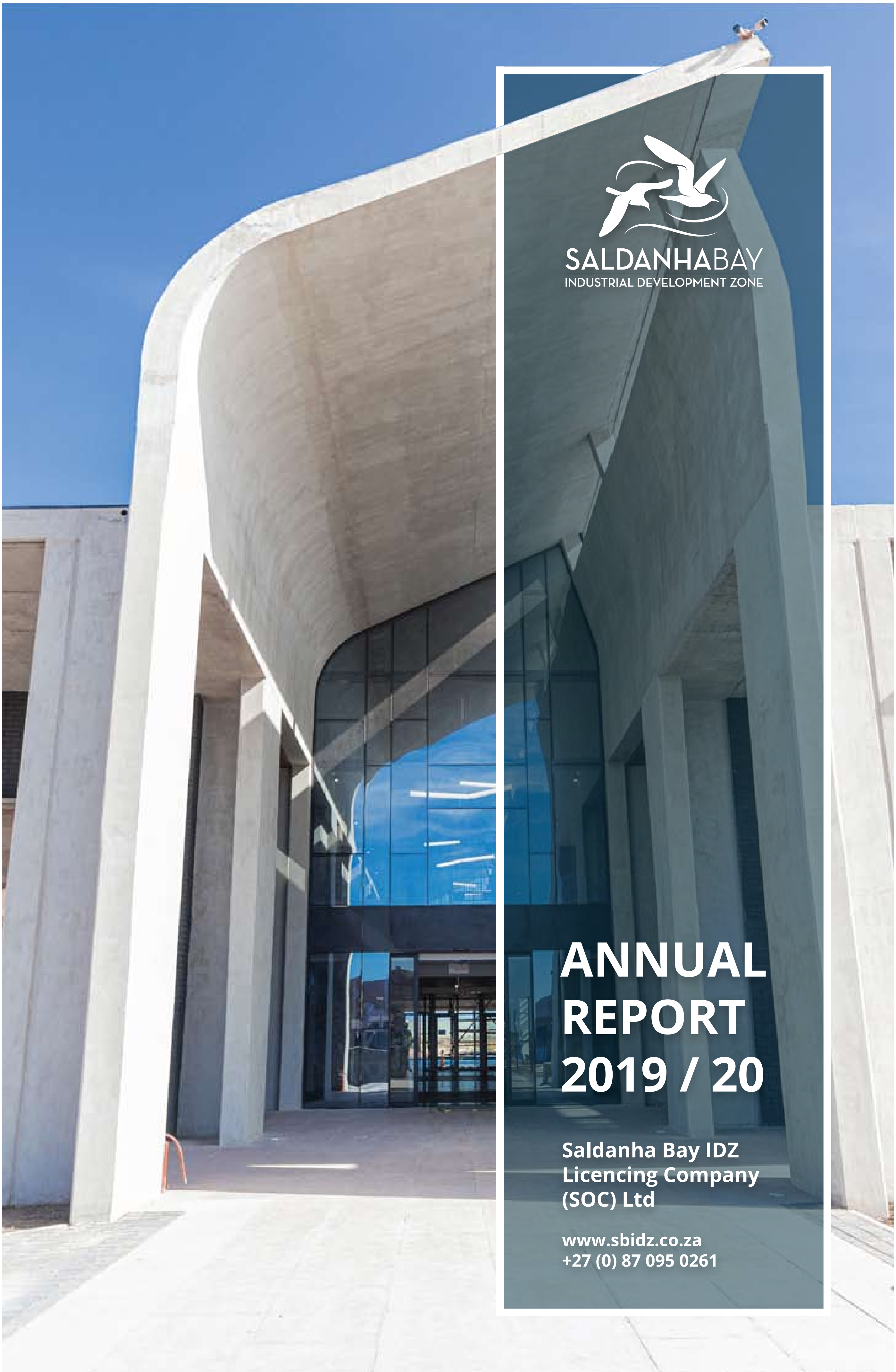
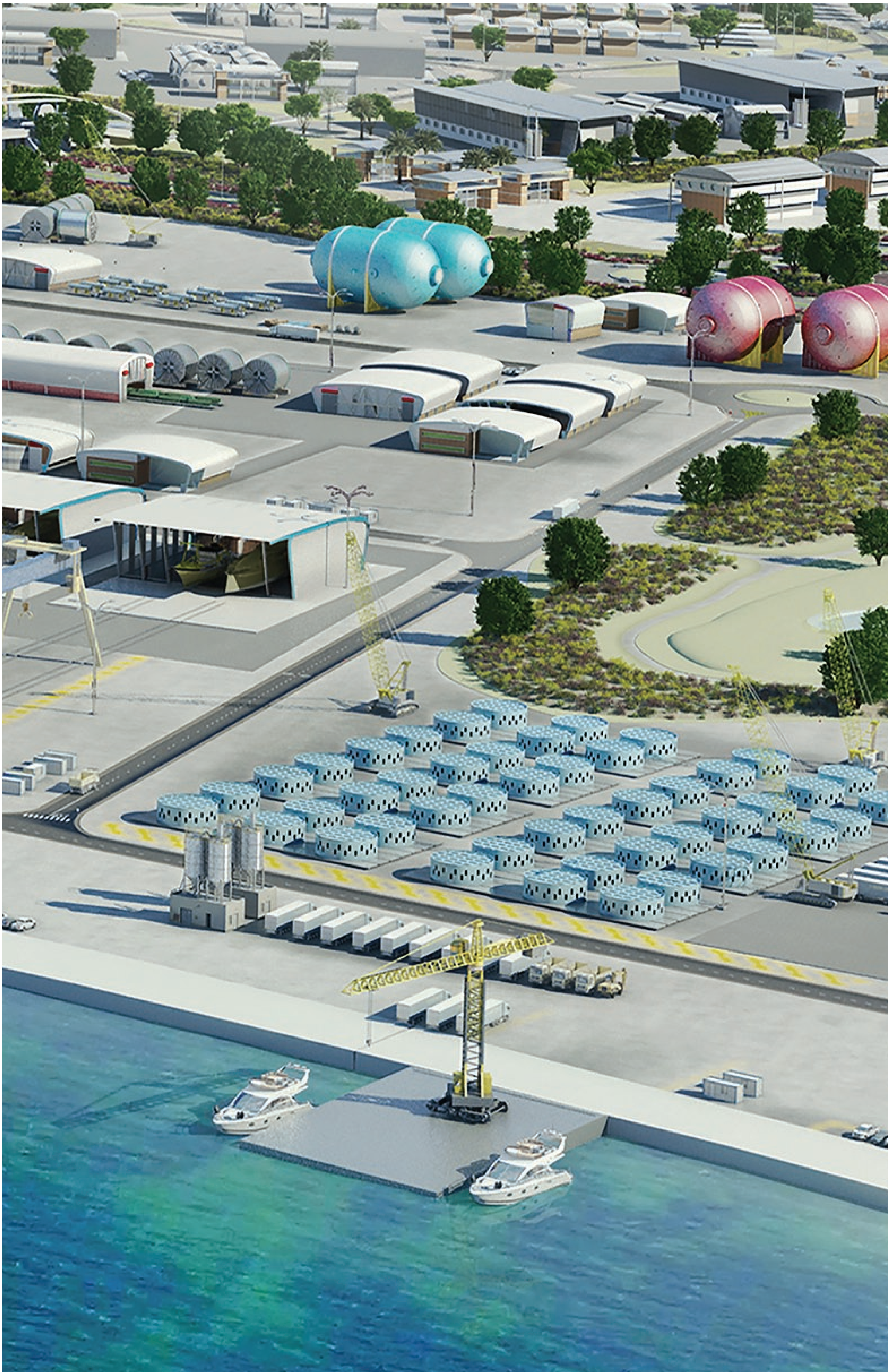


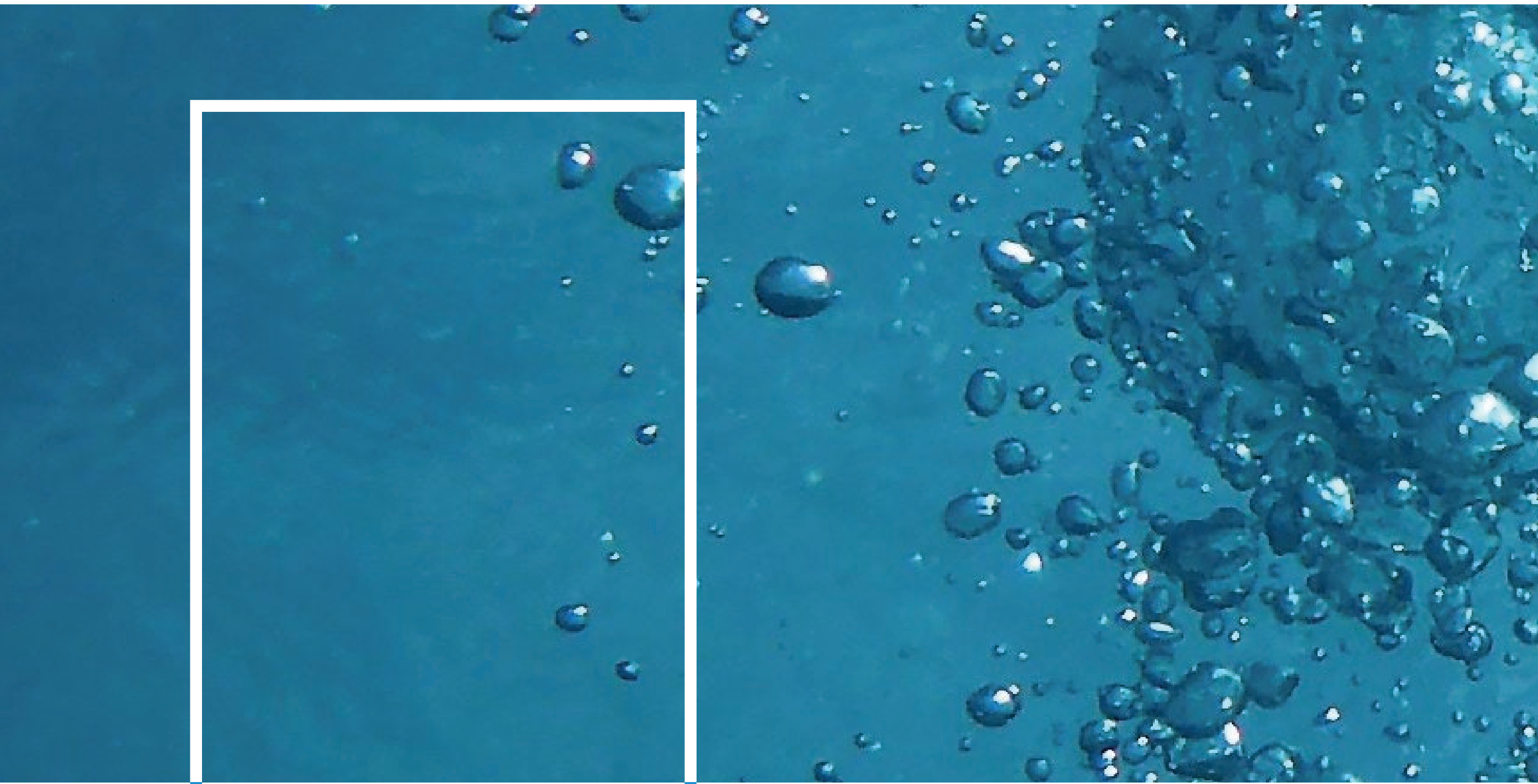
SALDANHABAY
INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT 2019 / 20

Saldanha Bay IDZ Licencing Company (SOC) Ltd

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





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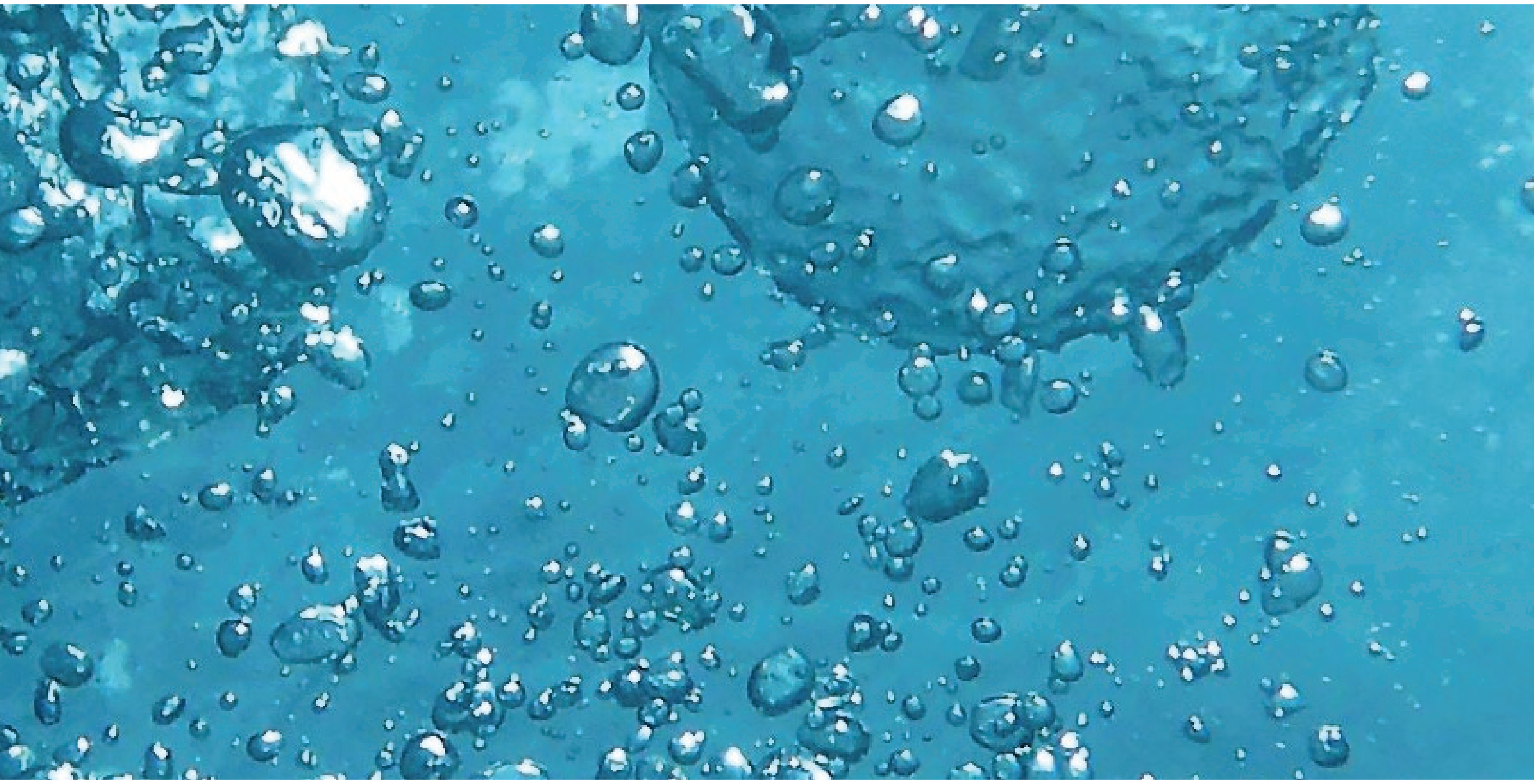


A

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 Saldanha Bay 7395
POSTAL ADDRESS:	PO Box 304 Cape Town 8000
TELEPHONE NUMBER/S:	+27 22 714 0206 +27 87 095 0261
EMAIL ADDRESS:	info@sbidz.co.za
WEBSITE ADDRESS:	www.sbidz.co.za
EXTERNAL AUDITORS:	Auditor-General of South Africa 19 Park Lane Building Park Lane Century City
BANKERS:	Nedbank 5th Floor, Nedbank Building Silo District V&A Waterfront Cape Town 8001
COMPANY SECRETARY:	Sollie Marthinus Legal Advisor

2. LIST OF ABBREVIATIONS/ ACRONYMS

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

3.

FOREWORD BY THE CHAIRPERSON

Introduction

As has been raised in previous years, what makes life difficult over the medium commercial and socio-economic planning term is an unsure and largely ineffective South African economic policy context and resultant timid and uneven growth, high unemployment and a shortfall of appropriate skills. Although Special Economic Zones (SEZs) are viewed as engines of growth by the Department of Trade, Industry and Competition (hereafter 'dtic'), and in many places around the world have been singularly successful, the overall South African economic and spatial policy and delivery environment tend to act as brakes.

This is specifically so in the case of the SBIDZ. As a country, we are struggling to build up our maritime industry to its full potential and, more particularly, our port infrastructure and service offering. According to the website of the World Ports Sustainability Program, ports are supposed to be "nodal points in global supply chains. At the same time, they are embedded in local and regional communities. As a result, ports must respond to worldwide, regional and local challenges, such as climate change, mobility, digitalisation, migration and social integration."

South Africa still has a long way to go to build and maintain such a competitive gateway into the rest of the world and the African continent.

On top of this, the SARS-Covid-2 (Covid-19) pandemic and the accompanying restrictions have substantially exacerbated underlying restraining conditions.

High-level overview of the public entity's strategy and performance in its respective sector

Concisely, the thrust of the entity's intent, as the only South African SEZ within a port, is to build a shipyard, an integrated industrial and services centre that will capitalise on the natural advantages of the Saldanha Port, such as its deep draught, the West Coast location and a long maritime history. In this context, as we conclude this report in mid-2020, the entity has built up 15 current active tenants with signed leases, that are in various stages of setting up their operations within the Zone. This is in addition to another 25 that have expressed serious interest in setting up operations, all in all contributing to an estimated diverse R21.9 billion investment pipeline, leveraged off a R2.5 billion public sector investment over the past six years. It should be noted that the local construction industry has benefitted to date by some R168 million, and that, for the year under review, 428 direct jobs were created and sustained, related to capital expenditure by the entity and the Western Cape Government in building this shipyard.

The above reflects quite a diverse commercial offering developing within the zone, varying from long-term leases, project leasing facilities, an access/office complex for commercial rental, and an emerging innovation and research facility.

Based on an assessment of the top 20 tenants by the management team, this diversity is also reflected among the tenants, which on the one hand offers a more robust service-offering footprint, and on the other, mitigates against market volatility.

All of this goes together with a robust Transnet National Ports Authority (TNPA) partnership to further develop both the Port and Saldanha back-of-port site within the zone, to enhance their basic attributes and substantially increase the competitiveness of both the port and the zone, as the two operate in an intrinsic symbiotic relationship.

Two main issues require finalisation, i.e. signing of the two remaining leases with TNPA and, with the Department of Environmental Affairs and Development Planning (DEA&DP), finding a long-term, mutually satisfactory arrangement on a range of environmental issues that could seriously impair the commercial potential of the zone.

Despite the setback brought about by the Covid-19 pandemic, the goal remains to achieve commercial sustainability by 1 April 2023, some nine and a half years after obtaining an Operator's Licence in October 2013. The main service offerings, continuously adapted to changing market demands and opportunities, reside within the context of maritime fabrication, repair and installation; oil, gas and related service industries; trading; and general support services.

All targets set out in the 2019/20 Corporate Plan were achieved, other than the skills deliverable. The shortfall in the skills target was due to internal software issues within the merSETA since July last year that prevented the registration of potential candidates and, thus, dispensing of financing to the appropriate training providers. Nonetheless, 1 983 training opportunities were created over the last four financial years and 2 199 since the beginning of the skills programme.

As has been the goal since the entity came into being some 6 years ago, governance has remained sound with another clean audit achieved. Over the last couple of months, greater attention was given to due adaptation of governance and management processes to support the ramping up of commercial operations and associated socio-economic issues within the broader Saldanha Bay environment. This will be taken forward with greater focus.

In short, despite the Covid-19 pandemic and the economic devastation associated with it, the entity attained sufficient traction to steadily ramp up operations within the zone.

Strategic relationships

What has been accomplished to date and is now on the cusp of scaling up would not have been possible without building and maintaining a range of strategic partnerships with what could be termed our programme partners, namely our shareholder the Western Cape Department of Economic Development and Tourism (DEDAT), the dtic, TNPA, Saldanha Bay Municipality, local businesses and the community. In addition to these, other stakeholders play important roles in ensuring the success of the SBIDZ, including key departments within the Western Cape Government such as the Departments of Transport and Public Works, Environmental Affairs and Development Planning, and Health, National Government departments such as National Treasury and the Department of Labour, organised labour, SARS, financial institutions (including IDC, DBSA and other banks), industry associations and, most crucially, actual and potential investors/tenants within the Zone itself.

A great deal of attention is given by the CEO and her management team to fostering such relationships and building a common future development path.

Challenges faced by the Board

Probably the greatest challenge facing the Board is the re-energising and re-purposing of the South African maritime industry because of the intrinsic dependency of the zone on it. This should include modernising its infrastructure and operational model to be competitive in an international sense, to bring new business and opportunities into our ports and to enhance our trading potential. Around a third of the roughly 90 000 ships at sea pass by South Africa, with only a fraction being served at our ports. On top of this, about 90% of all international trade is conducted via the maritime transport system, part of which is dependent on South Africa's trade content, volumes and the ability of our ports to trade efficiently.

Following on that, charting a long run, successful programme of action and partnerships would ensure the commercial and development success of the entity as a State-Owned Company (SOC). Any initiatives in Saldanha Bay will be tied to economic policy changes within the domestic South African and international energy markets, the latter expected to require some adaptation due to the need for better energy efficiency, rise in renewables, better batteries and growing share of the services sector. All these are evolving and hopefully also the ability for better execution within the South African context.

On top of this, as most economies will have to adapt to a very different post-Covid-19 world with possibly greater disparities, the question arises how we can best capitalise on opportunities in our corner of the world and effectively turn around the negative socio-economic realities.

Associated with this is the need to mitigate the severe fiscal impact of Covid-19 on public finances and, indirectly, quite possibly the commercial future and financing of the entity itself, which would require fresh capital and sufficient resources to service investors and further development of the zone and its associated infrastructure.

With most of the future world growth still projected to be in Africa with its youthful population and underdeveloped energy markets, the question that arises is what opportunities would there be for the SBIDZ and its programme partners to capitalise on this.

Although raised as a challenge in last year's annual report, the latest thinking by the dtic on SEZs and mooted amendments to the Special Economic Zones Act, Act 16 of 2014, appear to support rather more innovative thinking.

Medium to long-term goals of the entity

Our vision to become Africa's premier oil, gas and maritime services centre implies world-class engineering, fabrication, logistics and a competitive port environment with due tax and SEZ incentives. This vision is our long-term goal and everything that we have in mind is centred around it.

To realise such an aspirational but doable vision requires building a passionate and competent team and we have made significant strides towards this at Board level, within the executive team and in their supporting units.

We continuously scan the market, fiscal and socio-economic environment for opportunities and risks to either capitalise on or mitigate, as whatever is most appropriate and enduring. We have learned that, apart from consistency, expertise and professionalism, that what our investors and programme partners expect of us are reasoned risk and commercial offering adaptation to ensure the attainment of our vision.

A watchful eye is therefore being kept on developments and the latest iteration of the entity's medium to long-term business plan takes much of the challenges into account, but sets the scene for some adaptation based on the risks and opportunities.

This will be taken further in the new year as increasing clarity emerges over the best course of action to take.

Acknowledgements and Appreciation

My sincere appreciation goes to all our partners in this endeavour – notably our key partners, the Saldanha Bay Municipality, the dtic, TNPA, the IDC, the provincial government (DEDAT, Department of Transport and Public Works, DEA&DP, the Provincial Treasury and Department of Health), a variety of Saldanha Bay business and community partners and the Standing Committee on Finance, Economic Opportunities and Tourism in the Western Cape Provincial Parliament – for their wise counsel and support.

On a more personal note, I am grateful to our Shareholder, Minister David Maynier and, from his department, Head of Department Mr Solly Fourie, Ms Jo-Anne Johnston and Mr Herman Jonker; Saldanha Bay Municipal Manager Mr Heinrich Mettler and his team; and the TNPA Port Manager Captain Vernal Jones, for all their endeavours to make the SBIDZ a success story.

Conclusion

We have set ourselves a clear and realisable goal, but fully appreciate that the path presents many difficulties in a dynamic and volatile international scenario, with a domestic economy still rooted in a different era with no clear sustainable journey mapped yet, and now a pandemic that has wreaked havoc on business, personal income and employment opportunities.

However, these are not insoluble problems and, more specifically in our much more local sense, we have to chart a sustainable way forward and not disappoint the entities that have all placed their trust in us – the Saldanha Bay community that is very much dependent on the SBIDZ being a success; our Shareholder and our mother department, DEDAT; our main financier to date, the dtic; the Provincial Treasury; and indeed our investors.

Fortunately, we have a very able team led by our far-sighted CEO, Ms Kaashifah Beukes, to whom a great deal of credit must go for bringing the SBIDZ to this critical scaling-up point. She and her team have done the possibility and necessity analysis and it is now up to us as Board and the Shareholder to provide the means to realise this.

Dr Johann Stegmann
Chairperson of the Board
30 September 2020

4.

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

Last year I spoke of being acutely aware of our connection to our external environment, acknowledging how it influences and provides challenges and opportunities towards fulfilling our vision.

The end of the 2019/20 financial year certainly held that truth to the light, as the Covid-19 pandemic began to sweep through the world and across South Africa. The external environment has inextricably changed for everyone while it continues to shape and re-shape our very notions of work, home, well-being, livelihoods and the roles government, citizens and business play towards these pursuits – and equally, each's responsibility.

To move ahead through this uncertainty, it is important to take stock of the past year. Therefore, I submit the following for review.

Five-Year Performance

The 2019/20 financial year is the last year in the entity's Five-Year Strategy Plan for the period 2015—2020 – which was also the first strategic planning reporting period for the entity since it started operations in mid-2014.

In its inaugural plan, a strategic objective was determined and set between the Shareholder, Board and Management of establishing the zone and facilitating employment within the Western Cape because of said establishment. The nature of the economic activity to be expected was therefore primarily capital expenditure, as the zone was largely a greenfield project and needed bulk and internal infrastructure and facilities to establish the zone. Operation Phakisa, undertaken during 2014 and which had specific commitments to the Port of Saldanha Bay, was also factored into the strategic objective.

An economic model was created which modelled the direct and multiplier effects of operational and capital expenditure towards the zone to enable independent assessment of the entity's performance towards this strategic objective. An objective statement was set of 6 020 direct and indirect jobs facilitated within the Western Cape because of the SBIDZ by the end of the FY 2019/20. However, due to the slow pace of delivery towards initiatives in Operation Phakisa amid global market volatility in mid-2016 and an ill-suited value proposition to TNPA, this objective was risk-adjusted and set at 2 000 direct and indirect jobs facilitated within the Western Cape because of the SBIDZ by the end of the FY 2019/20 in the entity's 2018/19 Corporate Plan.

Previous Annual Reports bear witness to the sound corporate governance processes undertaken by the entity towards this strategic objective. I am quite pleased to report that the entity exceeded its set target by 46% for the five-year reporting period, and possibly by 60% (due to adjustments in the SAM of the South African economy over the past five years).

This means that the SBIDZ created 2 911 jobs in the provincial economy over the past five years, or 3 197 jobs should one consider the adjusted SAM over time.

This is testimony to sound foresight, insight, and a highly motivated, productive and engaged team within the SBIDZ and all the programme partners involved.

Annual Performance

The entity achieved 11 out its 12 performance targets set for the 2019/20 financial year. The skills target was not achieved due to the malfunction of the National Skills Development Management System (NSDMS) implemented at merSETA in mid-2019. The entity undertook mitigating measures, agreed with merSETA, over Quarters 3 and 4 to attempt to address the backlog. However, the elapsed time meant that many learners and service providers remained near the end of the financial year without proper registration to commence training without raising a material supply chain management risk to the entity.

Closing the year with the achieved target of nine signed tenants bodes well for the entity's continued value-generating potential, as set in the Corporate Plan for the year under review. But what I am most pleased about is the motivated way my team addressed dynamic market demands during the year, which resulted in the entity having operational tenants at financial year-end substantively contributing to revenue for the first time.

We continued our stringent application of good corporate governance and achieved another clean audit. Looking forward, with the ramp-up in operations in mind, the Board is geared to lead decisively and proactively, and a key piece of work this year will be to build on this foundation of good governance and align it deeply to the entity's business strategies and objectives. If we wish to fulfil our vision to its boldest and biggest scale, governance and leadership are the engines that will take us there.

Holistically, the year was a pivotal shift in the competitive market offering of the zone as the hard work with the Government Technical Advisory Centre (GTAC) bore fruit in the successful designation by SARS of 70% of the zone as a Customs Control Area (CCA) in July 2019. Going forward, we will continue our work with the SARS working group and the InvestSA team to finalise and introduce new standard operating protocols for this free port environment and operationalise a satellite one-stop-service, respectively.

Another milestone, with the heightened focus on technology innovation and digitisation of manufacturing processes, is the finalisation of the Innovation Campus bankable business plan, which we are now implementing through the Transaction and Investor Support business unit.

Our continued work with many stakeholders meant that we built partnerships throughout the year. A particularly important one for the team was the signing of the first Zone Labour Charter with COSATU just before the lockdown. We continue to work with NUMSA and others for the finalisation of more Charters, to enable us to work in partnership with trade unions and business to create a thriving and sustainable work environment in the zone.

Financial

The 2019/20 financial year saw our total assets exceed R1 billion for the first time, indicative of the 19% increase in our asset base against the previous year and management's priority to complete the Portland infrastructure project. The achievement of this asset growth recognised a transfer of over R200 million from work in process to infrastructure assets.

This increased asset base supported greater rental revenue generation for the first time, as rental revenue increased from R0.032 million in 2019 to R3.8 million in 2020 from operational tenants. With a growing tenant pipeline over the period, we remain confident of our market offering following the hard work dedicated in prior years to establish the zone and outfit it with the right internal and bulk infrastructure.

Total grant revenue recognised for the year was R356.9 million (PY19: R195.9 million), with 79% from the dtic's SEZ Fund (PY19: 64%) and 18% from DEDAT's allocated operating grant (PY19: 29%). This is indicative of the construction and asset development stage of the entity's business journey.

Spending trends

As more assets were developed and operationalised, operating expenditure increased by 10% to R85.1 million (PY19: R77.4 million) to continue to attract, service and maintain tenants and investors. Management continues to drive operational solutions to ensure and support improved and efficient integration across business units, particularly as the coming years of the zone will see a mix of operational tenants and facilities and secured but not yet operational tenants.

Work in progress totalled R162.1 million at financial year-end, which included the Access Complex, investor top structures and infrastructure projects. Future conceivable projects include internal services on the TNPA Phase 2b lease in the Port of Saldanha, project leasing facility improvements and new investor top structures.

Capacity constraints and challenges

The entity has the necessary human and knowledge capital to advance its business plan and strategic objectives. What it requires is the financial and policy capital to deliver same, as succinctly stated in the Board Chairperson's foreword.

Our position as an agent of economic development will see stout economic growth and employment for South Africa over time. But the market and strategic analysis undertaken by the Board and Management with programme partners during the year under review informs us that the next phase of the entity must be led from a principle of being an agent of sustainable economic *transformation*, whereby we must:

- Invest in additional infrastructure, equipment and facilities to support sectoral growth.
- Invest in different, efficient processes with the role-players paramount to business's enabling environment to ensure they are operational sooner.
- Conclude the outstanding matters with TNPA and DEA&DP to secure the entity's natural capital.
- Progress on sector-led supply chain programmes.
- Progress with the Innovation Campus facility, inclusive of a human development programme targeted towards youth and education.

Discontinued activities or new and proposed activities

This is the last year of the entity's Five-Year Strategic Plan 2015/16—2019/20 and, therefore, the entity undertook an all-encompassing analysis during 2019 to develop the next Five-Year Strategic Plan. As such, changes to current activities are not applicable for reporting here.

Requests for roll-over of funds

Not applicable to Schedule 3D entities.

Supply chain management

The entity has an established Supply Chain Management unit within the Corporate Services division. All governance arrangements, including policies, procedures and controls were continually and effectively implemented during the period under review. The supply chain unit has developed efficient procedures to ensure business units have the tools to deliver on key objectives.

The entity adjudicated three major bids during the period, all related to long-term framework agreements within the construction industry and development programmes. The contractors/ service providers are all experienced and qualified, and this will ensure a more sustainable procurement process in the future, thereby allowing the focus to shift from procurement processes to the quality of service delivery.

Unsolicited bids

No unsolicited bids were awarded during the financial period.

Challenges experienced

The under-performance on the skills key performance indicator, due to the challenges within the skills development landscape with a key stakeholder and funder, required the Board and management to apply their minds to alternative priorities and performance indicators for this programme during the review and finalising of the 2020—2024 Five-Year Strategic Plan and 2020—2021 Corporate Plan. The issue was subsequently dealt with and resolved.

Audit report matters of the previous year

There were no matters raised in the 2019/20 Audit Report pertaining to the 2018/19 Annual Report.

Events after the reporting date

In December 2019, a novel strain of the coronavirus was reported in Wuhan, China. On 11 March 2020, the World Health Organisation (WHO) officially declared Covid-19 a pandemic. Worldwide, the outbreak is disrupting supply chains and affecting production and sales across a range of industries. Socio-economic conditions will be significantly impacted by this crisis for some time, with the burden of the disease increasing on lives and livelihoods.

At the date of this report, the entity had sufficient cash resources and commitments in place to continue operations for the medium term. The Board and Management are continuing to analyse changing trends and opportunities in the marketplace as part of the implementation of the new Five-Year Strategic Plan.

Outlook

In consideration of traditional or pre-Covid-19 thought, whether we like it or not, Covid-19 will force us to reconsider our roles, our mandates. It will require us to *nail our colours to the mast*. It will challenge our preferred orthodoxies and tested methodologies. It will demand a rearrangement of our priorities and redefine our hallowed goals and objectives. Indeed, we will change as we engage with the disease and the profound social and economic consequences it has doubtlessly left in its wake. But most of all, if we are to be honest and true to our purpose, and our leadership of that purpose, it might well change the world itself.

It is against this backdrop, and with a renewed determination to build a better world, that we choose to approach the challenge of re-imagining Saldanha Bay through bold action with our

Shareholder, investors, programme partners and stakeholders in the periods ahead.

Our outlook is relentless and positive, it must be. We have no choice. We must move forward. We are not ignorant of challenges, contexts and complexity; we use these insights to think differently about how we get faster to our vision.

Appreciation

This overview was written some months past the financial year-end, testimony to the agile adjustments that needed to be made considering the pandemic struck on the eve of the new financial year. I am appreciative of that agility, but more so, because of the time it has allowed me to acknowledge the strength, ingenuity, empathy and shared commitment of the many people in my orbit.

Many work on the Saldanha Bay Industrial Development Zone, and many more work on building a better world. You are all acknowledged and sincerely appreciated.

In conclusion, on behalf of the management team, I thank the Board for its earnest leadership in difficult times. I thank our Shareholder representative, Minister David Maynier, Provincial Minister for Finance and Economic Opportunities, for the diligent interest and support he has shown for our business activities.

Kaashifah Beukes
Chief Executive Officer
30 September 2020

5.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

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

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully

Chief Executive Officer
Kaashifah Beukes
30 September 2020

Chairperson of the Board
Johann Stegmann
30 September 2020

6. STRATEGIC OVERVIEW

6.1. Vision

Vision for the Zone

We are Africa's premier oil, gas and maritime industrial and services centre, offering a world-class integrated engineering, fabrication, logistics and free port environment to zone users and tenants.

Vision for the Organisation

We work with each other and others with integrity, clarity and respect, accepting that we work in the name of all citizens of Saldanha Bay and South Africa.

Vision for the Board

We are a cohesive, informed, decision-making body, working in partnership with Management to ensure the long-term success of the entity and the short-term objective to operationalise and build an inclusive economy.

Vision for Partnerships

We are a community of equals, choosing to work together to fulfil our joint visions because we clearly understand the purpose and values of each partner.

6.2. Mission

We foster responsible investment in the zone as an inclusive and sustainable economic catalyst that sees Saldanha Bay transform over the next 20 years from a fishing village to a thriving city built on a maritime economy creating prosperity for all who live and work here.

6.3. Values

Pioneering: We know where we have come from and where we are heading. We dedicate ourselves to creating the conditions for our collective success. We achieve what is possible and overcome what others see as impossible.

Partnership Focused: We work together. We grow together. We show mutual respect.

Accountable: We take ownership of our actions. We hold ourselves accountable. We make the right decision and take the right action, to deliver sustainable growth to our organisations, communities and our country.

Sustainability Driven: We believe in making a difference that matters and that sustains itself after our work is done. We create spaces for empowerment and self-development. Creating sustainable transformation for lives, businesses and economies.


N
SBIDZ North
SME Co-Lab Centre
Access Complex
Innovation Campus
SBIDZ South-West
SBIDZ South-East
Project Leasing Facility
OSB
8 m
23.7 m
MPT
Legend
SEZ Designation
Customs Controled Area (CCA)
Internal Roads
SBIDZ North (90ha)
SBIDZ South-East (35ha)
SBIDZ South-West (20ha)
Access Complex (5ha)
Project Leasing Facility (10ha)
Innovation Campus
SME Co-Lab Centre
Offshore Supply Base (OSB) (23.5ha)
Multi-Purpose Terminal (MPT)

7.

LEGISLATIVE AND OTHER MANDATES

7.1 Constitutional Mandate

Constitution of the Republic of South Africa, 1996; Constitution of the Western Cape, 1997

The SBIDZ is linked to both the Constitution of the Republic of South Africa, 1996, and the Constitution of the Western Cape, 1997. In terms of Schedule 4 of the Constitution of the Republic of South Africa, "industrial promotion" is a functional area of concurrent national and provincial legislative competence. The SBIDZ is a component of the "industrial promotion" functional area.

Section 81 of the Constitution of the Western Cape, 1997, provides that the Western Cape Government must adopt and implement policies to actively promote and maintain the welfare of the people of the Western Cape, including policies aimed at achieving the creation of job opportunities and the promotion of a market-orientated economy. The SBIDZ fulfils the purpose of a SEZ within the greater Saldanha Bay area and ensures compliance with the Constitution of the Western Cape by continuing to catalyse growth and development through the provision of an enabling, inclusive environment and to fully operationalise and become commercially sustainable.

7.2 Legislative and Policy Mandates

7.2.1 National Legislative Mandates

Special Economic Zones Act, 2014 (Act 16 of 2014), in accordance with the Customs and Excise Act.

The Special Economic Zones Act, 2014 (Act 16 of 2014), in accordance with the Customs and Excise Act, provides for the designation, promotion, development, operation and management of SEZs, which includes the establishment of a provincial government business enterprise to manage each SEZ. The SEZ Act also provides for the functions of the SEZ operator.

In terms of the SEZ Act, the SBIDZ is an economic development vehicle to promote national economic growth and exports by using support measures to attract targeted foreign and domestic investments and technology. The purpose of the SBIDZ includes:

- attracting foreign and domestic direct investment;
- providing the location for the establishment of targeted investments;
- taking advantage of existing industrial and technological capacity, promoting integration with local industry and increasing value-added production;
- promoting regional development;
- creating decent work and other economic and social benefits in the region in which it is located, including the broadening of economic participation by promoting small, micro and medium enterprises and cooperatives, and promoting skills and technology transfer; and
- the generation of new and innovative economic activities.

Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), as amended by the BBBEE Amendment Act, 2013 (Act 45 of 2013)

The Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), establishes a legislative framework for the promotion of black economic empowerment. Our vision is to promote sustainable economic growth and job creation within the broader Saldanha Bay

Municipality (SBM). The entity has embraced the principles and objectives set out in the BBBEE Act and Codes of Good Practice through the implementation of various enterprise, skills and supplier development interventions/ programmes.

The regulatory framework for the SEZ Programme is enhanced by the following legislation:

- Section 21A of the Customs and Excise Act, 1964 (Act 91 of 1964).
- Relevant provisions of the Value Added Tax Act, 1991 (Act 89 of 1991).
- Report No. 14 promulgated by the International Trade Administration Commission in accordance with the Customs and Excise Act, 1964 (Act 91 of 1964).

7.2.2 Provincial Legislative Mandates

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

In 2016, the Provincial Parliament of the Western Cape passed the Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (Act 1 of 2016). The Act regulates the operation of the entity and provides for the objects, functions and governance of the entity. In terms of the Act, the objects of the entity are to establish and fulfil the purpose of a SEZ within the greater Saldanha Bay area, including:

(a) promoting, managing and marketing the SBIDZ;
(b) providing internal infrastructure in the SBIDZ area;
(c) facilitating the ease of doing business in the SBIDZ area; and
(d) acquiring and leasing land incidental to the Company's business.

7.2.3 National Policy Context

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

- The National Development Plan;
- The National Infrastructure Plan (particularly SIP5);
- The Presidential Infrastructure Coordinating Commission (PICC) Roll-out Programme;
- The Industrial Policy Action Plan;
- Operation Phakisa.

7.2.4 Provincial Policy Context

In addition, by virtue of the DEDAT being the overseeing governing body, the SBIDZ is linked to broader provincial strategies and policies, including the Western Cape Infrastructure Framework and the Western Cape Spatial Development Framework. Specifically, the SBIDZ falls under Provincial Strategic Goal VIP2 of the recently concluded Western Cape Government Provincial 2019—2024 Strategic Plan (PSP), focussing on exports, employment and GDP. The SBIDZ also aligns with the Saldanha Bay Municipality Local Economic Development Strategy and the Growth Potential Study of Towns (GPS) – 2014.

8. ORGANISATIONAL STRUCTURE

The entity's organisational structure ensures the effective and responsive undertaking of the entity's business activities, with due care and diligence to standards of good corporate governance. There are two programmes in the entity, namely Administration and Operations. Both programmes aid the realisation of the entity's vision, mission and values, and both aid delivery to the entity's strategic objectives.

Administration has the overarching objective of implementing best practice governance in support of the operations of the entity. The programme has a complex role due to its need to balance agile business needs and the requirements of the operations, while at the same time undertaking a crucial governance function within the enterprise as a public entity. It also provides a treasury function to ensure optimum spending and utilisation of financial resources.

Operations has the overarching objective of attracting, servicing and maintaining tenants and investors to the zone. The programme must lead proactively to ensure a business-friendly environment that addresses the needs of the industry and all its role-players and the stakeholders of the entity.

Executive Management

Kashifah Beukes
Chief Executive Officer

Doug Southgate
Chief Operating Officer

Herman Boneschans
Chief Financial Officer

Bernedicta Durcan
Ease of Doing Business

Laura Peinke
Business Development

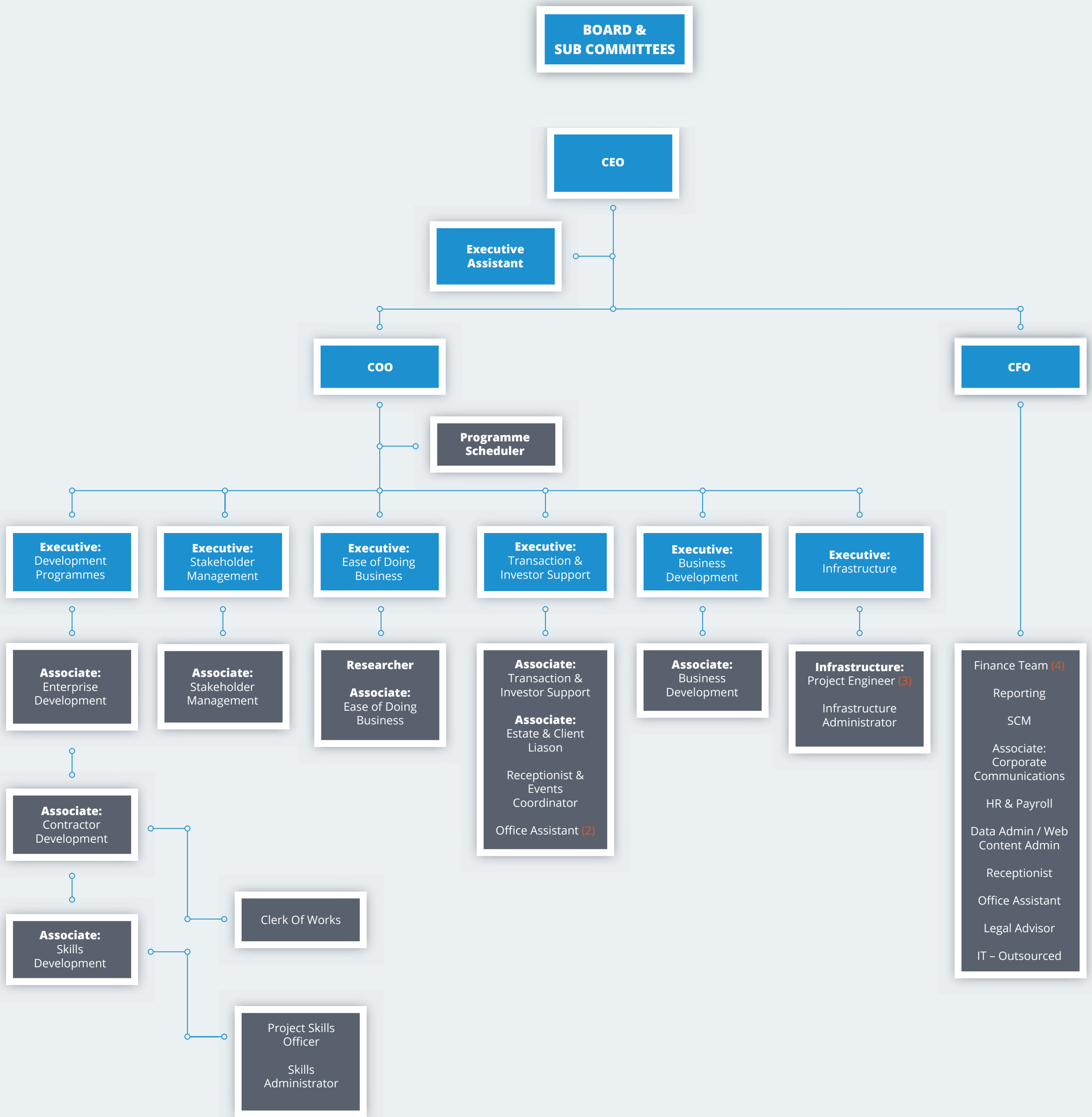
Adinda Preller
Transaction & Investor Support

Hannes Marais
Infrastructure & Environment

Patrick Lakabane
Development Programmes

Danielle Manuel
Stakeholder Management

ORGANISATIONAL STRUCTURE: BOARD & SUB COMMITTEES



9.
BOARD OF DIRECTORS

The Board is composed of representatives of the founding partners of the three spheres of government, namely the Saldanha Bay Municipality, Provincial and National Government, as well as representatives from the broader Saldanha Bay social and economic community and those from the private sector with requisite expertise and experience. Processes are underway to fill the one vacant social and labour representative seat.

Johan Stegmann
Board Chairperson
Appointed: February 2018

Mr Stegmann acquired a Bachelor's degree in Medicine and Surgery from the University of Pretoria in 1969 and a Postgraduate Diploma in Economic Principles (1999) and MSc in Economics (2001), both at SOAS, University of London. After a number of years practising medicine in Transvaal (Gauteng) and Namibia, a shift into full-time health administration and management followed in the late seventies, 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 the then Provincial Secretary and in 1994 as the provincial driver for the phasing-in of the first democratic Constitution. That led to taking up the Western Cape Provincial Treasury function until the end of December 2014. Since then he has served as Chairperson of the Saldanha Bay IDZ entity, as strategic coordinator in the Office of the Director-General of the Western Cape Government and, after a break in 2019, as a data and tech ecosystem advisor.

Thembisile Salman
Deputy Chairperson
Appointed: June 2018

Mr Salman holds a BSc degree in Chemical Engineering from the University of Cape Town, a BSc Honours degree majoring in Chemistry and Bio-chemistry from the University of Fort Hare, as well as an MBA in finance from the University of Cape Town Graduate School of Business. In 2002, Mr Salman started his technical career at Sasol Limited as an operations engineer in their graduate programme. He was appointed as lead engineer to assist Sasol Technology in putting together a CTL proposition for the Indian Government that resulted in securing Tata as a joint venture partner. In 2008, he was appointed as manager of the 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 a preferred focus on Oil & Gas.

Jacqueline Brown
Appointed: November 2019

Ms Brown obtained a BA Social Work degree from the University of the Western Cape and later completed a Post-Graduate Certificate in Engineering Business Management from the University of Warwick in the UK. With over 20 years' experience in maritime and port management, she has held various executive management positions in human resource management, operations and port management. She currently serves as TNPA Acting General Manager, Corporate Affairs and Stakeholder Relations, after a successful stint as Executive Manager for Capacity Creation, Enablement and Oversight Management. A proven leader and a much-admired female executive, she was a finalist in the national Businesswomen's Association of South Africa (BWASA) Businesswomen of the Year Awards and, in November 2012, received the Eastern Cape Black Management Forum (BMF) Business Women of the Year award. In 2014, she was a finalist in the Leadership Development Institute (LDI) Buffalo City Business Leader of the Year awards. Drawing on her passion for development and empowerment, she has become a sought-after public speaker at high-level industry gatherings such as the prestigious Africa Ports and Harbours Conference.

Heinrich Mettler
Appointed: June 2019

Mr Mettler studied at 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. He joined the Department of Water Affairs in George as the Manager of Maintenance and Contraction and as the manager of Calibration. He then joined the Development Bank of South Africa, serving as a Junior Project Manager and later as a civil engineering expert. In 2011, he became the Municipal Manager of Prince Albert Municipality and received the MFMA Most Improved Audit Award for medium-capacity municipalities in the Western Cape as well as the 2018 Govan Mbeki Award for best Integrated Residential Development programme for the Western Cape, sharing the honours with Saldanha Bay Municipality. In 2018, he was appointed as Municipal Manager of Saldanha Bay Municipality.

Justice Ngwenya
Appointed: January 2019

Mr Ngwenya holds a BSc Honours degree in Business Studies from the University of Wales. His career at Standard Bank started as a product analyst in 1994, which included in-depth research on industry product development trends and competitor analysis. The information was used to advise on competitive strategies. Mr Ngwenya took an opportunity to move to investment banking, where he was a supervisor in the financial markets operation of the bank, supervising and managing foreign transactions for local and international clients, including banks. In 1997, he joined Triton South Africa as a National Sales Manager. In 1999, he joined KPMG as a Senior Consultant in the Advisory Unit and was seconded to a World Bank-funded international project driven by the Department of Trade and Industry (the dtic). In 2004, Mr Ngwenya joined the dtic as a Director responsible for customer care, giving support to units managing different incentives by the dtic. In 2006, he moved from Customer Care to manage one of the key programmes of the dtic 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), a responsibility that entails management of about R1.6 billion per annum. He is a member of several Adjudication Committees of dtic programmes.

Basetsana Mathibe
Term ended: December 2019

Ms 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 and worked with various businesses as a qualified occupational health practitioner. In 2001, Ms Mathibe was a founding member of the West Coast HIV/AIDS Initiative. In 2006, she established a non-profit organisation called Tirisano Training Organisation, which received accreditation with the Health and Welfare SETA for home-based care programmes. She is a founding member of the Saldanha Action Care Group and volunteers in programmes such as training to establish an ECD centre in Saldanha Bay, an after-care programme at Diazville Primary, an environmental programme called Keep Saldanha Green and a feeding programme focusing on all schools in Saldanha Bay.

Irvin Esau
Appointed: April 2019

Mr Esau obtained his BComm in Management Accounting in 1991 and later completed a Management Development Programme at the University of Stellenbosch. In March 1998, he started as a Management Accountant at Sea Harvest Ltd in Saldanha Bay and was promoted to Group Admin Manager in 1999. In July 2000, he joined Sea Vuna Fishing in Mossel Bay as a General Manager and served as the Managing Director from 2001 until 2006. In April 2006, Mr Esau moved back to Sea Harvest in Saldanha Bay where he worked as the Operations Executive and as the Operations Director until 2014. In 2014, he decided to explore his options in the property market and is now a self-employed businessman developing property in and around Saldanha Bay.

John Smelcer
Appointed: March 2019

Mr Smelcer 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 and has more than 15 years' experience working in the Energy & Infrastructure sectors with a focus on gas projects. He has been involved in some of the largest LNG projects in emerging economies across the African continent and elsewhere, 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 projects for Globeleq in Mozambique and plays a leading role in growing Globeleq's gas business in Africa. He regularly leads training seminars with senior government officials and other stakeholders related to energy and oil & gas developments and financing. He is also 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.

Linda Seroka
Resigned: August 2019

Ms Seroka obtained a BCompt Honours at the University of Natal and later completed her MBA at the Gordon Institute of Business Science, University of Pretoria. She 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 leads the development and implementation of TNPA business strategy to position TNPA globally as a competitive system of ports.

Edwin Obiri
Appointed: April 2019

Mr Obiri holds a Bachelor of Business Systems Degree from Monash University. His career began as a participant in a talent development programme at Siemens AG, where he worked as an intern on various projects and assignments in the USA and Germany for four years. He then assumed a role as a business development manager for an investment fund based in Johannesburg and Accra, where he developed a mining procurement business with blue chip clients, including Anglogold Ashanti and BP/Castrol SA. He next joined Citigroup South Africa as a management associate and worked in Kenya, Tunisia and Egypt in various departments of the bank before moving to the corporate finance team at Citigroup South Africa, covering East Africa and non-presence countries. He 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. Mr Obiri has founded several businesses, including Powerbet Gaming (Pty) Ltd, Africore Energy Ltd, Empower Workforce Solutions Ltd, Empower Facilities Management Ltd and Frontier Pipeline Services Gh. Ltd.

Kaashifah Beukes
Chief Executive Officer (Executive Director)
Appointed Acting CEO: April 2018
Appointed CEO: September 2019

Ms Beukes holds a BSc in Civil Engineering and an MBA from the University of Cape Town. She is the 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 entity and delivery of the SBIDZ's mandate and operationalisation strategy. She has been with the entity since its start-up in 2014. She has eight 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. She is passionate about making a sustainable, transformative impact, especially at the community level.

Herman Boneschans
Chief Financial Officer (Executive Director)
Appointed: February 2018

Mr Boneschans qualified as an accountant in 2003, after completing his articles at Ernst & Young. Shortly after, he joined the DEDAT, 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 organisations he has worked for have achieved clean audits over the past 11 years. He was appointed as Chief Financial Officer of the entity in 2014.

Sollie Marthinus
Company Secretary

Mr Marthinus acquired a BProc and LLB degrees from the University of the Western Cape in 1999. He was admitted as an Attorney of the High Court of South Africa in 2001. Mr Marthinus has experience in the fields of municipal governance, municipal and provincial legislative processes, constitutional law, administrative law and corporate law and governance. He has worked in both the local and provincial spheres of government. Mr Marthinus was appointed as the Company Secretary of the entity 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 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 material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 76 of the Report of the Auditor-General, published in Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

Risk and certainty, key factors influencing decision making in the allocation of capital and investment, faced paradigm changing effects due to the advent of the Covid-19 pandemic at the end of the year under review. Assumptions about known risks before Covid-19 evaporated as new supply, demand and policy risks took hold in the aftermath of global lockdowns to prevent unmitigated deaths. The SBIDZ had to get comfortable with the evolving unknowns and knowns during 2020 and taking stock of what its customers dealt with was a key first step to ensure a resilient business strategy for the next period.

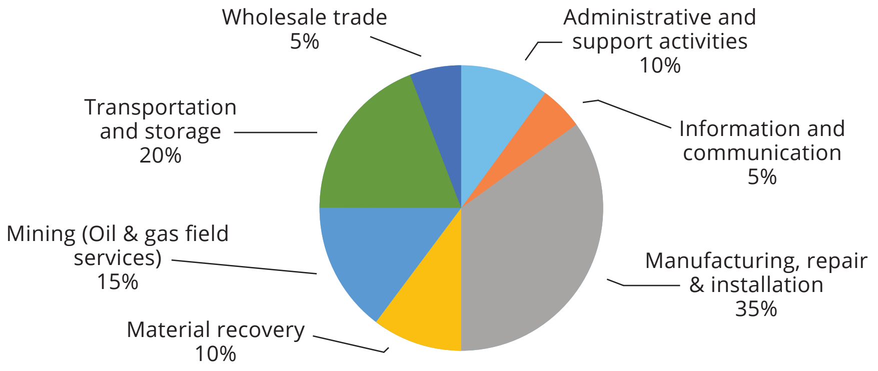
Thus, the entity initiated a qualitative survey during May 2020 to explore how the entity, with its 'Top20' tenants (tenants and investors with the most advanced investment projects), could collectively approach the crisis to emerge in a stronger position and deal with the pandemic's multiplying socio-economic challenges. Focusing on the Top20 allowed the entity to home in immediate priorities and initiate the impactful activities needed to survive and thrive. The purpose of the survey was:

1. To gain an understanding (threats and opportunities) of the impact Covid-19 has had and will have on customers' businesses (both operational tenants and those in an investment development phase near to being operational).
2. To understand their potential risks and dependencies and explore feasible mitigation measures.
3. To explore how their businesses could be accelerated and boosted in the immediate future.
4. To use the insight from the survey to collectively craft a Covid-19 response plan, including reviewing the entity's business strategies and a call to action from stakeholders.

Top20 Tenant Survey

The survey found that the Top20 tenants and investors do business in multiple sectors and provide products and services to a host of different clients, including emergency maritime response services, maritime defence and surveillance, fishing, navigation, maritime transport, carbon and renewable energy production, offshore and onshore field operations, construction and building, and chemical production (Figure 1). Thus, the SBIDZ has resilience in the diverse markets it accesses.

Figure 1: Sectoral distribution of tenants surveyed



The majority (90%) of the tenants were in the investment development phase, indicative of the SBIDZ's crucial development stage of its lifecycle at the point when the national lockdown began.

With the diversity of market reach in the SBIDZ, 69% of tenants surveyed had low risk exposure to oil price volatility, with 13% having positive opportunity to oil price volatility, 10% having extreme risk and 9% moderate to high risk.

This is driven by 40% overall not being in the oil & gas exploration, production and supply sub-sectors, 20% operating across diverse sectors, another 20% in the oil and gas E&P value chain, and the last 20% operating in the fuel storage market and services market, which experienced an upturn due to the need for fuel storage and associated services between April and May (Figure 2).

The main government relief measure applied for was the UIF TERS by five tenants (32%), followed by a single instance of PAYE tax relief (5%) from one of the tenants in the oil & gas field services sector. For those tenants who applied for government relief measures, it was an equal 50% split between good and poor application experiences overall, though three out of five had poor experiences with the UIF TERS application. Only five of the 20 tenants surveyed applied for working capital and/or deferred payments relief measures.

Sixteen of the tenants surveyed remain committed to their investments into the SBIDZ, with two citing financing concerns due to negative investment sentiment and two citing readiness concerns due to the increased urgency for local supply chains and workforces. All acknowledged the shifting out of timelines and are focused on using the forced time to adjust and improve their business plans accordingly.

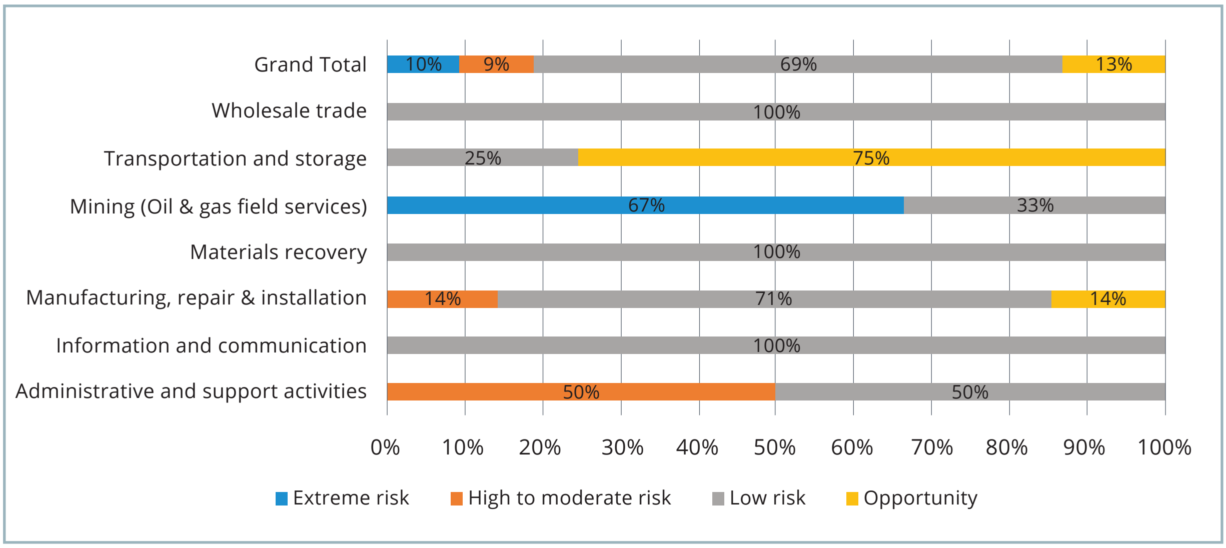


Figure 2: Oil price exposure, by sector, of tenants surveyed

The Level 5 lockdown disrupted progress on investment development processes (47%), limited tenants' operational activity with the required shutdowns of workplaces for non-essential businesses (36%), and decreased demand for services from clients (17%) as projects and goods ordered were postponed due to travel restrictions and everyone had to adapt to the new normal of working from home.

Operational tenants asked only for one thing to accelerate and sustain the growth of their businesses in the SBIDZ: greater awareness of the value chains in their sectors (100%) in response to, firstly, the financial risks Covid-19 has added to supply chain disruptions due to unfathomable logistics restrictions, and, secondly, nurturing the industry for the long-term (Figure 3).

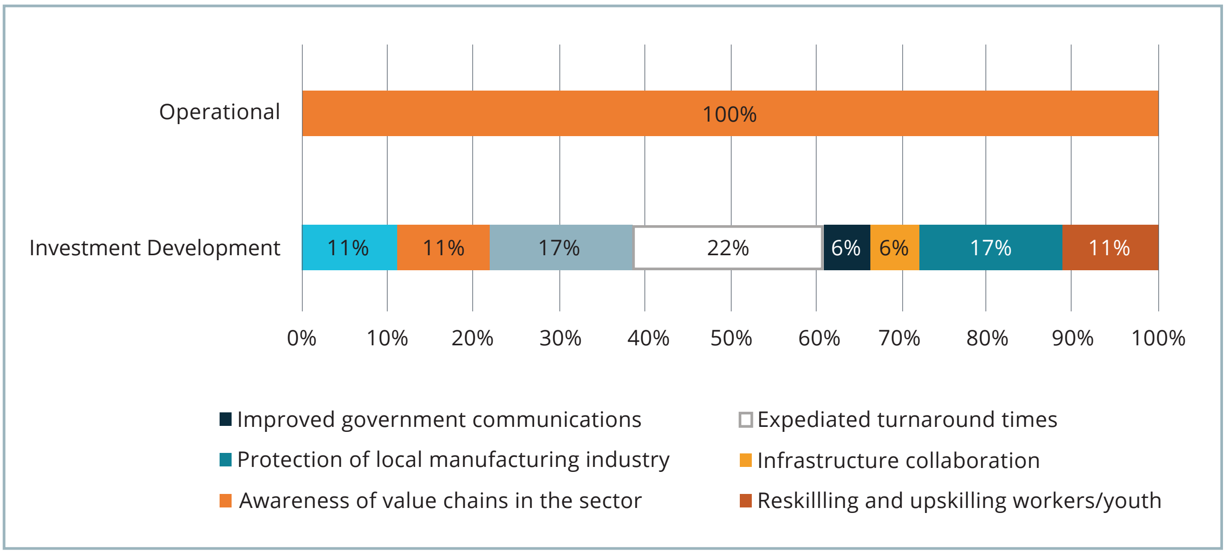


Figure 3: Identified investment accelerators, by investment stage, of tenants surveyed

Twenty-two percent (22%) of tenants surveyed in the investment development phase asked for expedited turnaround times (Figure 3), especially with regard to Environmental Impact Assessments (EIAs), zoning, building plans and permits, SEZ fund and BIS financing applications, other needed regulatory permits and licences, as well as final decisions on strategic provincial and national outstanding policy and planning matters such as the Draft Upstream Petroleum Resources Development Bill published in December 2019, the implementation of the Comprehensive Maritime Transport Policy for South Africa, 2017, the progress of the Oceans Economy delivery projects for the Port of Saldanha, and cross-institutional collaboration towards the sustainability of the ship & boat building/repair, aquaculture and oil & gas sectors provincially and nationally between the Western Cape Government (WCG), Transnet and its operating divisions, DEFF, DPE and DPW.

Logistics restrictions (of people, raw materials and equipment) in the initial lockdown, and the subsequent proposed framework of phased re-opening of the economy and negative investment sentiment, were equally important key short-term risks to operational tenants surveyed, in terms of the short-term outlook of their business and markets (Figure 4).

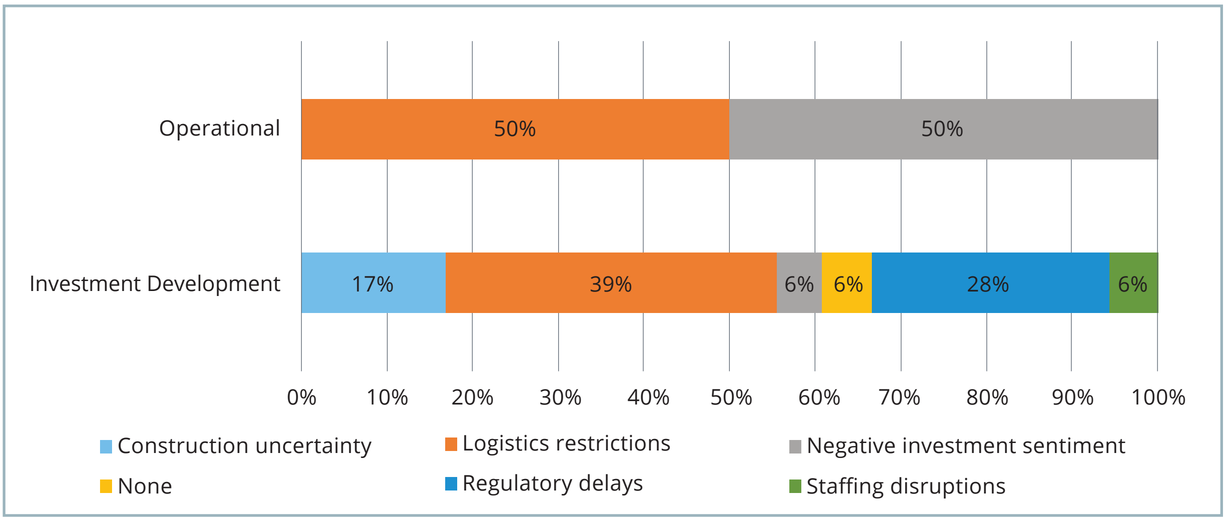


Figure 4: Short-term key risks identified by investment stage, of tenants surveyed

Though they are still in investment negotiations with the entity, 39% of tenants cited logistics restrictions as the key short-term risk as it placed a strain on their operating businesses outside the zone. Twenty-eight percent cited regulatory delays as a key short-term risk, based on concerns by businesses that government processes would come to a near halt or be inextricably delayed as government adjusted to remote working and dealing with the pandemic (Figure 4).

(50%) as the downside, related to needing to deal with the risk and realities of transmission of Covid-19 in workplaces going forward.

Many of the businesses surveyed identified an opportunity for South Africa to have a more concerted effort to up-skill and re-skill local workers and youth, especially to get them internationally competent and digitally competent as well, to help balance the effect of these disruptors. Available government capacity

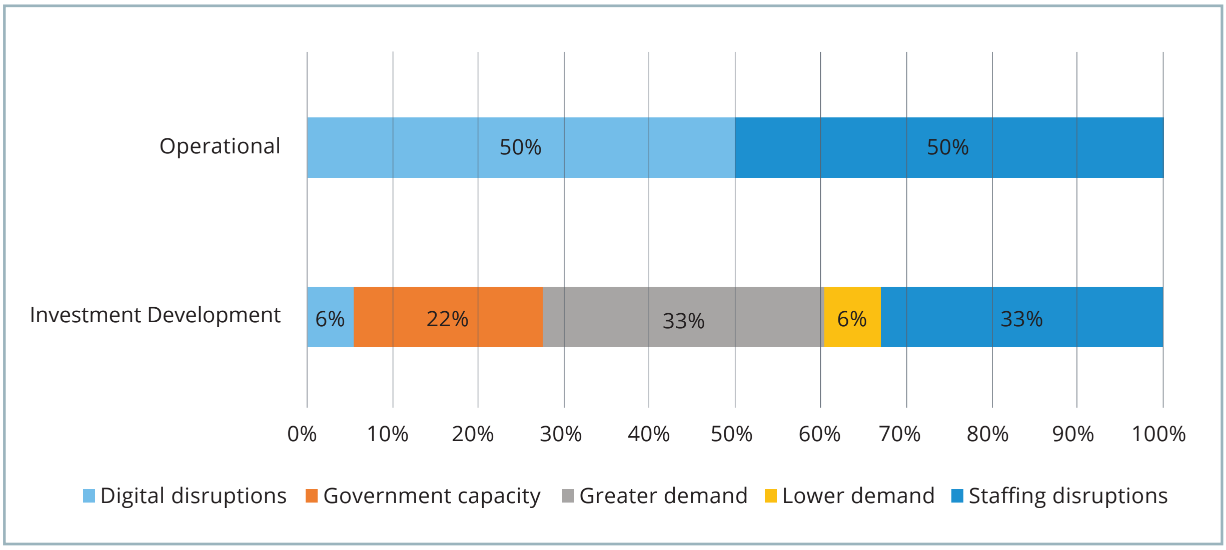


Figure 5: Sources of business disruption, by investment stage, of tenants surveyed

Staffing disruptions (50%), stemming from concerns about human resource availability as infections rise and logistics restrictions are imposed, and digital disruptions (50%) due to needing to move quickly to digitised work environments to sustain operations in the face of hygiene and social distancing requirements, were the two big disruptors operational tenants anticipated managing daily in their businesses in the 'new normal' of living and working with Covid-19 (Figure 5).

On a sectoral basis, 50% of tenants in the manufacturing, repair & installation, transportation and storage and information & communication sectors saw upsides (positive) in future disruptors due to the oil contango for the medium term, the glut of vessels needing space to be decommissioned and the surge in digital capacity and competence needs due to Covid-19. But the other half cited staffing disruptions

(22%) followed as the second-biggest negative disruptor, reaffirming previously raised concerns by business regarding government maintaining support for their SBIDZ investments while managing the pandemic across multiple fronts. Only two tenants overall (6%) identified digital disruptions as key influencers over the next year, possibly reflecting that other may have already discounted the negative or positive technological impact of Covid-19 in their responses (Figure 5).

Lastly, tenants requested that the SBIDZ support them with stakeholders, such as facilitating industry collaboration and networks between zone tenants and those outside the zone across local value chains and workforces, and facilitating collaboration with stakeholders such as Transnet, Saldanha Bay Municipality, the SFF and various public finance mechanisms and organisations (such as IDC, the dtic, etc.).

The entity drew the following recommendations into its review of its internal and external business strategies going forward:

1. External: **Facilitate the generation of better local firms, competent workers and more entrepreneurs:**
   a. Local firms can increase sales and spur productivity gains through targeted, facilitated matchmaking and quality upgrading of products and services through capital, skills and technology transfers.
   b. Domestic workforces can acquire new skills through exposure to international practices and reskilling and up-skilling training to meet quality, digital and technical standards of zone sectors.
   c. Entrepreneurial competence is enabled and more competent domestic firms are generated through exposure, mentorship, matchmaking and finance.
   d. The quality of relationships is of paramount importance to have clarity on expectations, roles and responsibilities between role-players and participants in all the above.

2. External: **Enhance accountable relationships with key stakeholders:**
   a. Innovate business support processes in investment development stages in the maritime sector.
   b. Integrate strategic policy and infrastructure planning for the maritime sector.
   c. Raise sectoral awareness and positioning of the maritime sector.

3. Internal: **Navigate the uncertainty:**
   a. Increase SBIDZ customer contact with consistency, clarity and follow-through, such as investment prioritisation, electronic leasing management and face-to-face contact.
   b. Stabilise or increase revenue by targeting key areas that expand SBIDZ's market positioning and resilience such as DEA&DP offset areas, SBM EODB, dtic's SEZ Fund and BIS, and the IDC.
   c. Optimise operating costs through targeted expenditure reprioritisation across the three functional areas of attracting investors, servicing investors and maintaining tenants.

2.2. Organisational Environment

The entity's specialist team is structured to ensure the unique demands of setting up the zone are met effectively and efficiently. Each business unit has an executive assigned that has a distinctive focus, which together creates a robust management approach.

By using the vehicle of a SEZ to facilitate sustainable economic growth in the Saldanha Bay area, the entity will enable 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 a sizeable contribution to the national GDP.

The SBIDZ-designated areas include a component of TNPA land for direct access and usage, governed by a Memorandum of Understanding (MOU) between the SBIDZ and TNPA and various commercial lease agreements, which will enable the creation of the first free port within South Africa.

The entity's Strategic Plan, within the current and successive Medium-Term Strategic Frameworks, is supported by the National IDZ/ SEZ strategy and WCG infrastructure strategic planning.

2.3. Key Policy Developments and Legislative Changes

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

2.4. Strategic Outcome-Oriented Goal

To establish an industrial development zone (IDZ) at Saldanha Bay as a catalyst for economic activity and job creation.

Strategic Outcome-Oriented Goal	Promote sustainable economic growth and job creation.
Goal Statement	To create an enabling environment to promote sustainable economic growth and job creation by: • Facilitating a cumulative contribution to National GDP by investors within the SBIDZ of **R16.133 billion** by the end of the FY 2019/20. • 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 of the entity. The programme has a complex role due to its need to balance agile business needs and the requirements of the operations while, at the same time, undertaking a crucial governance function within the organisation as a public entity. It also provides a treasury function to ensure optimum spending and utilisation of financial resources.

Programme Structure

The programme includes the following functions:

- Governance
- Legal
- Financial Management
- Human Resource
- Supply Chain Management
- Information Technology
- Corporate Communications.

Funding

Operations are mostly funded by the WCG, while infrastructure is funded by the National Government by way of the SEZ Fund administered by the dtic. The WCG also previously funded the purchase of the Saldok land from the IDC. Skills and enterprise development are funded from various sources, as they do not form part of the formal funding programme.

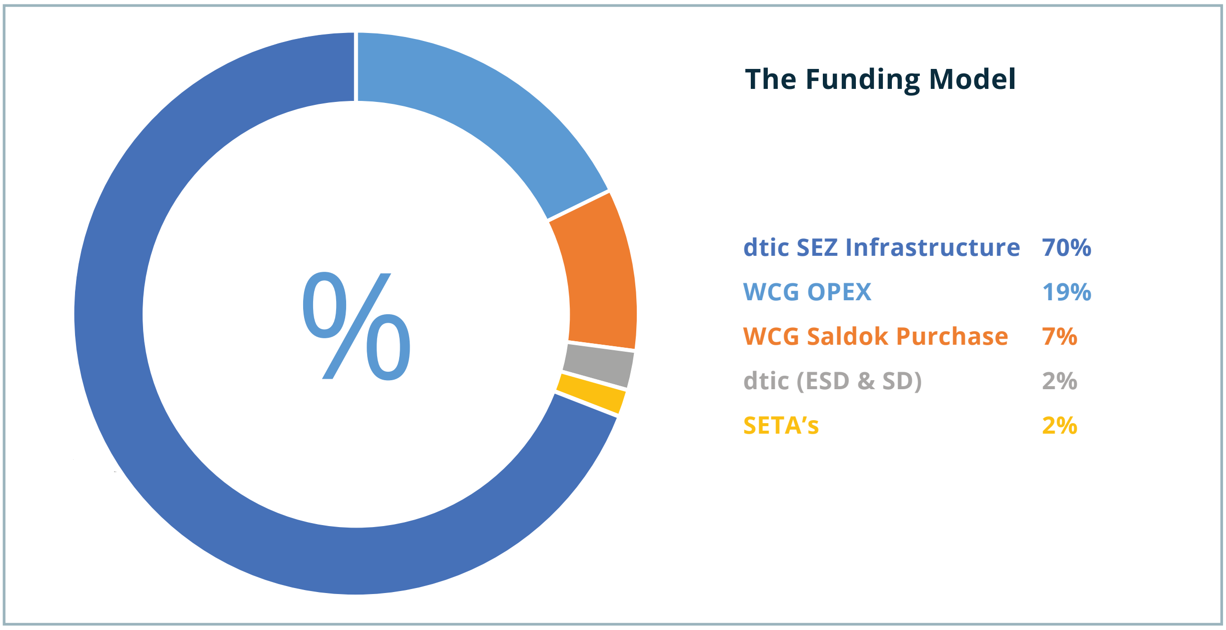


Figure 6: SBIDZ Operational Funding

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 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	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 Achieve-ment 2016/17**	**Actual Achieve-ment 2017/18**	**Actual Achieve-ment 2018/19**	**Planned Target 2019/20**	**Actual Achieve-ment 2019/20**	**Deviation from planned target to Actual Achieve-ment for 2019/20**	**Comment on deviations**
Unqualified audit report:	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified Audit Opinion	Unqualified audit opinion	–	–
Number of frameworks institutional agreements monitored	–	4 Frameworks implemented	4 Frameworks reviewed	2 Frameworks monitored	2 Frameworks monitored	–	–
Number of frameworks reviewed to monitor and manage tenant lease agreements	–	1 Framework implemented	1 Framework reviewed	1 Framework reviewed	1 Framework reviewed	–	–

Strategy to overcome underperformance

None required.

Changes required to planned targets

None required.

Programme 2: Operations

Purpose

Operations has the overarching objective of attracting, servicing and maintaining tenants and investors to the zone. The programme must lead proactively to ensure a business-friendly environment that addresses the needs of the industry and all its role-players and the stakeholders of the entity.

Programme Structure

The programme includes the following business units:

- Ease of Doing Business (EoDB)
- Business Development
- Transaction and Investor Support (T&IS)
- Infrastructure & Environment Development
- Development Programmes
- Stakeholder Management

Highlights of each business unit for the year under review are shared below.

Ease of Doing Business

The Ease of Doing Business (EoDB) unit delivers an investor-responsive and proactive approach by offering a *one-stop-shop* service to customers and investors. It develops systemic operating models to ensure that processes are consistent and provide certainty to customers, provide efficient and effective interventions to investors, and facilitate access to information and services, to provide an attractive value proposition for the attraction to and retention of investors in the zone.

Customs Control Area (CCA) Designation

During the period under review, a monumental journey was concluded with the official designation of South Africa's free port, enabled by the SARS Customs Control Area (CCA) regime.

The SBIDZ was designated a CCA on 70% of its footprint on 19 July 2019. The EoDB unit enlisted Government Technical Advisory Centre (GTAC) consultants from 2017 to work together through a systematic approach and to give assurances to SARS and National Treasury of this designation as a lever to attract customers and investors from the oil, gas and maritime sectors. This was to enable the SBIDZ to be a destination of choice for the passing marine traffic that capture both East-West and North-South trade routes.

The benefits of a CCA/ free port include:

- **Time Efficiency:** Less onerous customs procedures for goods meant for export destinations that move into, within and out of the zone.
- **Operational Efficiency:** Storage of goods without time limitations.
- **Increased Cashflow:** No upfront 15% VAT payment on parts and equipment coming in for repairs and maintenance. Paying 15% upfront is a hefty cost to bear for services companies. VAT will also be subject to a volatile Rand/Dollar exchange rate throughout the contract, so companies may get less than what they paid for months before.
- **Cost Savings:** No import and/or export duty levied on goods imported, value added and re-exported from the zone.

Standard Operating Procedures

In the same body of work with GTAC during the financial year, the business unit refined the necessary SARS and Department of Home Affairs (DHA) standard operating procedures (SOPs) for a SEZ and CCA customer, making them easier to understand and follow (Figure 7).

The SARS SOP is a pocket-sized information guide for investors on available incentives to expect from the SBIDZ and the processes to follow. The guide outlines SEZ fiscal incentives, eligibility criteria and application processes. It outlines the Customs Control Area Enterprise (CCAE) registration process and eligibility criteria, and lastly, the SARS Preferred Trade Programme.

The DHA SOP is a pocket-sized information guide for investors on visas, work permits and foreign workforce considerations. The guide outlines the application processes and eligibility criteria for all South African work visas.

Figure 7: Standard Operating Procedures for SARS and DHA

InvestSA Satellite OSS

With the imminent completion of the SBIDZ Access and Security Complex in 2020/21, the unit began planning for the necessary *InvestSA Satellite One-Stop-Shop* (OSS) with the national InvestSA team at the dtic. The InvestSA Satellite OSS is planned for late 2020/21, subject to Covid-19-related regulations and the state of the pandemic over the year.

The unit has identified the key range of services required in the Satellite OSS (see table below) and aims to continue to use GTAC in working with the national InvestSA team and the responsible government departments to secure their presence in the Satellite OSS in the Access Complex.

Table: SBIDZ Satellite OSS Service Offering

Services	Responsible government department
Customs & Excise (Import & Export Permits, Prefered Trader Programme	SARS - Customs
CCAE Registration & Compliance	SARS - SEZ & CCA
Tax Incentives (CIT, ETI)	SARS
Immigration (PoE, Crew Changes)	DHA
Visas & Work Permits	VfS Global & DHA
Employment Service (UIF, Inspections)	DOL
Port Security & ISPS Compliance	TNPA Security & SAPS
Building Plans	SBM
Building Registrations & Licensing	SBM Business
dtic Incentives	dtic/InvestSA

Process Maps

The **5x5 Voice of the Customer** study highlighted the important role of efficient, understandable and consistent port operation processes in maintaining and increasing the zone's value proposition.

Figure 8 is one of seven process maps developed by the unit, outlining processes that will enable the entity to reduce bottlenecks and proactively intervene efficiently should issues escalate in the process. Prior knowledge of the processes and responsible persons, before an issue/emergency, is a critical element of the proactiveness of the EoDB business unit.

The maps are bespoke to provide expedited service to targetted markets and investors, to make it easy for them to use the Port of Saldanha Bay and any dedicated quayside facilities at the SBIDZ.

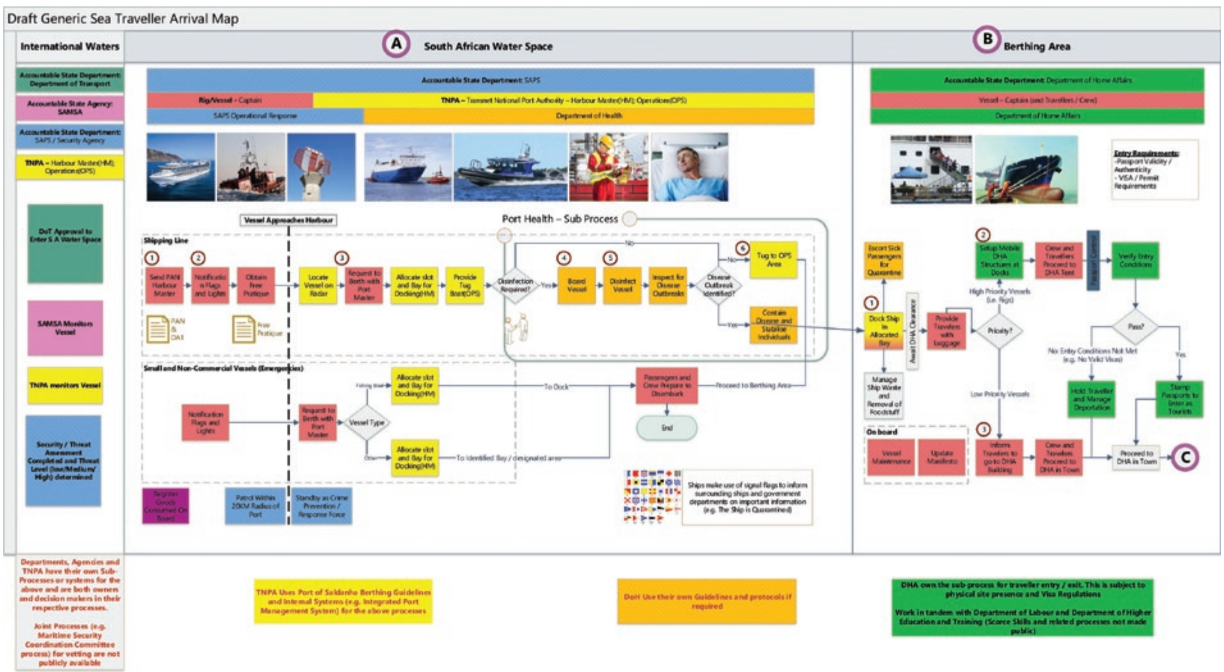


Figure 8: Port and Marine Operations Process Map

Business Development

The Business Development business unit focuses on achieving the investment targets of the zone, linked to its socioeconomic mandate. This includes monitoring market trends and adjusting the investment promotion mandate accordingly to ensure an adaptive and dynamic value proposition to investors.

For the year under review, the entity continued to build a healthy and robust tenant pipeline, with over 60 active investment projects. Business Development focuses on day-to-day investment promotion activities towards the zone, as well as concluding Right-of-First Refusals (ROFRs), lease agreements and Memoranda of Agreement (MoAs) with a specific focus on ensuring sustainability and future investment in the zone.

Additional lease agreements were signed during FY 2019/20, bringing the total to nine by year-end. The current Project Leasing Facility (PLF) continued to attract investor interest and generated rental revenue for the zone.

Looking forward, a key focus area for the unit will be in supporting Finance and T&IS to unlock the value in the tenant pipeline through responsive tenant and investment management systems.

Transaction and Investor Support

The Transaction and Investor Support business unit fulfils a vital role in realising the commercial interest of the entity and of tenants as per its transformative mandate. It works to ensure tenants have access to world-class infrastructure and services. During the period under review, the team focused on ramping up zone operations and estate management functions as more tenants are expected in the coming financial year.

T&I Function	Achieved Milestones for 2019/20
Letting	Finalisation of property tenure with SBM – Remaining erf cleared by SBM.
	Signed and concluded the TNPA Phase 1b Lease of the 20ha land for the use by Saldecho (Pty) Ltd, operator of the Offshore Supply Base (OSSB).
	Progress on extending TNPA Phase 1a Lease terms to 20 years and updated lease footprint.
	Progress on concluding TNPA Lease for additional 1.2ha footprint towards the SBIDZ Project Leasing Facility.
	Renewed tenant lease agreement for operational tenant in the Project Leasing Facility.
	First Access Complex anchor tenant discussions in progress.
Sub-Letting	Signed and concluded the Saldecho sub-lease for the OSSB.
Estate Management	Finalised SBIDZ ICT Infrastructure plan for the next 36 months, including internal ICT Operations Roadmap.
	Finalised Estate Security & Access plan for the next 36 months.
	Completed the Estate Architectural Guidelines.
	Started with the Spatial Layout study to inform tenant placement and major material, energy and traffic flows within the SBIDZ.
Tenant Retention & Support	Started with design and development internal workflow to support lease management and billing and to streamline investor processes, inherently improving the investor experience.
	Continued with operational support for SBIDZ offices & operational tenants.

T&I Function	Achieved Milestones for 2019/20 (continued)
Commercial Funding	Supported Business Development in securing commercial funding for SBIDZ tenants.
	Developed initial cost-benefit study for a second Project Leasing Facility.
Access Complex & Project Leasing Facility	Developed a detailed tenanting plan for the Access and Security Complex.
	Developed a detailed business plan for the Project Leasing Facilities, including supporting investor documents.
Innovation Campus	The Board accepted the Innovation Campus Feasibility Study and gave permission to proceed with its implementation.
	The Board agreed to fund the first Innovation Campus programme, namely the SBIDZ-LC High School Programme.

Infrastructure & Environment Development

The Infrastructure & Environment Development business unit aims to provide relevant external and internal bulk services and facilities to enhance the zone's value proposition and any necessary environmental authorisations to conduct activities in the zone.

Despite reaching practical completion of the Portland project within the year under review, the completion of the Access Complex project and the zone's first SBIDZ-built tenant facility were delayed due to the Covid-19 pandemic and the subsequent national lockdown.

As a buffer against volatility, the unit secured panels of professional service providers and management construction companies during the year. This will reduce the time to source and secure important resources to scope, design and manage projects from tenants and the entity.

Development Programmes

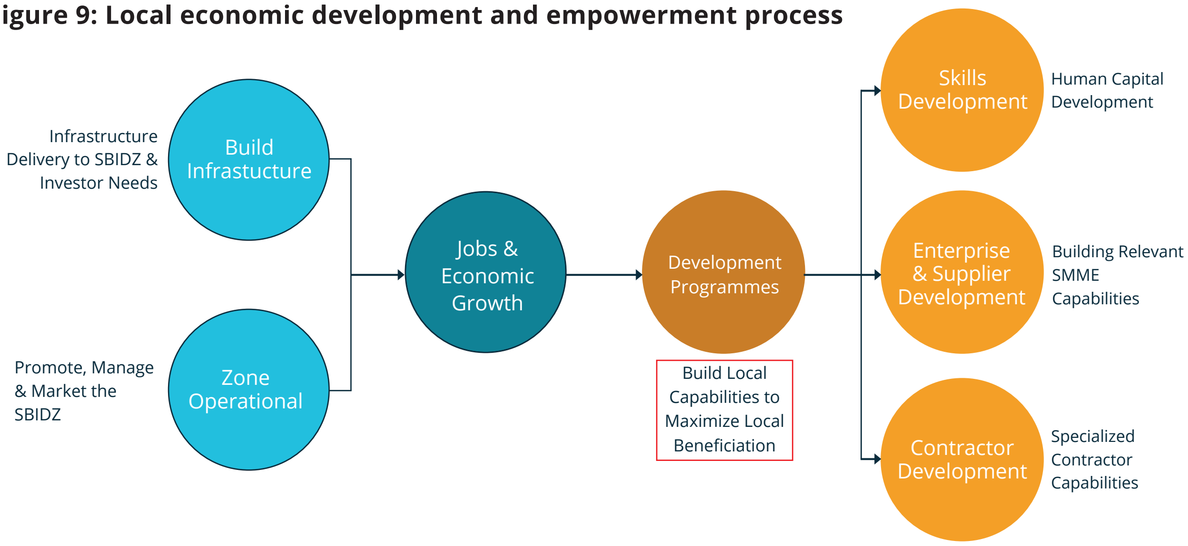
The overarching goal of the Development Programmes unit is to maximise local economic development and empowerment through increased participation and beneficiation of citizens and businesses in Saldanha Bay. The three central pillars of its focus are skills development, enterprise development and contractor development, in a demand-driven context and informed by the opportunities that emerge from the global oil & gas service, marine fabrication and repair industries and our infrastructure development demands.

Skills Development:
- Build strategic human capital development partnerships with relevant industry stakeholders and government
- Develop a new investor-specific occupational training strategy and implementation plan.

Enterprise Development:
- Build local SME Covid-19 resilience.
- Build demand-driven local oil & gas and maritime SME capabilities.
- Expand the SBIDZ SME Co-Lab Centre service offering.

Contractor Development:
- Improve the quality, productivity and competitiveness of local construction enterprises.
- Improve sub-contractor CIDB ratings and compliance.
- Build sub-contractor project management and financial management capabilities.

Figure 9: Local economic development and empowerment process



Stakeholder Management

The Stakeholder Management business unit 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, to build relationships required by the entity's business model and strategic objectives.

Building on the work during the 2018/19 financial year to shape a shared and clear vision with its stakeholders, the business unit strengthened its relationships and strategic alignment with its key programme stakeholders, including the SBM, TNPA, WCG and the dtic. Key achievements during the 2019/20 financial year included:

- Facilitating the inclusion of a detailed and updated input into the SBM's 2020/21 Integrated Development Plan (IDP) that reflects the SBIDZ's vision, strategy and development;
- The entity and the SBM jointly commissioned the completion of a *socio-economic futures modelling study* during 2019, which forms the basis for strategic assumptions and decisions in the entity's Five-Year Strategic Plan and Corporate Plan and SBM's IDP, budget, 50-Year Visionary Plan and Long-Term Financial Plan;
- The establishment of an institutional structure between the entity, SBM and TNPA that meets fortnightly to address strategic and operational matters;
- Conclusion of an updated MOU with the TNPA to strengthen the collective understanding of the shared vision between the two entities and the multiple areas/touchpoints of collaboration and joint planning. The parties agreed that the strategic elements of the MOU must be translated into action via agreed and institutionalised governance structures such as the TNPA and SBIDZ-LC Executive Liaison Committee meeting structure that convenes quarterly.

The WCG is a key stakeholder of the entity, as expressed in collaboration, through the Whole of Society Approach (WoSA) initiative and the subsequent Joint District Approach (JDA), on ensuring that the unprecedented mixture of existing and projected public and private industrial activity taking place in Saldanha Bay is managed to address the socio-economic needs of local communities and to maximise public value and service delivery. Key achievements during the 2019/20 financial year included:

- The establishment of a formal interface structure with the leadership team of the Department of Transport & Public Works (DTPW) which meets quarterly;
- Engagements with the DEA&DP and SBM on the Saldanha Industrial Corridor Strategic Offsets Strategy;
- Engagements with the Western Cape Department of Health on zone impact and opportunity healthcare and provisioning proposals;

- Finalisation with the Western Cape Education Department on the first component of the High School Programme;
- In close partnership with the Western Cape Department of Social Development, SBM and various local non-governmental organisations, the SBIDZ conducted various social initiatives in celebration of Mandela Day and National Women's Day.

The entity views the establishment of mutually beneficial partnerships with stakeholders who have an interest in, and are affected by, the zone's operations as not only a strategic imperative, but as a key cog in its strategy to sustain value for its Shareholder, customers and stakeholders.

As such, the conclusion of a Zone Labour Charter with COSATU and the ongoing process to negotiate and conclude a similar agreement with NUMSA and others represents a bold and necessary step by the entity to establish a coherent agreement between labour unions, tenants and the entity, in terms of labour relations within the zone.

Programme 2: Operations

STRATEGIC OBJECTIVE TABLE

Strategic Objective	**To establish a Special Economic Zone within the great 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 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
Number of direct and indirect jobs facilitated within the Western Cape Province as a result of the SBIDZ	881	600	1095	495	Projects were labour-intensive resulting in 485 direct and 610 indirect jobs

Key performance indicators, planned targets and actual achievements

PROGRAMME: OPERATIONS

Key Performance Indicators	Actual Achievement 2016/17	Actual Achievement 2017/18	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
Completion of Phase 3 of GTAC Freeport Business Case Project	–	–	Phase 1 & 2 Completed	Phase 3 Completed	Phase 3 Completed	–	–
Number of pipeline investors with NDA's and/or RoFR	5	46	43	25	25	–	–
Number of signed tenants with the SBIDZ	–	3	6	9	9	–	–
Completion of infrastructure phases	–	Phase 1a bridge and site clearance 1	Phase 1a: Generic top structures Phase 1b: Selected buildings partially completed	Phase 2: Portland development	Phase 2: Portland development	–	–
Completion of the innovation campus bankable business plan	–	1 Feasibility study	1 Draft business plan	Completion of a bankable business plan	Completion of a bankable business plan	–	–

Key Performance Indicators	Actual Achievement 2016/17	Actual Achievement 2017/18	Actual Achievement 2018/19	Planned Target 2019/20	Actual Achievement 2019/20	Deviation from planned target to Actual Achievement for 2019/20	Comment on deviations
Number of beneficiaries participating in the skills development programme per annum	565	526	520	520	208	(312)	Malfunctioning of merSETA's NSDMS The balance of beneficiaries will be trained in 2020/21 FY
Number of charters developed for key stakeholders	–	4	17	10	10	–	–
Drafting of a labour zone arrangement	–	1 Framework	50% Draft charter	100% Final signed charter	100% Final signed charter	–	–

Strategy to overcome underperformance
Seta learners' registrations were solely verified through an official National Skills Development Management System printout from the merSETA in this instance. The eventuality of the system crashing or becoming dysfunctional was not foreseen and no alternative form of learner registration and verification was in place. The merSETA, under severe pressure from its constituency, eventually approved a manual learner registration and verification process as an alternative measure, but this was unfortunately too late to make any real difference.

Changes required to planned targets
None required.

Linking Performance with Budget

	2018/19			2019/20		
Programme	Budget R	Actual Expenditure (incl. capital) R	(Over)/ Under Expenditure R	Budget R	Actual Expenditure (incl. capital) R	(Over)/ Under Expenditure R
Administration	22,651,509	22,187,967	463,542	25,933,720	23,747,778	2,185,942
Operations	233,916,541	219,017,844	14,898,697	326,215,824	315,428,523	10,787,301
Total	**256,568,050**	**241,205,811**	**15,362,239**	**352,149,544**	**339,176,301**	**12,973,243**

Revenue Collections

	2018/19			2019/20		
Source of Revenue	Estimate R	Actual Amount Collected R	Under Collection R	Estimate R	Actual Amount Collected R	(Over)/Under Collection R
Total	359,101	32,848	326,253	3,841,000	3,377,263	463,737

Capital Investment

	2018/19			2019/20		
Capital Investment	Budget R	Actual Expenditure R	(Over)/ Under Expenditure R	Budget R	Actual Expenditure R	(Over)/ Under Expenditure R
Total	191,278,000	181,630,108	9,647,892	267,220,000	259,786,352	7,433,648

The nature of infrastructure implementation leads to the commitment of funds for 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	August 2020
Construction of bespoke investore facility - 1000 m^2 warehouse	September 2020
Provision of internal engineering services in the Port of Saldanha	October 2020

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.

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION

The Saldanha Bay IDZ Licencing Company SOC Ltd ensured that sound corporate governance structures and processes have been 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)

2.1. 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 and 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.

2.2. 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 dtic, IDC, TNPA, SBM and WCG representing the public sector interest;
- One person from the Saldanha social and labour community;
- One person from the Saldanha economic community;
- One nominated representative from the South African Oil and Gas Alliance (SAOGA) Board of Directors with the requisite sector-specific expertise;
- Two proven accomplished broader business practitioners with relevant expertise; and
- Two executive directors of the entity – the Chief Executive Officer and the Chief Financial Officer – in line with King IV to improve collective accountability.

At the end of November 2020, the tenure of the Saldanha Social Community Board representative ended and the position remains vacant. A decision on filling the vacancy will be made in the 2020/21 financial year.

The powers and duties of the Board are detailed in the Companies Act, read together with the various Board Charters, determining the procedures for the meetings and decisions of the Board, appointment to committees, powers of delegation as well as remuneration.

Board of Directors

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorship (List Entities)	Other Committees	No. of Meetings Attended
Johann Stegmann	Chairperson (WCG)	26 February 2018		MBChB Degree MSc Economics Postgrad Diploma in Economic Principles	Finance, Economics	None	Audit, IT & Risk	4
Thembisile Salman	Vice-Chairperson (IDC)	20 June 2018		BSc Hons-Chemistry & Bio-Chemistry BSc Chemical Eng. MBA In Finance	Finance, Project Development with focus in Oil & Gas	Glodina Towelling (Pty) Ltd Colibri Towelling (Pty) Ltd	Investment Audit, IT & Risk	4
Heinrich Mettler	SBM	24 June 2019		Nat Dipl Civil Eng. BTech Business Admin MBA	Business Administration, Financial Management, Governance	Ixabiso (Management Consulting)	HR&R & Social & Ethics	4
Justice Ngwenya	dtic	16 January 2019		BSc Hons Business Studies	Finance	None	HR&R & Social & Ethics	3
Jaqueline Brown	TNPA	20 November 2019		BA Social Work Postgraduate Certificate Eng Bus. Management	Maritime logistics, Port operations	None	Investment	2
Irvin Esau	Saldanha Economic Representative	10 April 2019		BComm	Accountant, Property developer	None	HR&R & Social & Ethics Audit, IT & Risk	4

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorship (List Entities)	Other Committees	No. of Meetings Attended
John Smelcer	SAOGA	11 March 2019		Juris Doctor Bachelor of Arts	Energy & Infrastructure Projects with focus on oil, gas and LNG, Independent Commercial and legal advisor	Mikhulu Trust, SAOGA, Genysis Africa	Investment	3
Basetsana Mathibe	Saldanha Social Representative	14 December 2016	13 Dec 2019 Term Ended	Nursing Diploma BTech Occupational Health	Occupational Health & Safety, Community engagement	None	HR&R & Social & Ethics	3
Edwin Obiri	Business Practitioner	10 April 2019		BSc Ind. & Systems Engineering BSc Business Systems	Business Development, Mining procurement, Corporate finance	MOGS Storage Mauritius Limited (Mauritius) Ghana Petroleum Mooring Systems Limited (Ghana)	Investment	4
Linda Seroka	TNPA	6 March 2019	30 August 2019 Resigned	B.Compt Hons MBA	Strategy development and execution, Bus. development, Fin. transformation	None	Investment	1
Kaashifah Beukes	Chief Executive Officer	20 June 2018		BSc Civil Eng. MBA	Design, Construction and project management of civil engineering infrastructure, Business Admin.	None	Investment HR&R & Social & Ethics	4
Herman Boneschans	Chief Financial Officer	8 February 2018		BComm. Hons BComm Acc & Fin.	Accountant, Public sector finance, Organisational governance, compliance and policy development	None	Investment HR&R & Social & Ethics	4

2.3. Board Committees

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

The entity has three Board Committees, namely the Audit, IT and Risk Committee; Investment Committee; and the Human Resources & Remuneration and Social & Ethics Committee.

Committees	No. of Meetings Held	No. of Members	Name of Members
Audit, IT & Risk	4	5	Paul Slack – Chairperson (Independent) Danny Naidoo – Independent Thembisile Salman – Member Irvin Esau – Member Johann Stegmann – Member
Investment	2	6	Thembisile Salman – Chairperson John Smelcer – Member Edwin Obiri – Member Jacqueline Brown – Member Kaashifah Beukes – Member Herman Boneschans – Member
Human Resources & Remuneration and Social & Ethics	4	6	Heinrich Mettler – Chairperson Justice Ngwenya – Member Irvin Esau – Member Basetsana Mathibe – Member Kaashifah Beukes – Member Herman Boneschans – Member

Remuneration and Board Members

In terms of the Saldanha Bay Industrial Development Zone Licencing Act, 2016, the Minister responsible for finance in the province determines the remuneration, allowance and reimbursements payable to the Directors, which are reviewed on an annual basis.

Name	Remuneration (in ZAR)	Other Allowances (in ZAR)	Other Reimbursements (in ZAR)	Total (in ZAR)
Johann Stegmann	20,920	-	2,960	23,880
Irvin Esau	29,178	-	8,447	37,625
Basetsana Mathibe	29,487	-	978	30,465
Edwin Obiri	27,216	-		27,216

Risk Management

The entity remains committed to a risk management process that is aligned to principles of good corporate governance in accordance with the provisions of the Public Finance Management Act,1999 (Act 1 of 1999) (PFMA), 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 entity's strategic objectives are regularly identified, assessed and prioritised and control mechanisms are implemented to manage and monitor these risks.

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.

The Board acknowledges its responsibility for ensuring that the entity 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.

Internal Audit and Audit Committee

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.

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.

External Audit

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

Audit Committee Members

Name	Qualifications	Internal or External	If internal position in the public entity	Date appointed	Date resigned	No. of meetings attended
Paul Slack	BCom Hons	External	-	22/11/2018	-	4
Danny Naidoo	BComm Hons. CA (SA)	External	-	22/11/2018	-	4
Johann Stegmann	MBChB, MSc Economics, Postgrad Diploma in Economic Principles	External	-	22/11/2018	-	4
Thembisile Salman	BSc Hons Chemistry & Biochemistry, BSc Chemical Eng, MBA in Finance	External	-	22/11/2018	-	4
Irvin Esau	BComm	External	-	22/5/2019	-	3

Compliance with Laws and Regulations

During the year under review, the SBIDZ-LC decided to subscribe to a comprehensive online legal research tool to assist it to keep abreast of the latest legal developments that govern and regulate the company and the SBIDZ. Through this tool, the SBIDZ-LC receives regular updates on new legislation and relevant court decisions.

The SBIDZ-LC also started to assess its compliance with the PFMA and relevant regulations, the Companies Act, 2008 (Act 71 of 2008), and the Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (Act 1 of 2016), on a quarterly basis. Reports on the company's compliance with the aforesaid legislation are tabled every quarter at the Audit, IT and Risk Committee of the Board.

The Chief Financial Officer, Financial Accountant and Supply Chain Manager are members of various provincial forums (CFO Forum, Accounting Forum and SCM Forum) where important legislative reforms and updates are discussed. Important and relevant training is also provided to incumbents through these forums. The SBIDZ-LC also receives updates through various circulars from National Treasury and the Provincial Treasury.

Fraud and Corruption

The entity supports and fosters a culture of zero tolerance to fraud in all its manifestations. The entity is guided by its Fraud Prevention Plan (Fraud Policy and Response Plan). The plan applies to all employees and is intended to reinforce existing systems, policies, procedures, rules and regulations aimed at determining, preventing, detecting, reacting to and reducing the impact of fraud.

Employees of the entity must report all incidents of fraud to their manager and/or CEO. Incidents are also identified through internal controls. Members of the public can report allegations of fraud anonymously by contacting any member of management, the CEO or the Audit, IT and Risk Committee through the Fraud Hotline on the toll-free number or by post. All information received relating to fraud is treated as confidential and the Whistle-Blowing Policy is intended to encourage employees to raise concerns without fear of victimisation.

Incidents identified by employees or members of the public may be investigated internally or be referred to forensic auditors. The CEO has to communicate any allegation to the Chairman of the Audit, IT and Risk Committee and initiates an investigation. Any fraud committed by an employee will be pursued through thorough investigation and to the full extent of the law.

Minimising Conflict of Interest

The Supply Chain Management policy has been drafted and approved to include all applicable legislation. All members of the bid specification, evaluation and adjudication committees must declare any interest in any bid that will be advertised in the market. Any potential conflict must be declared and the respective person must recuse herself/himself from the entire process.

Code of Conduct

The entity's Conditions of Service are guided by relevant legislation, including the Basic Conditions of Employment and Labour Relations Acts governing South African labour regulations. To fulfil its mandate and mission, the entity requires all employees to subscribe to a common set of values and behaviours that drives collective and individual conduct within the business environment, thus ensuring success.

Employees are required to always conduct themselves professionally, both within entity premises and at client premises, and their business interests in a similarly transparent and professional manner, demonstrating integrity in all that they do. The entity's formal disciplinary approach is in place to establish and promote acceptable behavioural patterns which support the entity's goals.

Health, Safety and Environmental Issues

The entity takes reasonable and practicable steps to ensure the working environment is safe and without risk to the health of employees or persons other than employees who may be directly affected by the entity's activities.

Company Secretary

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

The company secretary's duties include:

- providing the directors of the SBIDZ collectively and individually with guidance on their duties, responsibilities and powers;
- making the directors aware of any law relevant to or affecting the SBIDZ;
- reporting to the Board any failure on the part of the SBIDZ or a director to comply with the Memorandum of Incorporation or rules of the SBIDZ or the Companies Act;
- ensuring that minutes of all shareholders' meetings, Board meetings and the meetings of any committees of the directors or of the SBIDZ's audit committee are properly recorded in accordance with the Companies Act;
- certifying in the SBIDZ's annual financial statements whether the SBIDZ has filed required returns and notices in terms of the Companies Act and whether all such returns and notices appear to be true, correct and up to date;
- ensuring that a copy of the SBIDZ's annual financial statements is sent, in accordance with the Companies Act, to every person who is entitled to them; and
- 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 entity.

Social Responsibility

The entity has an overarching corporate social responsibility (CSR) to catalyse socio-economic transformation in the greater Saldanha Bay area. CSR is ingrained in the values of the company, guiding the way it conducts its work and responds to the socio-economic development context within which it operates.

The entity acknowledges that it is critically important that collaborative partnerships be established with all parties to achieve meaningful inclusive transformation. Therefore, during the financial year, the entity implemented various social responsibility initiatives in partnership with the Saldanha Bay Municipality and the Western Cape Government. For example, Mandela Day was celebrated in partnership with the Department of Social Development and SBM at an Early Childhood Development Centre. Women's Day was celebrated in partnership with the Western Cape Education Department, whereby a group of schoolteachers and Grade 11 girl learners were hosted at a site visit of the zone. In addition, job-shadowing opportunities were created for learners during the school holidays.

B-BBEE Compliance Performance Information

Has the Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1-8) with regard to the following?		
Criteria	Response Yes/No	Discussion (Include a discussion on your response and indicate what measures have been taken to comply)
Determine qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law.	No	The entity has a BBBEE certificate. When applying for a new certificate, a policy will be drafted to incorporate this aspect.
Developing and implementing a preferential procurement policy.	No	The entity has a BBBEE certificate. When applying for a new certificate, a policy will be drafted to incorporate this aspect.
Determining qualification criteria for the sale of state-owned enterprises.	No	The entity has a BBBEE certificate. When applying for a new certificate, a policy will be drafted to incorporate this aspect.
Developing criteria for entering into partnerships with the private sector.	No	The entity has a BBBEE certificate. When applying for a new certificate, a policy will be drafted to incorporate this aspect.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment.	No	The entity has a BBBEE certificate. When applying for a new certificate, a policy will be drafted to incorporate this aspect.

SCOPA RESOLUTIONS

Resolution No.	Subject	Details	Response by the entity	Resolved (Yes/No)
25.3	Page 49 of the Annual Report of the entity. Heading: 'Linking Performance with Budget' Description: The Committee notes that under the entity's Programme of Administration an under-expenditure occurred of R15.521 million for the financial year under review. In addition, the Committee takes cognisance of the fact that the Programme is funded by various shareholders, which include the following: • The Department of Trade and Industry's Special Economic Zone Infrastructure Fund; • The Western Cape Government's Operations Expenditure; • The Western Cape Government's Saldok Purchase; • The Department of Trade and Industry's Enterprise and Supplier Development and Supplier Development; and • SETAs.	That the entity presents to the Public Accounts Committee on the Funding Model when the Committee conducts an oversight visit to the SBIDZ jointly with the Standing Committee on Finance, Economic Opportunities and Tourism (SCFEOT).	The entity hosted the SCFEOT for a site visit on 9 March 2020. Following the site visit, the SCFEOT requested the following information which was submitted timeously. (i) A report from SBIDZ-LC on the support and funding for the development programme led by Mr P Lakabane in the SBIDZ-LC, detailing progress to date in terms of a funding model, also in terms of skills and the transformation function; and (ii)The joint study that was undertaken by the Saldanha Bay Municipality and the SBIDZ-LC to understand the impact of the current economic fabric, the SBIDZ and economic 'shocks'.	Yes

Resolution No.	Subject	Details	Response by the entity	Resolved (Yes/No)
25.3	Page: 111 of the Annual Report of the entity. Heading: 'Note 19. Government grants and subsidies' Description: The Committee notes that the entity received grants and/or subsidies from the Department of Trade and Industry and Department of Economic Development and Tourism to the total value of R1,545 million. The Entity informed the Committee that a feasibility study was done in respect to the Innovation Campus. 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.	That the entity supplies the Public Accounts Committee with the Feasibility Study Report which was undertaken with respect to the Innovation Campus Department of Trade and Industry (dtic) and Department of Economic Development and Tourism (DEDAT) grants and subsidies received during the 2018/19 financial year. That the entity presents the Feasibility Study Report which was undertaken with respect to the Innovation Campus (dtic and DEDAT) grants and subsidies received during the 2018/19 financial year.	The entity shared and presented the Feasibility Study Report to the Public Accounts Committee on 11 September 2020. The entity shared and presented the Financial Model to the Public Accounts Committee on 11 September 2020.	Yes 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's roles are as follows: Recruitment and Selection, Training and Development, Performance Management, Employee Wellness and Payroll. The unit reports to the Chief Financial Officer.

Human resource management policies support the entity's business model by helping to build a competitive, high performance and innovative team with an entrepreneurial culture in a highly complex working environment. It attracts, retains and motivates high-performing employees, promotes the achievement of strategic objectives set within the entity's risk appetite, and promotes and supports positive outcomes across the economic and social contexts in which the entity operates. It promotes an ethical culture and responsible corporate citizenship. Five-year fixed-term employment contracts are available for positions on the organogram, with no guarantee of automatic renewal, which is subjected to an assessment where deemed necessary by the delegated management authority.

The remuneration philosophy is to recruit, motivate, reward and retain employees who believe in and live by the entity's culture and values, and who can positively contribute to the strategy, vision and goals. It encourages problem solving towards agreed performance outcomes by creating a working environment that motivates high performance, supported by a robust performance management practice. Employees' remuneration packages are competitively targeted towards the 50th percentile of benchmarked sectors (oil, gas, maritime, logistics and manufacturing) and operations (construction, property development and management, SEZs) for employees that meet the requirements of the role.

The entity undertook a benchmarking exercise during the year under review, as previous benchmarking dated from its start-up in 2014. Determinants for benchmarking include targeting the 50th percentile for the sectors and operations, and that the entity provides no retirement and medical benefits as it values individuals taking personal responsibility for their financial security, independence and health requirements.

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 Expenditure	No. of employees	Average personnel cost per employee R
Operations	62,601,678	20,199,319	23.72%	25	807,972.77
Administration	22,566,268	13,542,751	15.90%	22	615,579.59
Sub-total	**85,167,946**	**33,742,070**	**39.62%**	**47**	**717,916.39**
Infrastructure	247,308,295	5,287,126	2.14%	7	755,303.78
TOTAL	**332,476,241**	**39,029,197**	**11.74%**	**54**	**722,762.90**

Personnel cost, by salary band

Level	Personnel Expenditure R	% of personnel exp. to total personnel cost R	No. of employees	Average personnel cost per employee R
Top Management	17,959,537	46%	9	1,995,504
Professional qualified	17,700,263	45%	25	708,011
Skilled	2,361,579	6%	16	147,599
Semi-skilled	1,007,818	3%	4	251,955
TOTAL	**39,029,197**		**54**	

Performance Rewards

Level	Performance Rewards R	Personnel Expenditure R	% of Performance Rewards to Total Personnel Cost
Top Management	2,110,885	17,959,537	11.75%
Professional qualified	1,776,577	17,700,263	10.04%
Skilled	258,084	2,361,579	10.93%
Semi-skilled	94,314	1,007,818	9.36%
TOTAL	**4,239,860**	**39,029,197**	**10.86%**

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	20,199,319	236,011	1%	11	21,456
Administration	13,542,751	36,711	0%	3	12,237
Infrastructure	5,287,126	81,544	2%	2	40,772
TOTAL	**39,029,197**	**354,266**		**16**	**22,142**

Employment and vacancies, by programme

Programme	2019/20 No. of Employees	2019/20 Vacancies	% of vacancies
Operations	24	3	11%
Administration	20	1	5%
Infrastructure	6	0	0%
TOTAL	**50**	**4**	**7%**

Employment and vacancies, by level

Programme	2019/20 No. of Employees	2019/20 Vacancies	% of vacancies
Top Management	9	0	0%
Professional qualified	21	4	16%
Skilled	16	0	0%
Semi-skilled	4	0	0%
TOTAL	**50**	**4**	**7%**

Employment Changes

Salary Band	Employment at beginning of the period	Appointments	Employment movements	Terminations	Employment at end of the period
Top Management	7	2		0	9
Professional qualified	16	4	5	4	21
Skilled	5	10	1 (6-5)	0	16
Semi-skilled	9	1	-6	0	4
TOTAL	**37**	**17**	**0**	**4**	**50**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	0	
Resignation	4	100%
Dismissal	0	
Retirement	0	
Expiry of contract	0	
Other	0	
Total	**4**	**100%**

Equity Target and Employment Equity Status

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1		0				3	
Professional qualified	2		5				1	
Skilled	4		2				0	
Semi-skilled	0		1				0	
TOTAL	**7**		**8**				**4**	

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1		2				2	
Professional qualified	5		7				1	
Skilled	5		5				0	
Semi-skilled	0		3				0	
TOTAL	**11**		**17**				**3**	

E

FINANCIAL INFORMATION

Company registration number	2012/035625/30
Country of incorporation and domicile	South Africa
Legal form of entity	Provincial government business enterprise listed in Schedule 3 Part D of the Public Finance Management Act
Nature of business and principal activities	To establish an industrial development zone (IDZ) at Saldanha Bay as a catalyst for economic activity and sustainable job creation
Non-executive directors	Edwin Obiru (Non-Executive) Heinrich Mettler (Non-Executive) Herman Boneschans (Executive) Irvin Esau (Non-Executive) Jacqueline Brown (Non-Executive) Johann Stegmann (Non-Executive) John Smelcer (Non-Executive) Justice Ngwenya (Non-Executive) Kaashifah Beukes (Executive) Thembisile Salman (Non-Executive)
Registered office	24 Main Road Saldanha Bay 7395
Postal address	PO Box 304 Cape Town 8000
Bankers	Nedbank Corporate
Auditors	Auditor-General of South Africa

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

Accounting Authority's Responsibilities and Approval

The Board of directors 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 2021 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 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 75.

The annual financial statements set out on pages 84 to 132, which have been prepared on the going concern basis, were approved by the accounting authority on 30 September 2020 and were signed on its behalf by:

Dr Johann Stegmann
Chairperson of the Board

Audit, IT and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2020.

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)	4
Danny Naidoo (independent member)	4
Dr Johann Stegmann	4
Thembisile Salman	4
Irvin Esau (appointed to the committee in the second quarter)	3

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, and include the period during and since the lockdown. 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 as 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, Human Resource and Payroll Review, Infrastructure Work in Progress Review, General IT Control Review and Performance Information review.

Chairperson of the Audit, IT and Risk Committee
30 September 2020

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Saldanha Bay IDZ Licencing Company (SOC) Ltd set out on pages 84 to 132, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saldanha Bay IDZ Licencing Company (SOC) Ltd as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (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 Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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 codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Work-in-progress

7. As disclosed in note 4 to the financial statements, the entity has work-in-progress for new buildings and infrastructure assets under construction of R148,8 million (2019: R145,1 million). The work-in-progress relates to the Access complex and Eastern Link Road, which is still under construction.

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 2020 amounted to R379,6 million (2019: R460,3 million), representing the funding previously received from a government grant that will be used in the future against the respective projects as detailed in note 21.

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 the financial statements in accordance with Standards of GRAP, the requirements of the PFMA and 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 entity'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 the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
14. My procedures address the usefulness and reliability of 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 do not examine whether the actions taken by the entity enabled service delivery. My procedures also do 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 2020:

Programme	Pages in the annual report
Programme 2 – operations	48 – 50

16. I performed procedures to determine whether the reported performance information 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 identify any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Programme 2 – operations

Other matter

18. I draw attention to the matter below.

Achievement of planned targets

19. Refer to the annual performance report on pages 48 to 50 for information on the achievement of planned targets for the year and explanations provided for the under or overachievement of the targets for programme 2 – operations.

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 entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
21. I did not identify any 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, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the financial statements, the auditor's report and 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 the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
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
30 September 2020

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes and on the 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 relating to events or conditions that may cast significant doubt on the ability of the entity 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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, actions taken to eliminate threats or safeguards applied.

Accounting Authority's Report

The directors submit their report for the year ended 31 March 2020.

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 entity entered into a significant contractual commitment relating to professional fees and construction of an investment property. The total commitment amount is R76.8 million.

The directors are not aware of any other significant matters or circumstances 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
Basetsana Mathibe (Non-Executive)	South African	Term ended 30 November 2019
Edwin Obiru (Non-Executive)	Ghanaian	Appointed 10 April 2019
Heinrich Mettler (Non-Executive)	South African	
Herman Boneschans (Executive)	South African	
Irvin Esau (Non-Executive) South	African	Appointed 10 April 2019
Jacqueline Brown (Non-Executive)	South African Appointed	1 September 2019
Johann Stegmann (Non-Executive)	South African	
John Smelcer (Non-Executive)	United States of America	
Justice Ngwenya (Non-Executive)	South African	
Kaashifah Beukes (Executive)	South African	
Linda Seroka (Non-Executive)	South African	Resigned 30 August 2019
Thembisile Salman (Non-Executive)	South African	

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 consists of four Non-Executive directors and is chaired by Heinrich Mettler. The committee met four times during the reporting period to review matters necessary to fulfil its role. Members of the committee are:
Justice Ngwenya
Heinrich Mettler
Irvin Esau

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 four times during this year to review matters necessary to fulfil its role. Other members of the committee are:
Danny Naidoo (independent member)
Johann Stegmann
Thembisile Salman
Irvin Esau.

Investment Committee

The committee consists of three Non-Executive directors and is chaired by Thembisile Salman. The committee met twice during this year to review matters necessary to fulfil its role. Members of the committee are:
Johan Smelcer
Edwin Obiru
Jacqueline Brown

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.

8. COVID-19 impact

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, a pandemic. Worldwide, socioeconomic conditions will be significantly impacted by this crisis. The outbreak is disrupting supply chains and affecting production and sales across a range of industries.

As at the date of the audit report, the entity has not observed any material impact on its financial position and has sufficient cash resources in place to continue in operation for the foreseeable future.

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 2020

Figures in Rand	Note(s)	2020	2019
Assets			
Current Assets			
Receivables from exchange transactions	7	706,651	2,190,261
Receivables from non-exchange transactions	6	1,003,793	2,036,748
VAT receivable	8	7,908,040	6,570,724
Prepayments	9	2,495,704	1,948,290
Cash and cash equivalents	10	471,859,682	524,160,214
		483,973,870	**536,906,237**
Non-Current Assets			
Investment property	3	104,032,270	85,511,319
Property, plant and equipment	4	561,106,071	340,356,742
Intangible assets	5	747,869	415,571
Receivables from non-exchange transactions	6	295,250	-
Operating lease asset	12	71,822	-
		666,253,282	**426,283,632**
Total Assets		**1,150,227,152**	**963,189,869**
Liabilities			
Current Liabilities			
Current tax payable	11	-	19,735
Operating lease liability	12	3,500,680	1,863,254
Payables from exchange transactions	13	6,440,014	16,274,213
Employee benefit obligation	14	6,183,473	6,880,240
Unspent conditional grants and receipts	15	204,475,204	350,105,610
		220,599,371	**375,143,052**
Non-Current Liabilities			
Operating lease liability	12	11,645,021	15,043,539
Unspent conditional grants and receipts	15	175,116,209	110,228,201
Deferred tax	16	-	9,219
Payables from exchange transactions	13	5,451,308	5,677,567
		192,212,538	**130,958,526**
Total Liabilities		**412,811,909**	**506,101,578**
Net Assets		**737,415,243**	**457,088,291**
Share capital	17	120	120
Accumulated surplus		737,415,123	457,088,171
Total Net Assets		**737,415,243**	**457,088,291**

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019
Revenue			
Revenue from exchange transactions			
Project management fee		-	250,000
Rental income	19	3,840,131	32,848
Interest income	20	4,529,975	966,646
Gain on disposal of assets		32,043	195,418
Total revenue from exchange transactions		**8,402,149**	**1,444,912**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	356,913,796	195,972,580
Public contributions		150,000	-
Total revenue from non-exchange transactions		**357,063,796**	**195,972,580**
Total revenue	18	**365,465,945**	**197,417,492**
Expenditure			
Employee related costs	22	(33,742,070)	(26,036,190)
Depreciation and amortisation	4&5	(9,386,550)	(9,240,256)
Lease rentals on operating lease	23	(19,709,737)	(18,943,353)
General expenses	24	(22,329,589)	(23,197,169)
Total expenditure		**(85,167,946)**	**(77,416,968)**
Surplus before taxation		**280,297,999**	**120,000,524**
Taxation	25	(28,954)	10,855
Surplus for the year		**280,326,953**	**119,989,669**

Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus	Total net assets
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 1 April 2019	**120**	**457,088,170**	**457,088,290**
Changes in net assets			
Surplus for the year	-	280,326,953	280,326,953
Total changes	-	280,326,953	280,326,953
Balance at 31 March 2020	**120**	**737,415,123**	**737,415,243**
Note(s)	17		

The accumulated surplus is mainly a result of the application of the conditional grant principle in that grant revenue is recognised as and when expenditure, including capital 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 assets as the assets are depreciated.

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Services rendered		-	250,000
Grants		248,153,525	54,416,088
Rental income		3,377,263	32,848
Interest received		33,128,553	52,676,668
		284,659,341	107,375,604
Payments			
Employee costs		(34,115,715)	(25,224,754)
Suppliers		(45,274,233)	(34,180,932)
		(79,389,948)	(59,405,686)
Net cash flows from activities	27	**205,269,393**	**47,969,918**
Cash flows from investing activities			
Purchase of property, plant and equipment		(240,714,733)	(94,090,778)
Proceeds from sale of property, plant and equipment	4	35,143	8,547
Purchase of investment property		(18,520,951)	(87,081,425)
Proceeds from sale of investment property		2,181,285	-
Purchase of other intangible assets	5	(550,669)	(457,909)
Net cash flows from investing activities		**(257,569,925)**	**(181,621,565)**
Net decrease in cash and cash equivalents		**(52,300,532)**	**(133,651,647)**
Cash and cash equivalents at the beginning of the year		524,160,214	657,811,861
Cash and cash equivalents at the end of the year	10	**471,859,682**	**524,160,214**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	3,841,000	-	**3,841,000**	3,377,263	**(463,737)**	
Interest received - investment	33,489,380	-	**33,489,380**	33,128,553	**(360,827)**	
Total revenue from exchange transactions	**37,330,380**	**-**	**37,330,380**	**36,505,816**	**(824,564)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies - current year	248,153,525	-	**248,153,525**	248,153,525	**-**	
Total revenue	**285,483,905**	**-**	**285,483,905**	**284,659,341**	**(824,564)**	
Expenditure						
Employee related costs	(36,352,383)	-	**(36,352,383)**	(34,115,717)	**2,236,666**	
Lease rentals on operating lease	(23,257,035)	-	**(23,257,035)**	(22,438,757)	**818,278**	
General Expenses	(25,320,128)	-	**(25,320,128)**	(22,835,477)	**2,484,651**	Note 37
Total expenditure	**(84,929,546)**	**-**	**(84,929,546)**	**(79,389,951)**	**5,539,595**	
Operating surplus	**200,554,359**	**-**	**200,554,359**	**205,269,390**	**4,715,031**	
Gain on disposal of assets and liabilities	2,216,428	-	**2,216,428**	2,216,428	**-**	
Surplus before taxation	**202,770,787**	**-**	**202,770,787**	**207,485,818**	**4,715,031**	
Actual Amount on Comparable Basis	**202,770,787**	**-**	**202,770,787**	**207,485,818**	**4,715,031**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation of surplus for year						
Brought forward from previous page						
Government grants & subsidies				108,760,272		Adjustment for actual cash received and interest received
Taxation				28,954		Non cash
Personnel				373,645		Movement in employee benefits
Public contributions and donation				150,000		Non cash
Interest received				(28,598,578)		Interest included in unspent conditional grants
Rental income				462,868		Adjusted for receivable
Depreciation				(9,386,550)		Non cash
General expenses				505,889		Movement in receivables and payables
Operating lease				2,729,020		Movement in operating lease liability and prepaid rental
Gain on disposal of property, plant and equipment				(2,184,385)		Cash received
Actual surplus for the year in the Statement of Financial Performance				**280,326,953**		

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	459,706,001	-	**459,706,001**	471,859,682	**12,153,681**	Note 38
Non-Current Assets						
Investment property	18,620,566	-	**18,620,566**	18,520,951	**(99,615)**	
Property, plant and equipment	248,079,434	-	**248,079,434**	240,714,730	**(7,364,704)**	Note 38
Intangible assets	520,000	-	**520,000**	550,669	**30,669**	
	267,220,000	**-**	**267,220,000**	**259,786,350**	**(7,433,650)**	
Total Assets	**726,926,001**	**-**	**726,926,001**	**731,646,032**	**4,720,031**	
Net Assets	**726,926,001**	**-**	**726,926,001**	**731,646,032**	**4,720,031**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	524,160,214	-	**524,160,214**	524,160,214	**-**	
	524,160,214	**-**	**524,160,214**	**524,160,214**	**-**	
Non-controlling interest	202,765,787	-	**202,765,787**	207,485,818	**4,720,031**	
Total Net Assets	**726,926,001**	**-**	**726,926,001**	**731,646,032**	**4,720,031**	

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 14 - 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.

COVID-19

The extent of the impact of COVID-19 and key assumptions on the carrying amounts of assets and liabilities within the next financial year are uncertain and cannot be predicted.

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

1.5 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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

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

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

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

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

1.6 Intangible assets

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

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

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.

1.6 Intangible assets (continued)

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.

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.

1.7 Financial instruments (continued)

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.

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

1.7 Financial instruments (continued)

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.

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.

1.7 Financial instruments (continued)

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.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.8 Tax

Current tax assets and liabilities

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

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

Taxation

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

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

1.9 Leases

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

Operating leases - 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 aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

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

1.11 Impairment of cash-generating assets (continued)

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).

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

1.12 Share capital (continued)

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

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

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

Identification

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.13 Share capital

Ordinary shares are classified as equity.

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.

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.

1.14 Employee benefits (continued)

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:
- wages, salaries and social security contributions;
- 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
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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.

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.

1.17 Revenue from no-exchange transactions (continued)

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

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

Recognition

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

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

Measurement

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

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

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

Grants and Project funds

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

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

Public contributions, including goods in-kind

Public contributions, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the entity recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity disclose the nature and type of services in-kind received during the reporting period.

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):

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 2019-04-01 to 2020-03-31.

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.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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:
• GRAP 18 (as amended 2016): Segment Reporting	1 April 2019	The impact of the is not material.
• GRAP 20: Related parties	1 April 2019	The impact of the is not material.

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 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	1 April 2099	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
• IGRAP 20: Accounting for Adjustments to Revenue	1 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	1 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	1 April 2020	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

3. Investment property

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	104,032,270	-	104,032,270	85,511,319	-	85,511,319

Reconciliation of investment property - March 2020

	Opening balance	Additions	Total
Investment property	85,511,319	18,520,951	104,032,270

Reconciliation of investment property - March 2019

	Opening balance	Additions	Disposals	Total
Investment property	87,119,197	99,283	(1,707,161)	85,511,319

Pledged as security

No investment property was pledged as security.

Investment property in the process of being constructed or developed (included in the book value)

Cumulative expenditure recognised in the carrying value of Investment property		
Investment property - Investor buildings	18,420,129	17,858

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings and structures	162,897,984	(4,155,533)	158,742,451	85,915,681	(3,028,367)	82,887,314
Furniture and fixtures	1,423,477	(615,685)	807,792	1,322,251	(473,812)	848,439
Motor vehicles	471,882	(284,008)	187,874	471,882	(189,425)	282,457
Office equipment	688,091	(262,664)	425,427	278,224	(192,652)	85,572
IT equipment	1,955,429	(1,179,427)	776,002	1,351,121	(997,028)	354,093
Infrastructure assets	424,175,090	(24,008,565)	400,166,525	272,370,049	(16,471,182)	255,898,867
Total	**591,611,953**	**(30,505,882)**	**561,106,071**	**361,709,208**	**(21,352,466)**	**340,356,742**

Reconciliation of property, plant and equipment - March 2020

	Opening balance	Additions	Cost of disposals	Accumulated depreciation of disposals	Depreciation	Total
Buildings and structures	82,887,314	76,982,302	-	-	(1,127,165)	158,742,451
Furniture and fixtures	848,439	101,226	-	-	(141,873)	807,792
Motor vehicles	282,457	-	-	-	(94,583)	187,874
Office equipment	85,572	409,866	-	-	(70,011)	425,427
IT equipment	354,093	622,171	(17,863)	14,763	(197,162)	776,002
Infrastructure assets	255,898,867	151,805,042	-	-	(7,537,384)	400,166,525
	340,356,742	**229,920,607**	**(17,863)**	**14,763**	**(9,168,178)**	**561,106,071**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - March 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	34,671,552	49,421,065	-	(1,205,303)	82,887,314
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	**110,993,360**	**(2,733)**	**(9,177,187)**	**340,356,742**

Pledged as security

No assets were pledged as security:

Property, plant and equipment in the process of being constructed or developed (included in the asset category book value)

Cumulative expenditure recognised in the carrying value of the different property, plant and equipment categories		
Buildings	140,932,685	64,025,242
Infrastructure	7,829,566	81,129,122
	148,762,251	**145,154,364**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress March 2020

	Included within buildings	Included within infrastructure assets	Total
Opening balance	64,025,242	81,129,122	145,154,364
Additions/capital expenditure	76,907,443	151,805,041	228,712,484
Transferred to completed items	-	(225,104,597)	(225,104,597)
	140,932,685	**7,829,566**	**148,762,251**

Reconciliation of Work-in-Progress March 2019

	Included within buildings	Included within infrastructure assets	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**

Expenditure incurred to repair and maintain property, plant and equipment

	2020	2019
General expenses	180,689	90,482

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2020			2019		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software	1,008,578	(260,709)	747,869	1,167,480	(751,909)	415,571

Reconciliation of intangible assets - March 2020

	Opening balance	Additions	Cost of disposals	Accumulated amortisation on disposals	Amortisation	Total
Computer software	415,571	550,669	(709,571)	709,571	(218,371)	747,869

Reconciliation of intangible assets - March 2019

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

Pledged as security

No intangible assets were pledged as security:

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

6. Receivables from non-exchange transactions

Receivables from non-exchange revenue	1,299,043	2,036,748
Non-current assets	295,250	-
Current assets	1,003,793	2,036,748
	1,299,043	**2,036,748**

Receivables consist mostly of interest receivable on bank balance.

7. Receivables from exchange transactions

Debtors	418,238	8,976
Other receivables from exchange transactions	306,629	2,181,285
Provision for impairment	(18,216)	-
	706,651	**2,190,261**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2020, R 18,216 (2019: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Current	241,500	8,976
30 days	158,522	-
3 months past due	18,216	-

Trade and other receivables provided for

As of 31 March 2020, trade and other receivables of R 18,216 (2019: R -) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	18,216	-

8. VAT receivable

VAT	7,908,040	6,570,724

9. Prepayments

Prepayments	2,495,704	1,948,290

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	23,630	5,353
Bank balances	460,132,542	412,234,666
Corporation for Public Deposits and call accounts	11,703,510	111,920,195
	471,859,682	**524,160,214**

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		
BB	460,132,542	412,234,666

11. Current tax payable

Current tax	-	19,735

Refer note 25 for taxation expenses.

12. Operating lease asset and liability

Non-current assets	71,822	-
Non-current liabilities	(11,645,021)	(15,043,539)
Current liabilities	(3,500,680)	(1,863,254)
	(15,073,879)	**(16,906,793)**

Operating lease asset relates to property leased to a tenant.

Operating lease liability (as lessee) consist of:

- operating lease libility of R208,624 (March 2019: R220,634) (Cape Town and Saldanha Bay office)
- operating lease liability of R14,937,077 (March 2019: R16,686,159) (Port of Saldanha Bay)

Refer note 23 for further information on operating leases.

13. Payables from exchange transactions

Current trade payables	6,440,014	16,274,213
Current payables	6,440,014	16,274,213
Non-current payables	5,451,308	5,677,567
	11,891,322	**21,951,780**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

14. Employee benefits

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

Carrying value		
Performance incentive	4,087,628	5,323,105
Leave pay	2,088,796	1,464,648
Workmen's compensation	7,049	35,602
Other salary related payables	-	56,885
	6,183,473	**6,880,240**

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	337,086,098	416,388,555
Department of Economic Development and Tourism	6,644,459	6,209,912
Enterprise and skills development - DTI and DEDAT	8,294,858	9,357,629
Merseta - Skills development	1,019,429	617,852
CHIETA - Skills development	1,133,784	1,307,581
Department of Economic Development and Tourism - Land	25,412,785	25,531,465
Innovation campus - DTI and DEDAT	-	920,817
	379,591,413	**460,333,811**

Movement during the year

Balance at the beginning of the year	460,333,811	559,405,518
Received	248,153,525	54,416,089
Interest received	28,017,874	42,484,784
Income recognition during the year	(356,913,797)	(195,972,580)
	379,591,413	**460,333,811**

Non-current liabilities	175,116,209	110,228,201
Current liabilities	204,475,204	350,105,610
	379,591,413	**460,333,811**

The unspent conditional grants and receipts represents amounts previously received from government grants that will be utilised in the future against the resprective projects. Refer note 21 for details of each grant.

16. Deferred tax

Deferred tax liability

Property, plant and equipment	-	9,219

Reconciliation of deferred tax liability

At beginning of year	9,219	-
Deductible temporary difference movement on tangible fixed assets	(9,219)	9,219
	-	**9,219**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Share capital

Authorised		
4000 No par value shares	-	-
Reconciliation of number of shares issued:		
120 No par value shares	120	120
Issued		
120 No par value fully paid shares	120	120

18. Revenue

Project management fee	-	250,000
Rental income (refere note 19)	3,840,131	32,848
Interest accrued on financial asset at amortised cost (refer note 20)	4,529,975	966,646
Government grants & subsidies (refer note 21)	356,913,796	195,972,580
Public contributions	150,000	-
	365,433,902	**197,222,074**

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

Project management fee	-	250,000
Rental income (refer note 19)	3,840,131	32,848
Interest accrued on financial asset at amortised cost (refer note 20)	4,529,975	966,646
	8,370,106	**1,249,494**

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

Transfer revenue		
Government grants & subsidies (refer note 21)	356,913,796	195,972,580
Public contributions	150,000	-
	357,063,796	**195,972,580**

Nature and type of services in-kind not significant are as follows:

The entity entered into a below fair value rental agreement with Transnet National Ports Authourity in respect of 20-hectare land within the Port of Saldanha Bay. The transaction is not significant to the entity's operations or service delivery objectives.

19. Rental of facilities and equipment

Estate		
Land and premises	3,840,131	32,848

Included in the above rentals are operating lease rentals at straight-lined amounts of R 71,822 (2019: R -) as well as contingent rentals of R 3,040,009 (2019: R -).

20. Investment revenue

Interest revenue		
Interest received on financial asset at amortised cost	-	12,796
Bank	4,529,975	953,850
	4,529,975	**966,646**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Government grants and subsidies

Operating grants		
Department of Economic Development and Tourism	65,016,266	56,206,985
Enterprise and skills development - DTI and DEDAT	1,867,030	6,525,259
Merseta - Skills Development	1,994,558	651,995
Department of Trade and Industry - SEZ skills development	-	581,994
CHIETA - Skills development	4,405,060	4,500,385
Innovation campus - DTI and DEDAT	971,433	1,545,899
	74,254,347	**70,012,517**
Capital grants		
Department of Trade and Industry - SEZ fund	282,540,769	125,878,638
Department of Economic Development and Tourism - Land	118,680	81,425
	282,659,449	**125,960,063**
	356,913,796	**195,972,580**

Conditional

Included in above are the following grants and subsidies received:

Department of Trade and Industry - SEZ fund

Balance unspent at beginning of the year	416,388,555	509,740,626
Current-year receipts	177,015,692	-
Transfer to innovation campus - DTI and DEDAT	-	(2,450,000)
Interest	26,222,620	34,976,567
Conditions met - transferred to revenue	(282,540,769)	(125,878,638)
	337,086,098	**416,388,555**

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. Conditions still to be met - remain liabilities (see note 15).

Department of Trade and Industry - SEZ fund skills development

Balance unspent at beginning of the year	-	559,298
Current-year receipts	-	22,696
Conditions met - transferred to revenue	-	(581,994)
	-	**-**

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. Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Government grants and subsidies (continued)

Department of Economic Development and Tourism

Balance unspent at beginning of the year	6,209,912	12,593,584
Current-year receipts	64,510,435	48,375,652
Interest received	940,378	1,447,662
Conditions met - transferred to revenue	(65,016,266)	(56,206,986)
	6,644,459	**6,209,912**

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. Conditions still to be met - remain liabilities (see note 15).

Enterprise and skills development - DTI and DEDAT

Balance unspent at beginning of the year	9,357,629	14,877,317
Interest received	804,260	1,005,571
Conditions met - transferred to revenue	(1,867,031)	(6,525,259)
	8,294,858	**9,357,629**

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. Conditions still to be met - remain liabilities (see note 15).

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

Balance unspent at beginning of the year	617,852	645,511
Current-year receipts	2,396,135	624,336
Conditions met - transferred to revenue	(1,994,558)	(651,995)
	1,019,429	**617,852**

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. Conditions still to be met - remain liabilities (see note 15).

The Chemical Industries Education and Training Authority (CHIETA)

Balance unspent at beginning of the year	1,307,581	391,866
Current-year receipts	4,231,263	5,416,100
Conditions met - transferred to revenue	(4,405,060)	(4,500,385)
	1,133,784	**1,307,581**

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. Conditions still to be met - remain liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Government grants and subsidies (continued)

Department of Economic Development and Tourism - Land

Balance unspent at beginning of the year	25,531,465	20,597,316
Interest received	-	5,015,574
Conditions met - transferred to revenue	(118,680)	(81,425)
	25,412,785	**25,531,465**

The funds were utilised to acquire land owned by Saldok (Proprietary) Limited, a 100% subsidiary of the Industrial Development Corporation (IDC). Revenue will be recognised in accordance with the stipulations and conditions set out in the agreement. Conditions still to be met - remain liabilities (see note 15).

Innovation campus - DTI and DEDAT

Balance unspent at beginning of the year	920,817	-
Current-year receipts	-	2,450,000
Conditions met - transferred to revenue	(971,433)	(1,545,898)
Interest received	50,616	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. Conditions still to be met - remain liabilities (see note 15).

22. Employee related costs

Basic	28,937,773	20,952,292
Performance incentive	3,627,885	4,557,320
UIF	60,653	49,465
WCA	45,608	37,593
Leave pay provision charge	670,293	161,387
Other allowances	220,008	182,884
Directors remuneration (refer note 32)	179,850	95,249
	33,742,070	**26,036,190**

Remuneration of Chief Executive Officer

Annual Remuneration	2,267,279	1,699,994
Performance Incentive	396,033	321,291
Contributions to UIF and Grouplife	50,284	36,877
Other	12,000	12,000
	2,725,596	**2,070,162**

Remuneration of Chief Finance Officer

Annual Remuneration	1,842,596	1,569,225
Performance incentive	389,994	324,995
Contributions to UIF and Grouplife	41,090	34,177
Other	12,000	12,000
	2,285,680	**1,940,397**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

23. Lease rentals on operating lease

Premises		
Contractual amounts	19,238,288	18,510,722
Equipment		
Contractual amounts	471,449	432,631
	19,709,737	**18,943,353**

The entity has an operating lease with Ryden 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 have fixed annual escalations. Included in the Ryden Property lease is a lease incentive for improvement costs. Refer to note 12 for operating lease liability.

The Transnet National Ports Authority (TNPA) 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.

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

24. General expenses

Advertising	449,399	225,249
External audit fees	1,342,292	1,379,226
Assessment rates and municipal charges	515,198	119,265
Consulting and professional fees	3,125,910	2,584,688
Consulting enterprise development initiative	773,489	817,328
Electricity and water	499,201	235,109
Exhibitions	357,348	545,997
IT expenses	2,175,489	1,925,812
Insurance	144,342	165,134
Internal Audit fee	194,151	333,471
Printing and stationary	377,386	249,774
Repairs and maintenance	180,689	90,482
Security	43,293	22,888
Subscriptions and research membership fees	267,336	86,101
Sundry expenses	1,252,527	1,289,375
Training	272,722	348,253
Training - Short skills project	121,292	192,031
Training - Short skills project	6,810,126	9,165,492
Transport - Short skills project	143,167	821,208
Travel - local	1,673,026	1,166,169
Travel - overseas	1,611,206	1,434,117
	22,329,589	**23,197,169**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

25. Taxation

Major components of the tax (income) expense

Current		
Local income tax - current period	(19,735)	1,636
Deferred		
Deferred tax - current period	(9,219)	9,219
	(28,954)	**10,855**

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus	280,297,999	120,000,524
Tax at the applicable tax rate of 28% (2019: 28%)	78,483,440	33,600,147
Tax effect of adjustments on taxable income		
Expenses attributable to exempt income - Local	3,415,090	4,864,804
Exempt income received or accrued in respect of government grants	(81,889,558)	(38,426,879)
Accounting profit on disposal of fixed assets	(8,972)	(54,717)
Accounting interest received	-	(3,583)
Depreciation and amortisation	-	20,228
Wear and tear allowance (s11(e))	-	(29,447)
Capital gain on disposal of fixed assets	-	31,083
Reversal of tax payable balance	(19,735)	-
	(19,735)	**1,636**

26. External Auditors' remuneration

Fees	1,342,292	1,379,226

27. Cash generated from operating activities

Surplus	280,326,953	119,989,669
Adjustments for:		
Depreciation and amortisation	9,386,550	9,240,256
Gain on sale of assets and liabilities	(32,043)	(195,418)
Movements in operating lease assets and accruals	(1,832,914)	14,787,769
Movements in employee benefits	(696,767)	984,030
Movement in tax receivable and payable	(19,735)	1,636
Movement in deferred tax asset	(9,219)	9,219
Movement in employee benefits included in infrastructure assets	341,051	(190,517)
Public contributions	(150,000)	-
Changes in working capital:		
Receivables from exchange transactions	1,483,610	(2,190,261)
Other receivables from non-exchange transactions	737,705	10,430,636
Prepayments	(547,414)	(1,222,940)
Payables from exchange transactions	(10,060,459)	(71,625,794)
VAT	(1,337,316)	(5,143,501)
Unspent conditional grants and receipts	(80,742,398)	(99,071,706)
Property, plant and equipment payables	10,603,073	70,270,068
Property, plant and equipment receivables	(2,181,284)	1,896,772
	205,269,393	**47,969,918**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Financial instruments disclosure

Categories of financial instruments

March 2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	706,651	706,651
Other receivables from non-exchange transactions	1,299,043	1,299,043
Cash and cash equivalents	471,859,682	471,859,682
	473,865,376	**473,865,376**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	11,891,322	11,891,322
Unspent conditional grants and receipts	379,591,413	379,591,413
	391,482,735	**391,482,735**

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**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
29. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	15,058,438	250,906,160
• Investement property	8,558,820	-
• Intangible assets	44,254	268,662
	23,661,512	**251,174,822**
Total capital commitments		
Already contracted for but not provided for	23,661,512	251,174,822

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	22,622,966	19,795,267
- in second to fifth year inclusive	50,020,887	65,107,389
- later than five years	13	-
	72,643,866	**84,902,656**
The total future minimum sublease payment expected to be received under non-cancellable sublease	1,880,756	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.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	568,961	370,440
- in second to fifth year inclusive	1,311,795	2,114,155
	1,880,756	**2,484,595**

30. Contingencies

No contingencies identified.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

31. Related parties

Relationships

Directors	Refer to directors' 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	2020	2019
Department of Trade and Industry - SEZ fund	337,086,098	416,388,555
Department of Economic Development and Tourism	6,644,459	6,209,912
Department of Trade and Industry and Department of Economic Development and Tourism - Enterprise and skills development	8,294,858	9,357,629
Department of Trade and Industry and Department of Economic Development and Tourism - Innovation campus	-	920,817
Department of Economic Development and Tourism - Land	25,412,785	25,531,465

Related party transactions

Income recognised	2020	2019
Department of Trade and Industry - SEZ fund	282,540,769	125,878,638
Department of Economic Development and Tourism	65,016,266	56,206,985
Department of Trade and Industry and Department of Economic Development and Tourism - Enterprise and skills development	1,867,030	6,525,259
Department of Economic Development and Tourism - Land	118,680	81,425
Department of Trade and Industry and Department of Economic Development and Tourism - Innovation campus	971,433	1,545,899
Department of Trade and Industry - SEZ skills development	-	581,994

32. Directors' emoluments

Non-executive/Co-opted independent members

March 2020

	Directors' fees	Travel costs	Total
Basetsana Mathibe (Non-Executive)	29,487	978	30,465
Edwin Obiru (Non-Executive)	27,216	-	27,216
Irvin Esau (Non-Executive)	29,178	8,447	37,625
Johann Stegmann (Non-Executive)	20,920	2,960	23,880
Paul Slack (Audit, IT and Risk Committee)	61,994	-	61,994
Danny Naidoo (Audit, IT and Risk Committee - paid to employer)	11,055	-	11,055
	179,850	**12,385**	**192,235**

March 2019

	Directors' fees	Total
Basetsana Mathibe (Non-Executive)	29,480	29,480
John Smelcer (Non-Executive)		
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**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. 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 2020	**Less than 1 year**	**Between 1 and 2 years**
Unspent conditional grants and receipts	204,475,204	175,116,209
Trade and other payables	6,440,014	5,451,308

At 31 March 2019	**Less than 1 year**	**Between 1 and 2 years**
Unspent conditional grants and receipts	350,105,610	110,228,201
Trade and other payables	16,274,213	5,677,567

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 2020**	**March 2019**
Receivables from non-exchange transactions	1,299,043	2,036,748
Receivables from exchange transactions	706,651	2,190,261
Cash and cash equivalents	471,859,682	524,160,214

Market risk

Notes to the Annual Financial Statements

33. Risk management (continued)

Interest rate risk

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

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

At 31 March 2020, 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 R471,560 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	5.00 %	471,859,682

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.

34. Irregular expenditure

No irregular expenditure identified during the financial year.

35. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure identified during the financial year.

36. Unauthorised expenditure

No unauthorised expenditure identified during the financial year.

Notes to the Annual Financial Statements

37. Actual operating expenditure versus budgeted operating expenditure

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

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

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

General expenses - Difference consists mostly of funds committed and will be spent in the new financial year.

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

38. 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 includes funds for the difference between budgeted capital expenditure and actual capital expenditure. Also refer operating expenditure in note 37.

Property, plant and equipment - Large payable on yearend.

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

39. Segment information

General information

Identification of segments

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

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

Aggregated segments

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

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

Notes to the Annual Financial Statements

39. Segment information (continued)

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.

Figures in Rand

39. Segment information (continued)

Segment surplus or deficit, assets and liabilities

March 2020

	Corporate Services	Operational Services	Infrastructure Implementation	Special projects	Total
Revenue					
Revenue from non-exchange transactions	19,297,441	45,718,825	282,540,769	9,356,761	356,913,796
Revenue from exchange transactions	-	3,840,131	-	-	3,840,131
Other income	182,043	-	-	-	182,043
Interest revenue	4,529,975	-	-	-	4,529,975
Total segment revenue	**24,009,459**	**49,558,956**	**282,540,769**	**9,356,761**	**365,465,945**
Entity's revenue					**365,465,945**
Expenditure					
Salaries and wages	12,354,733	20,546,320	-	841,017	33,742,070
Other expenses	10,211,535	32,916,898	-	8,297,443	51,425,876
Taxation	(28,954)	-	-	-	(28,954)
Total segment expenditure	**22,537,314**	**53,463,218**	**-**	**9,138,460**	**85,138,992**
Total segmental surplus/(deficit)	**1,472,145**	**(3,904,261)**	**282,540,769**	**218,301**	**280,326,953**

Notes to the Annual Financial Statements

Figures in Rand

39. Segment information (continued)

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	2020	2019

40. Change in estimate: useful life of asset reviewed

Property, plant and equipment

The estimated useful life of items of IT equipment, office equipment and leasehold improvements have changed. The effect of this revision has decreased the depreciation expense by R174,998 and no impact on the cash flow statement. The amount of the effect in future periods is not disclosed because estimating it is impracticable and not material.

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