SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT 2021 / 22

Saldanha Bay IDZ Licencing Company SOC Ltd

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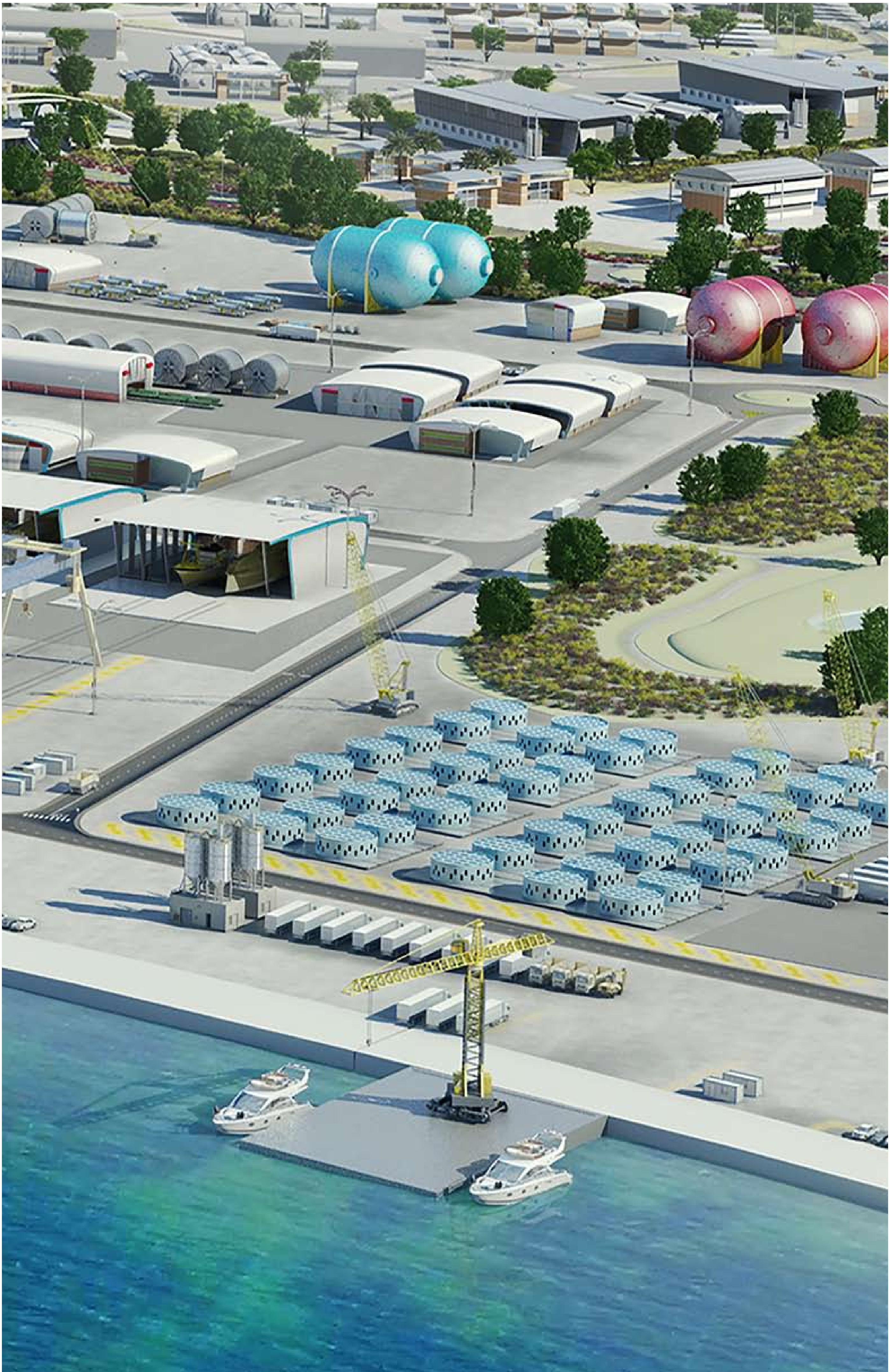

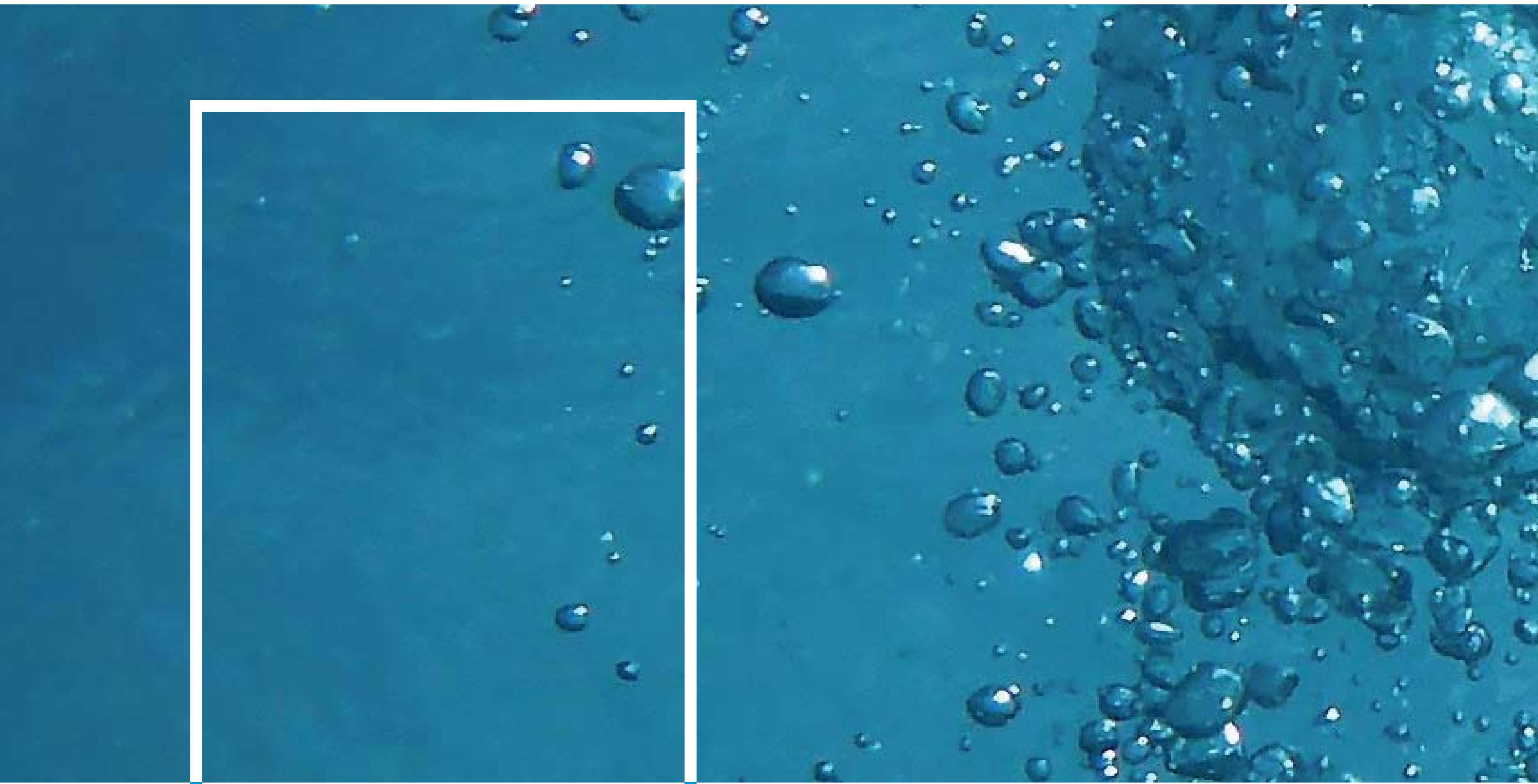

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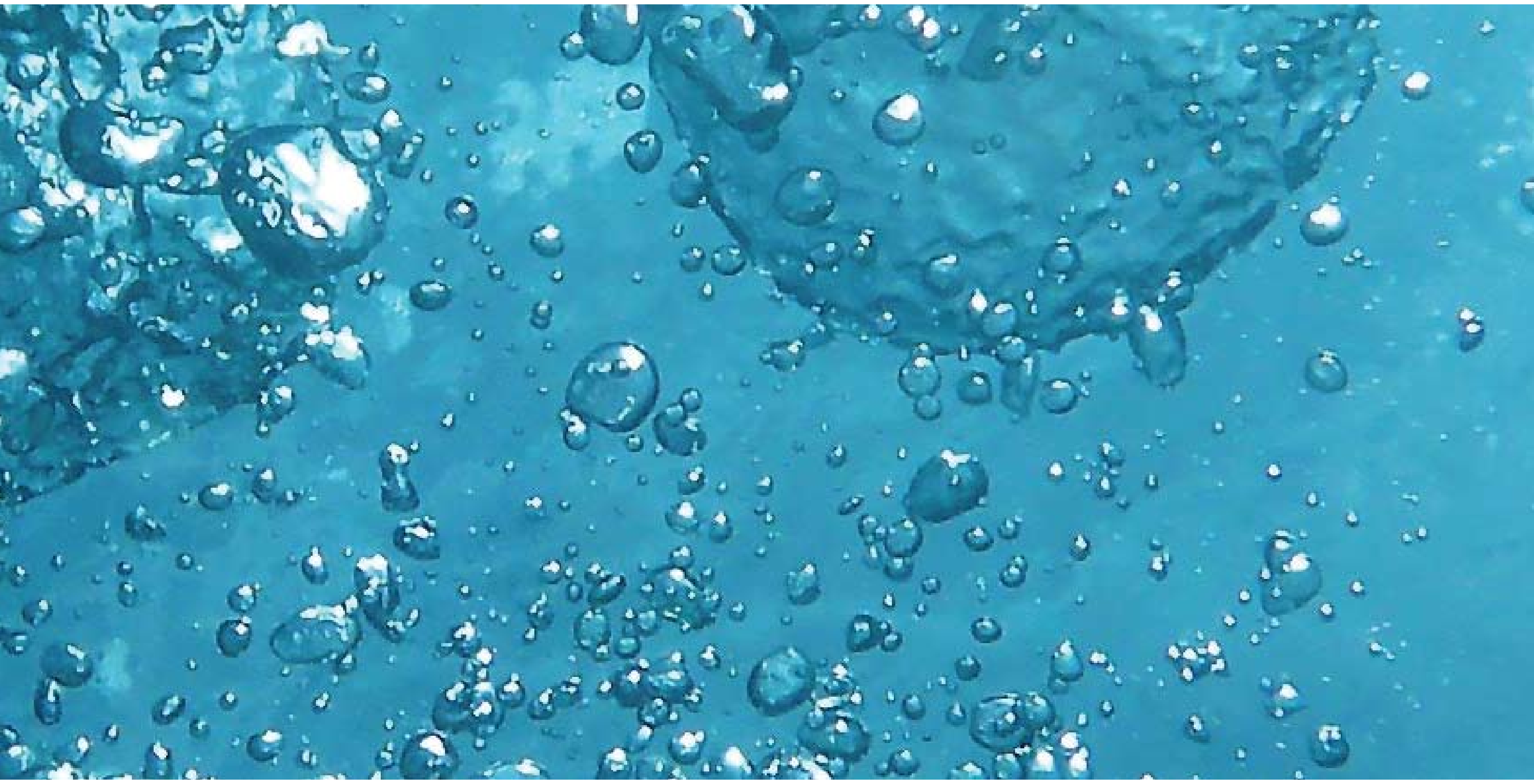

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A

GENERAL INFORMATION

1.
PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	Saldanha Bay IDZ Licencing Company (SOC) Ltd
REGISTRATION NUMBER:	2012 / 035625 / 30
PHYSICAL ADDRESS:	24 Main Road Saldanha Bay 7395
TELEPHONE NUMBERS:	+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
CCAE	Customs Control Area Enterprise
CHIETA	Chemical Industries Education and Training Authority
CSIR	Council for Scientific and Industrial Research
DDM	District Development Model
DEA&DP	Department of Environmental Affairs and Development Planning
DEDAT	Department of Economic Development and Tourism
DEFF	Department of Environment, Forestry & Fisheries
DLG	Department of Local Government
DOE	Department of Energy
DST	Department of Science and Technology
DTIC	Department of Trade, Industry and Competition
DTPW	Department of Transport and Public Works
EIA	Environmental Impact Assessment
EIR	Environmental Impact Report
GDP	Gross Domestic Product
GGP	Gross Geographic Product
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
ISA	Infrastructure South Africa
ISPS	International Ship and Port Security
KPI	Key Performance Indicator
MDA	Manufacturing Development Act
MEC	Member of Executive Council
MERP	Municipal Economic Recovery Plan
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NDA	Non-Disclosure Agreement
OECD	Organisation for Economic Cooperation and Development
O&G	Oil and Gas
OSSB	Offshore Supply Base
PASA	Petroleum Agency South Africa
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PT	Provincial Treasury
RIIS	Research Institute for Innovation and Sustainability
SAMSA	South African Maritime Safety Authority
SAOGA	South African Oil and Gas Alliance
SAPS	South African Police Service
SARS	South African Revenue Services
SBIC	Saldanha Bay Innovation Campus
SBIDZ	Saldanha Bay Industrial Development Zone
SBIDZ-LC	Saldanha Bay IDZ Licencing Company (SOC) Ltd
SBM	Saldanha Bay Municipality
SCM	Supply Chain Management
SIP5	Strategic Integrated Project 5
SEZ	Special Economic Zone
SOC	State-Owned Company
TCP	Transnet Capital Projects
TNPA	Transnet National Ports Authority
UNCTAD	United Nations Conference on Trade and Development
WCDM	West Coast District Municipality
WCG	Western Cape Government
WoSA	Whole of Society Approach

3.

FOREWORD BY THE CHAIRPERSON

Introduction

It's been a tumultuous two years since the advent of the COVID-19 pandemic with its associated damaging lockdowns of the site and dramatic slowdown in commercial and business activities. However, while noting the impact this has had on staff morale and their personal circumstances, this has also afforded an opportunity to review the Saldanha Bay IDZ Licencing Company (hereafter, 'the Company') business strategy and way of operations, keeping in mind the target of self-sufficiency by the end of the 2022/23 financial year.

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

With its designation as a freeport and the only South African Special Economic Zone (SEZ) in port, it has become clear that to enable this to become a reality and not only a strategic dream, four things need to come about:

- Capital infusion into the Company to develop the designated back-of-port site to install the requisite utility services in the yet unserviced land belonging to the Transnet National Ports Authority (TNPA).
- Finance the offsets necessary to eliminate the environmental encumbrances on both TNPA and SBIDZ-owned land, but also on additional land deemed appropriate for purchasing to accommodate the current R21 billion investor pipeline, inclusive of the requisite machinery to fully utilise all the land so acquired.
- Capital to develop the Port of Saldanha to cater for the deemed market demand and thus full deployment of the freeport concept and appropriate back-of-port development.
- As the current double landlord-tenanting model is both inhibitory and costly, involving mostly transferring state funds from one institution to the other without any lasting value accruing, the development of an innovative bespoke operating model to allow the two state-owned companies, i.e. SBIDZ and Transnet (or its subsidiary TNPA), to conclude a joint venture model on an equal commercial footing has become essential.

A comprehensive updated market analysis was commissioned and concluded over the past year, covering the total addressable market (i.e.

international market characteristics, demands and trends that would or could impact the South African marine and energy sectors), the serviceable available market (i.e. the share of the total addressable market that's realistic) and the serviceable obtainable market (i.e. the share of the latter that is within our reach).

What was clear from the above, is that, without an integrated operating model and the associated development of the Saldanha Port and the back-of-port area, the prospects of the SBIDZ are limited.

Preliminary development planning of the Saldanha Port in collaboration with the TNPA has been completed and has now also been incorporated in the TNPA's medium to long-term planning. In addition, through the inspiring work of the SBIDZ team led by the CEO, Ms Kaashifah Beukes, this also passed the ISA (Infrastructure South Africa) due scrutiny rounds, but in the absence of an integrated collaborative operating model, had to be put on ice for now.

Early work on a possible equity partnership has also commenced with the TNPA that could conceivably address the issue of a capital infusion indirectly, but this initiative is still in an explorative stage as one of several options.

To take the concept of a robust partnership with Transnet further, discussions at an intergovernmental level have been initiated via the Director-General of the Western Cape Government (WCG), the Chief Executive of Transnet and the Director-General of the Department of Public Enterprises (DPE).

Strategic relationships

As raised in previous reports the SBIDZ has over the years formed robust strategic and operational partnerships with a large number of stakeholders, such as the local municipality, Transnet and its six divisions (TNPA, Transnet Port Terminals, Transnet Engineering, Transnet Freight Rail, Transnet Pipelines and Transnet Properties), the Western Cape Government (notably the departments of Economic Development and Tourism, Transport and Public Works, Environmental Affairs and Development and the Provincial Treasury), SARS (South African Revenue Service), the Department of Trade Industry and Competition (the dtic), Industrial Development Corporation, Department of Labour, organised labour and many others, without which the SBIDZ will not be able to operate, let alone prosper.

Challenges faced by the Board

The key challenge facing the Board and the Company is the ability to convert the notional R21 billion investor pipeline into reality. From an introspective Company perspective everything else is in place, i.e. good governance practices, recently extensively reviewed and brought up to date, dedicated and competent staff, the right location, and the right timing market-wise, but the pipeline conversion has proven to be the Company's Achilles heel.

Part of the drag in pipeline conversion is explained by the lack of a robust and conducive integrated operating model between the SBIDZ and the TNPA and the lack of the necessary upgraded port infrastructure needed for several key investors to operate and attain financial longevity. In addition, the lag in developing the balance of the back-of-port-designated SBIDZ land, mostly TNPA-owned land, but also in part SBIDZ-owned land.

In terms of the project leasing facility or lay-down area built by the SBIDZ on some 23 hectares of land leased from the TNPA, this has been rendered close to non-productive, firstly by the COVID-19 pandemic and, secondly, by the delay in the independent power producers' bid closures by the Department of Mineral Resources and Energy.

The strategic focus over the medium to long-term period

Short to medium term, there must be a laser-like focus on revenue generation through the conversion of the investment pipeline into reality, mainly on SBDIZ-owned property, essentially establishing a beachhead of sufficient mean mass and robustness and from there, to branch out further as intergovernmental agreements are reached between the DPE, Transnet and the WCG on an integrated operational model, the development path of the SBIDZ and the associated Saldanha port development and operations.

In the interim also, a concomitant reduction of any expenditure that does not contribute to the commercial development and sustainability of the SBIDZ over the next three to four years is required.

If the former materialises, then all the considerable socio-economic, development and market research work done by the SBIDZ team in terms of the development of the port, back-of-port land and the surrounding industrial area will kick in beyond the medium term, as the basis will then be there to build on for the foreseeable future.

Acknowledgements and appreciation

I offer my sincere appreciation to the following:

Firstly, to the unstinting efforts of the SBIDZ team, led by the ebullient, far-thinking and super-competent CEO, Kaashifah Beukes, in bringing the SBIDZ this far, including the building and maintenance of a range of robust relationships, both institutional and with communities.

Secondly, to our former Chairperson, Thembisile Salman, who was unexpectedly recruited by the New Development Bank towards the end of the reporting year. We sorely miss his youthful exuberance and extensive investor conversion knowledge and experience.

Further, to a range of players, notably our previous Minister of Finance and Economic Opportunities, David Maynier, who, with his far-reaching questions made us think and adjust the SBIDZ business model accordingly. A sincere welcome to his successor, Mireille Wenger, who similarly gave us reason to review our business model.

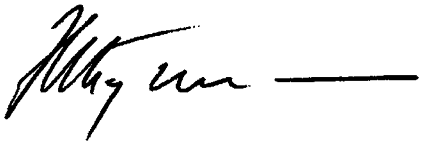
In a similar vein, to the Executive Mayor of the Saldanha Bay Municipality, Councillor Andre Truter, the effervescent Municipal Manager, Heinrich Mettler, our associates in especially the DEDAT, namely ex-HOD Sollie Fourie, Jo-Anne Johnston and Herman Jonker; Transport and Public Works (Jacqui Gooch, Lenn Fourie and others), Environmental Affairs and Development, Provincial Treasury and the Department of the Premier.

Conclusion

It's been a long journey since the designation as the Saldanha Industrial Zone way back in October 2013 within the Port of Saldanha on land owned respectively by the TNPA and the IDC.

Clearly, as also raised in the review of the then Manufacturing Development Act, Act 187 of 1993, which led to the drafting of its subsequent replacement legislation, the Special Economic Zones Act, Act 16 of 2014, the main reason why IDZs and subsequently SEZs struggle is that the governments involved do not have a common vision of what the relevant IDZ/SEZ should achieve and neither was/is there a formal cooperative long-term arrangement in place to facilitate the development of the relevant IDZ/SEZ without unnecessary encumbrances.

The hope is thus expressed that the engagement now mooted between the Provincial and National Governments, as alluded to above, will bring clarity as regards the long-term evolvement path of the SBIDZ in partnership with Transnet, the local municipality and other affected parties.



JC Stegmann
Board Deputy Chairperson
31 July 2022

4.

CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

The year under review still saw the lingering effects of the pandemic and other geopolitical tensions, through the stop-start reopening and closing of supply chains, businesses adjusting to hybrid work, rising inflation and jobless growth, and the conflict between Ukraine and Russia that continues to have global ramifications for multiple industries and sectors of the economy. At the local level, we still experienced the churning waters that occur following large organisational structural reform, such as that undergone by our key partners Transnet and TNPA in the past two years.

This year also, like no other yet, saw a marked acceleration of decarbonisation pressures across multiple stakeholder groups, countries (especially in Europe) and up and down value chains in many industries. The way we see it playing out in Saldanha is in the long-term opportunity for green hydrogen taking shape, and companies starting to think and need more from their landlords to assist in reducing their carbon footprints. But as more than a landlord, being part of the National Government's programme of SEZs, we are being approached more and more to play a catalytic, enabling role to bring net-zero technologies and business opportunities to light.

Saldanha is poised for great potential, from the investments made thus far and those that sit, straining, in the investment pipeline. We are actively focused on bringing these investments in, unlocking employment and economic growth, getting revenue up and positioning the Company through its tangible and intangible assets for resilience and agility toward the market opportunities we see.

General financial review of the Company

For the year under review, the Company received R41,5 million (PY21: R38,7 million) conditional grant funding. The total grant revenue recognised for the year was R147,5 million (PY21: R193 million), 71,3% related to dtic SEZ, 23,6% to DEDAT and the rest recognised from various special project grants. Rental revenue decreased from R7,2 million in 2021 to R2,9 million in 2022.

As at 31st March 2022, total entity assets exceeded R1 billion. The Company's investment property book value was R268,7 million (PY21: R182,4 million) and property, plant and equipment book value was R573,6 million (PY21:

R598,3 million) and represented 55,8% (PY21: 53,3%) of total assets.

The increase in assets reflects the capital investment programme as Management's primary focus was to complete the Portland project (bulk electricity) as well as one investor top structure. The successful achievement of this recognised a transfer of R114,4 million from work in progress to infrastructure assets and investment property.

Projects in work in progress totalled R99,6 million, which includes investor top structures and infrastructure projects. Future conceivable projects include internal services on further TNPA land, subject to the new integrated operating model required, and new investor top structures. For the period ending 31 March 2022, the balance available for current and future capital projects was R107,7 million (PY21: R206,8 million).

Spending trends

Total expenditure increased by 22,7%. This was due to the increase in operational activities needed proportional to increasing activities in the zone and an increase in the depreciation expense. Total expenditure for the Operations segment amounted to R88,4 million (PY21: R67,1 million), Corporate Services was R23 million (PY21: R23,3 million) and Special Projects was R7,3 million (PY21: R6,3 million).

Capacity constraints and challenges

To ensure the realisation of the Company's business strategies and operations, the zone requires new port infrastructure investments to take place. This has become crystal clear over the year under review as we received more land-based marine engineering private sector interest in Saldanha, and we looked at the results of the comprehensive updated market analysis we undertook during the year.

And this requires investment into a bankable feasibility study process, which is one of the constraints we are finding solutions to in working with TNPA, and with ISA on engagements with DFIs, national and international, as well as our own Provincial Treasury for project preparation funding support.

Discontinued key activities/ activities to be discontinued

Not applicable.

New or proposed key activities

As highlighted by our Deputy Board Chairperson, to take the concept of a robust partnership with Transnet further, discussions at an intergovernmental level have been initiated via the Director-General of the Western Cape Government (WCG), the Chief Executive of Transnet and the Director-General of the Department of Public Enterprises (DPE).

Requests for rollover funds

Not applicable to Schedule 3D entities.

Supply chain management

The Company 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 required to deliver on key objectives.

Unsolicited bids

No unsolicited bids were awarded during the financial period.

Previous audit report matters and how they would be addressed

There were no matters raised in the Audit Report of the 2020/21 Annual Report.

Outlook

2022/23 is going to be an important year for the Company. We anticipate tenants taking occupation of facilities provided and the breaking of ground on new investments, with all their requisite financing, approvals and permits finally in place. We have seen progress on one aspect of the port infrastructure investment borne from the streamlined discussions held with TNPA on the environmental assessments required, and during the year we will focus on this critical element – together with the overall aim of undertaking a bankable feasibility study. Lastly, we will continue to work with TNPA and the Department of Transport on our International Ship and Port Facility Security (ISPS) Code classification as it is an important security measure that increases our and the port's ability to ensure stringent levels of safety and security across the zone and port as it regulates and controls the security and safety of the crews, ships, ports and cargoes as they travel through international waters.

The Project Leasing Facility, which has been dormant due to the unevenness of IPP bid window openings and closings and the delayed start-up of the Offshore Supply Base concession, will likely only see activity in the next financial year as our experience shows the resolution of complex project logistics contracts takes at least a year.

Events after reporting date

None.

Appreciation

As a key part of our asset base, I am continually in awe of my co-workers. They are inventive, they give of themselves and they are committed to our vision and values of building a company, a place, a system that matters and lasts. The other side of that coin is the many investors and tenants that have or are operating in the zone. Without your business, the ideals of the Company would be moot as it's your investment that spurs the economy and the jobs we stand for.

I am deeply appreciative of my Board. They give of their time and insights without pause and are contributing to navigating these exciting new waters together. I wish our former Chairperson, Thembisile Salman, good fortune in his new role at the New Development Bank; his experience in investment financing and the challenges of starting a business from scratch was profound and refreshingly unadorned.

Our programme partners, the Saldanha Bay Municipality, the WCG, the dtic and Transnet and its operating divisions, continue to be influential role-players in our journey, and we thank them for their oversight and commitment to the Company's prosperity. Appreciation also goes to the ISA, IDC, SARS, DHA, DOE&L, DEFF, DTPW, DEA&DP, SAMSA, WCDM and many more, inclusive of all of our organised labour, social and business stakeholders.

Lastly, I would especially give appreciation to our outgoing Shareholder Representative, Minister David Maynier, former Minister for Finance and Economic Opportunities, and welcome our incoming Shareholder Representative, Minister Mireille Wenger, for stepping into the breach at this tough time in our economy. Though our time has been short at the time of writing this, Minister Wenger strikes me as a diligent public servant who is seeking knowledge and pragmatic solutions. This echoes the Company's values and I am certain that we will do great work together.

Kaashifah Beukes
Chief Executive Officer
31 July 2022

5.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made on 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 company for the financial year ended 31 March 2022.

Yours faithfully

Chief Executive Officer
Kaashifah Beukes
31 July 2022

Deputy Chairperson of the Board
Johann Stegmann
31 July 2022

6.
STRATEGIC OVERVIEW

6.1. Vision

Vision for the Zone

Our vision is to be Africa's premier maritime, energy, and logistics freeport, offering a world-class integrated shipyard, engineering, fabrication, logistics and services freeport 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 company 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 strive to foster responsible investment, creating shared prosperity for Saldanha Bay as a sustainable pioneer in the region.

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.

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 Special Economic Zone 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, 1964 (Act 91 of 1964)

The purpose of the Special Economic Zones Act, 2014 (Act 16 of 2014) (SEZ Act) is to provide for the designation, promotion, development, operation and management of Special Economic Zones, which includes the establishment of a provincial business enterprise to manage each SEZ. The SEZ Act also provides for the functions of the Special Economic Zones operator.

In terms of the SEZ Act, the SBIDZ is an economic development tool to promote national economic growth and export 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 co-operatives, 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 SBIDZ has embraced the principles and objectives as 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 furthermore 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.

7.2.2 Provincial Legislative Mandates

Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (Act 1 of 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 Company and provides for the objects, functions and governance of the Company. In terms of the Act, the objects of the Company 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:

- National Development Plan;
- National Infrastructure Plan;
- Presidential Infrastructure Coordinating Commission (PICC) Rollout Programme;
- Industrial Policy Action Plan;
- Operation Phakisa;
- National Infrastructure Plan (Strategic Integrated Project 5 – SIP5).

As a first principle, the SBIDZ fits into and seeks to address the policy priorities of the South African Government.

The SBIDZ in the National Policy Context:

The hierarchy of economic policy in South Africa can be portrayed as follows:

Figure 1: Hierarchy of Economic Policy

7.2.4 Overarching Policy Environment

National Development Plan: Vision 2030

The National Development Plan: Vision 2030 (NDP) states that the guiding principles of the plan are to "eliminate poverty and to sharply reduce inequality" and focus on inclusivity in the economy. Three of the top four policy proposals (of nine listed) in the NDP are directly addressed through the SBIDZ. These are:

- Create jobs and livelihoods;
- Expand infrastructure; and
- Transform urban and rural spaces.

The NDP also refers to the economic objectives of the New Growth Path.

7.2.5 Leading Economic Policy

New Growth Path (NGP)

The core aim of the New Growth Path (NGP) is the creation of employment to combat poverty and inequality in an inclusive economy. Similar to the NDP, infrastructure is highlighted as a key priority and the central driver of job creation. The NGP also refers to the sectors prioritised in the Industrial Policy Action Plan.

7.2.6 Industrial Policy

Industrial Policy Action Plan (IPAP)

The Industrial Policy Action Plan (IPAP) signals the country's industrial policy intentions as a practical outflow of the National Industrial Policy Framework (NIPF). These action plans support the job creation ambitions of the NDP and the NGP and list Special Economic Zones as one of six "Transversal Focus Areas". Under the "Sectoral Focus Areas", the SBIDZ's focus sector of Oil and Gas is expanded on as a major priority (as well as shipbuilding, which is part of the marine engineering activities proposed in the SBIDZ).

The IPAP is firmly entrenched in the Government's overall policy and plans to address the key challenges of economic and industrial growth and race-based poverty, inequality and unemployment. IPAP 2018 is a product of the Economic Sectors, Employment and Infrastructure Development (ESEID) cluster. The responsibility for its implementation lies with the Government as a whole and a wide range of entities, including SOCs like the SBIDZ-LC.

IPAP 2018 focuses on the following 10 key themes that inform the work of the dtic and act as a roadmap for the wider industrial effort:

- Grow the economy.
- Strengthen efforts to raise aggregate domestic demand – mainly through localisation of public procurement and intensified efforts to persuade the private sector to support localisation and local supplier development.
- Step up South Africa's export effort
- Create and reinforce policy certainty and programme alignment.
- Strengthen ongoing efforts to build a less concentrated, more competitive economic and manufacturing environment in which barriers to entry for new entrants are lowered.
- Build a stronger system of industrial finance and incentives to support and secure higher levels of private sector investment in the productive sectors of the economy and grow exports.
- Press ahead with technology-intensive, value-adding beneficiation projects that fully leverage SA's comparative resource endowment advantage into a global competitive advantage.
- Optimise technology transfer and diffusion and, working closely with the Department of Science and Technology, further ramp up the effort to commercialise "home-grown" R&D in key sectors.
- Support the further strengthening of energy-efficient production and carbon mitigation efforts and measures in a manner that allows for sustainable adaptation by all the energy-intensive sectors of the economy.
- Understand, grasp and prepare for the foreseeable effects of the Digital Industrial Revolution and emergent disruptive technologies, collaboratively adapting SA's productive and services sectors to meet the challenges, including those relating to employment displacement.

7.2.7 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, focusing on exports, employment and GDP, as per the recently concluded WCG Provincial Strategic Plan (PSP) 2019–2024. The SBIDZ also aligns with the Saldanha Bay Municipality Local Economic Development Strategy and the Growth Potential Study of Towns (GPS) 2014.

7.3 Institutional Policies and Strategies over the five-year planning period

7.3.1 Policies

Saldanha Bay Municipality 4th Generation Integrated Development Plan 2017–2022 2nd Amendment

The Saldanha Bay 4th generation 2017–2022 Integrated Development Plan (IDP) is the principal 5-Year Strategic Plan of the Saldanha Bay Municipality (SBM) that guides decision-making and deals with the most critical development needs of the municipal area as well as the most critical governance needs of the organisation. The IDP is adopted by the municipal council within one year after a municipal election and while it remains in force for the council's elected term (of five years), it is reviewed annually in consultation with the local community as well as interested organs of state and other role-players. The IDP should guide and inform all planning and development that the SBM undertakes within the municipal area towards the fulfilment of the SBM's constitutional, legislative and developmental mandate.

The IDP reflects that the Municipality has identified, as one of its 10 strategic objectives, "the diversification of the economic base of the municipality through industrialisation, de-regulation, investment facilitation and tourism development while at the same time nurturing traditional economic sectors".

Thus, clear linkages with this strategic objective can be drawn with the SBIDZ's stated purpose of (among others):

- attracting foreign and domestic direct investment;
- taking advantage of existing industrial and technological capacity, promoting integration with local industry and increasing value-added production;
- providing the location for the establishment of targeted investments.

Saldanha Bay Municipality Spatial Development Framework (SBM SDF)

The SBM SDF, reviewed and adopted in 2019, is a core component of the IDP and thus the SBM's economic, sectoral, spatial, social, institutional and environmental vision. It is the principal tool the municipality uses to achieve its desired spatial form. The SDF identifies the SBIDZ as part of a number of development initiatives that influenced industrial development and contributed to the broadening of the economic base of the municipal area.

As such, the SDF reflects that the "identification of areas for future industrial development" is a key strategy for implementing part of its spatial vision relating to the "promotion of the industrial area, including high-tech economic development, to take advantage of global demand opportunities and encourage local employment and capacity building". This becomes especially pertinent when taking into account the future growth of the port facility and expected pressures on the industrial land supply, given the potential of the growth in backward and forward linkages.

Saldanha Bay Municipal Infrastructure

The municipality compiled the Saldanha Bay Infrastructure and Growth Plan (IGP) due to the increased economic activities in the municipal area. The SBM's IGP seeks to reflect the status of all infrastructure within each town, list possible major gaps and projects together with estimated cost and funding sources, and provide a high-level assessment of the financial capacity of the SBM with regard to the funding of capital projects. Ultimately, the purpose of the plan is to provide an overview of the infrastructure needs of the SBM within the broader context of economic, developmental and human settlement-related factors. It is within this context that the Saldanha Bay municipal IGP views the SBIDZ and the envisioned developments in the Zone as a determining factor that will shape the economic and basic service delivery infrastructure status, needs and management within the municipal area.

Western Cape Infrastructure Framework (WCIF)

The WCG is mandated to coordinate provincial planning under Schedule 5A of the Constitution. As part of this mandate, the Western Cape Infrastructure Working Group produced the WCIF, which was adopted in 2013. The WCIF intended to align the planning, delivery and management of infrastructure provided by all stakeholders (national government, provincial government, local government, State-owned entities and the private sector), to the strategic agenda and vision for the province. The WCIF identifies that the harbour and industrial development in Saldanha will create a need for a substantial transition in infrastructure coordination, administration and provision related to bulk water supply, energy generation, transportation and Information and Communications Technology (ICT).

Western Cape Provincial Spatial Development Framework (PSDF)

The Western Cape PSDF, adopted in 2014, sets out the basis for addressing the WCG's spatial agenda. It is not a blueprint that can be implemented in the short term, but rather a framework within which:

- Coherent and consistent sector and area-based plans (e.g. for functional regions or municipalities) can be formulated and rolled out by the spheres of government and SOEs operating in the Western Cape; and
- Communities and the private sector have greater certainty over where development and investment are heading, and so can respond to opportunities arising.

The PSDF's spatial policies cover three interrelated themes, namely "resources", "space-economy" and "settlement". In adopting a strategic view of the provincial space economy, the PSDF identifies three functional regions where significant development trends and/or development potentials are seen to exist. One of these identified functional regions is the emerging Greater Saldanha Regional Industrial Complex, with the Saldanha Bay/ Vredenburg growth centre at its heart. The PSDF proposes that the advancement of this functional region should be supported by specifically targeting the oil and gas sectors as economic sectors, to support facilitating the development of a water demand management system for the region and, lastly, by seeking to encourage the flow of new regional and bulk economic infrastructure investment into the area to leverage private sector and community investments.

Integrated Urban Development Framework (IUDF)

The NDP indicated that South Africa should observe meaningful and measurable progress in creating more functionally integrated, balanced and vibrant urban settlements by 2030. To attain this goal, the Department of Cooperative Governance worked with various stakeholders and partners to develop the Integrated Urban Development Framework (IUDF) to transform and restructure South Africa's urban spaces. The IUDF is the South African government's policy position to guide the future growth and management of urban areas. In doing so, the IUDF aims to foster a shared understanding across government and society about how best to manage urbanisation to create resilient and inclusive cities and towns, such as Saldanha and Vredenburg. Ultimately, in relation to the mandate of the SBIDZ-LC, the IUDF calls for government and society to adopt a more resolute, holistic and coordinated approach when deciding on the most appropriate locations for business and industrial development in their city or town.

7.3.2 Strategies

SEZ Strategic Framework 2020–2030: Draft

The draft dtic SEZ Strategic Framework 2020–2030 draws on best practice research from the United Nations Conference on Trade and Development (UNCTAD), the World Bank, the United Nations Development Programme (UNDP), as well as SEZ case studies across the globe.

The framework notes the following:

"Provision of relevant and high-quality infra-structure, and competitive incentives, at a desirable location, is no longer sufficient for

the South African SEZ programme to succeed… the probability of success is significantly increased when the SEZ implementation and delivery process is viewed as a portfolio or an ecosystem of linked and mutually dependent implementation actions, occurring in a dynamic environment. It is the effectiveness of these elements that are, as noted above, fast becoming an important deciding factor in terms of locational investment decisions."

The framework has set the following draft vision:

"The South African SEZ programme will, through the development of competitive and world-class SEZs in South Africa, have a significant and lasting impact on sustainable reduction in poverty and inequality, and increased inclusivity in the South African economy, improving the quality of life for all."

The enabling mission is as follows:

"The South African SEZ programme will, by 2030, ensure that all designated SEZs and those in the current pipeline have been supported by means of infrastructure delivery, incentives delivery and zone services to the extent required to deliver measured economic, social and environmental benefits to citizens. The programme will continue to identify SEZ opportunities annually and will ensure economic and social inclusivity in all procurement and supply chains for black South Africans, and women in measurable ways."

Seven strategies were identified and proposed to fulfil the framework's mission and move towards the vision. These include:

- **Strategy One** – Improve the legal and regulatory environment to ensure South African SEZs are globally competitive by building in flexibility in the Act and linked regulations to stay ahead, without compromising on good governance;
- **Strategy Two** – Deliver world-class industry-relevant infrastructure to target industries and build low carbon and environmental compliance into all master plans. The SEZ programme will work directly with relevant South African sectors and their master plans for optimum planning and implementation outcomes;
- **Strategy Three** – Proactive opportunity and investor stance. This requires an opportunity scan annually, proactive and coherent marketing and information implementation nationally and at the SEZ level;
- **Strategy Four** – Stakeholder management and national buy-in. Ensure business, communities, politicians, academic institutions and other essential stakeholders are on board and in agreement and that all stakeholders are regularly engaged and consulted;
- **Strategy Five** – Improve funding capability. Introduce a fund wherein the dtic SEZ fund is only one of a number of co-funders;
- **Strategy Six** – Build the essential ecosystem. SEZs are not only about location, incentives and infrastructure;
- **Strategy Seven** – Invest in people. Skills, training and capacity need improved coordination and organisation to meet the needs of investors and their supply chains.

The framework, currently under review for comment, sets out a quintessentially integrated operational delivery environment for SEZ Operators. This new direction for the SEZ Programme recognises the backward, forward and sideways socio-economic potential of SEZs and therefore the associated responsibilities of SEZ Operators and the multitude of different stakeholders who have a contribution to make to realise the outcomes.

Western Cape Government Provincial Strategic Plan (PSP) 2019–2024

The PSP sets out the WCG vision and strategic priorities. It seeks to define the WCG's approach to addressing the economic, social and development challenges in the province. These challenges are to be addressed through the WCG's five strategic priorities, known as Vision-Inspired Priorities (VIPs). These are:

- **VIP 1:** Safe and Cohesive Communities;
- **VIP 2:** Economy and Jobs;
- **VIP 3:** Empowering People;
- **VIP 4:** Mobility, Spatial Transformation and Human Settlements; and
- **VIP 5:** Innovation and Culture.

Due to its mandate and nature of work, the SBIDZ sees itself as contributing primarily, but not exclusively, to **“VIP 2: Economy and Jobs”**. This is done by focusing, among other things, on attracting direct investment, increasing employment and contributing to the WCG GDP through increasing value-added production and the generation of new and innovative economic activities, specifically within the oil, gas and marine services industries.

The PSP recognises the oil, gas and marine services sectors as priority sectors based on their potential to create jobs and unlock further economic opportunities and comparative advantage. It is with this in mind that the PSP has identified SBIDZ as playing a catalytic role in unlocking the industrial and economic potential of the West Coast.

Western Cape Recovery Plan: Draft 1 (WCRP)

COVID-19 has had “deep, overwhelmingly negative effects on the economic and social life of the Western Cape”. The WCRP identifies the problems that require an urgent, whole-of-society response to create jobs, foster safe communities and promote the well-being of all the residents of the Western Cape. The PSP remains the guiding document for the growth and development of the province, and the problem statements that frame the five VIPs have not changed.

The WCRP is built on four themes: COVID-19 Recovery, Jobs, Well-being and Safety, with the dignity of the citizen, household and community and a life course approach being central to the above themes.

The SBIDZ resides within the Jobs theme, aligned to VIP 2, and in particular, contributes primarily to:

- Focus Area 1: Increasing investment;
- Focus Area 2: Building and maintaining infrastructure; and
- Focus Area 3: Growing the economy through export growth.

This is evidenced by its investment promotion mandate and the investment pipeline established, where some investments are already realised and in operation in the zone. In addition, in its 5-Year Strategic Plan and Corporate Plans, the SBIDZ-LC is committed to taking a more activist role with regard to enabling catalytic marine infrastructure in the zone and port, namely the Cost-Benefit Analysis and Environmental Impact Assessment (EIA) for marine services infrastructure currently underway. Lastly, investors in the zone will be import and export-facing, as their operations come online over the next years.

To a degree, the SBIDZ contributes to Focus Area 4: Creating opportunities for job creation through skills development, through its development programmes. This is to a lesser degree as the SBIDZ undertakes industry-targeted skills development as a strategic link between local citizens and the maritime and energy markets in the SBIDZ to create a pipeline of competent, accessible and competitive skills capacities. In the long term, through the Innovation Campus programme, the SBIDZ will also contribute to Focus Area 5: Creating an enabling environment for economic growth through resource resilience, as a just transition to lower-carbon economies is enabled by competitive investment in research, design and innovation into lower carbon-needing and carbon-producing technologies in industrial systems, such as those that will be located in the SBIDZ.

The SBIDZ reports on and participates in the Jobs theme, contributing to the short to medium-term MTEF 2021–24 response plan.

Saldanha Bay Municipality Local Economic Development Strategy

The SBM LED Strategy sought to provide an overarching long-term plan for the entire economy of Saldanha Bay to ensure that all stakeholders’ efforts are prioritised and aligned for the most beneficial effect on the local economy. The SBM LED strategy identified and focused on the economic sectors that are key to economic growth within the municipal area. Of the seven key economic sectors identified by the SBM LED strategy, four of those economic sectors are directly linked to the SBIDZ:

- Oil and Gas storage and processing;

- Engineering, metal fabrication and manufacturing;
- Ports, freight, transport, logistics and services; and
- Property and infrastructure development and construction.

Within the LED document, this theme of close alignment with the SBIDZ extends to the actual strategies that the SBM will seek to employ toward achieving its economic objectives. These are:

- **Strategy 4:** Attract new industrial investors by creating a more enabling environment.
- **Strategy 5:** Maximise the competitive advantages from ports.
- **Strategy 6:** Support local SMEs to access more opportunities.
- **Strategy 7:** Credible vocational skills development and tertiary education available.

A significant part of the SBM's economic strategy is, therefore, closely aligned to the mandate and work of the SBIDZ.

Growth Potential Study of Towns (GPS) 2014

The Western Cape Growth Potential Study of Towns was drafted in 2014 and sought to determine the growth potential and socio-economic needs of settlements in the Western Cape outside the City of Cape Town metropolitan area using quantitative data (e.g. factors relating to socio-economic, economic, physical-environmental, infrastructure and institutional aspects). The GPS reflects that a cluster of very high and high-potential settlements occurs in the Saldanha Bay region, with Vredenburg (very high growth potential) acting as the main node.

In addition, based on a qualitative component of the research that was done in drafting the GPS, regional interventions were identified that would unlock latent development potential and assist or influence the local, provincial and national governments in making crucial and informed decisions on where to invest in the future. The GPS reflects "business, marketing and skills development" as key levers towards unlocking the region's development potential, with the growth of the Industrial Development Zone (IDZ) as a cornerstone and catalytic initiative. Lastly, "infrastructure development", related to expanding the regional transport network, increasing ICT coverage and upgrading the rail infrastructure, is also reflected as a so-called 'Big Idea' that would further enhance the functional region's latent potential.

Saldanha Bay Municipal Economic Recovery Plan 2020 (MERP)

Following engagement at multiple levels, the SBM has crafted a Municipal Economic Recovery Plan (MERP) with the following objectives:

- Maintaining a very high level of energy water supply and municipal services;
- Investment retention and promotion;
- Supporting local businesses;
- Creating business opportunities via localisation; and
- Direct job creation through the EPWP and CWP.

The framework of action in the MERP has the overarching theme of Rebuilding the Economy, and has three action areas, namely: New Investment and Investor Retention; Localisation and SMME Support (working with local business organisations); and Value Chain Analysis and Support (enhancing longer-term competitiveness).

As the most important development that will take place in the Saldanha Bay municipal area over the next 10 to 20 years, the SBIDZ is a catalytic and critical short, medium and long-term recovery mechanism for each of these action areas through its construction programme, the positive spill-over benefits between businesses in and outside the Zone, job creation and the long-term, wholesale restructuring of the economic structure towards a deep and solid industrial base.

7.4 Relevant Court Rulings

There are no court rulings that are relevant to the SBIDZ or may have a significant impact on its operations.

8. ORGANISATIONAL STRUCTURE

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

Administration has the overarching objective of implementing best practice governance in support of the operations of the Company. The programme has a complex role due to its need to balance agile business needs and the requirements of the operations while undertaking a crucial governance function public company. It 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 in 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 stakeholders of the Company.

Executive Management

Kashifah Beukes
Chief Executive Officer

Doug Southgate
Chief Operating Officer

Herman Boneschans
Chief Financial Officer

Bernedicta Durcan
Ease of Doing Business

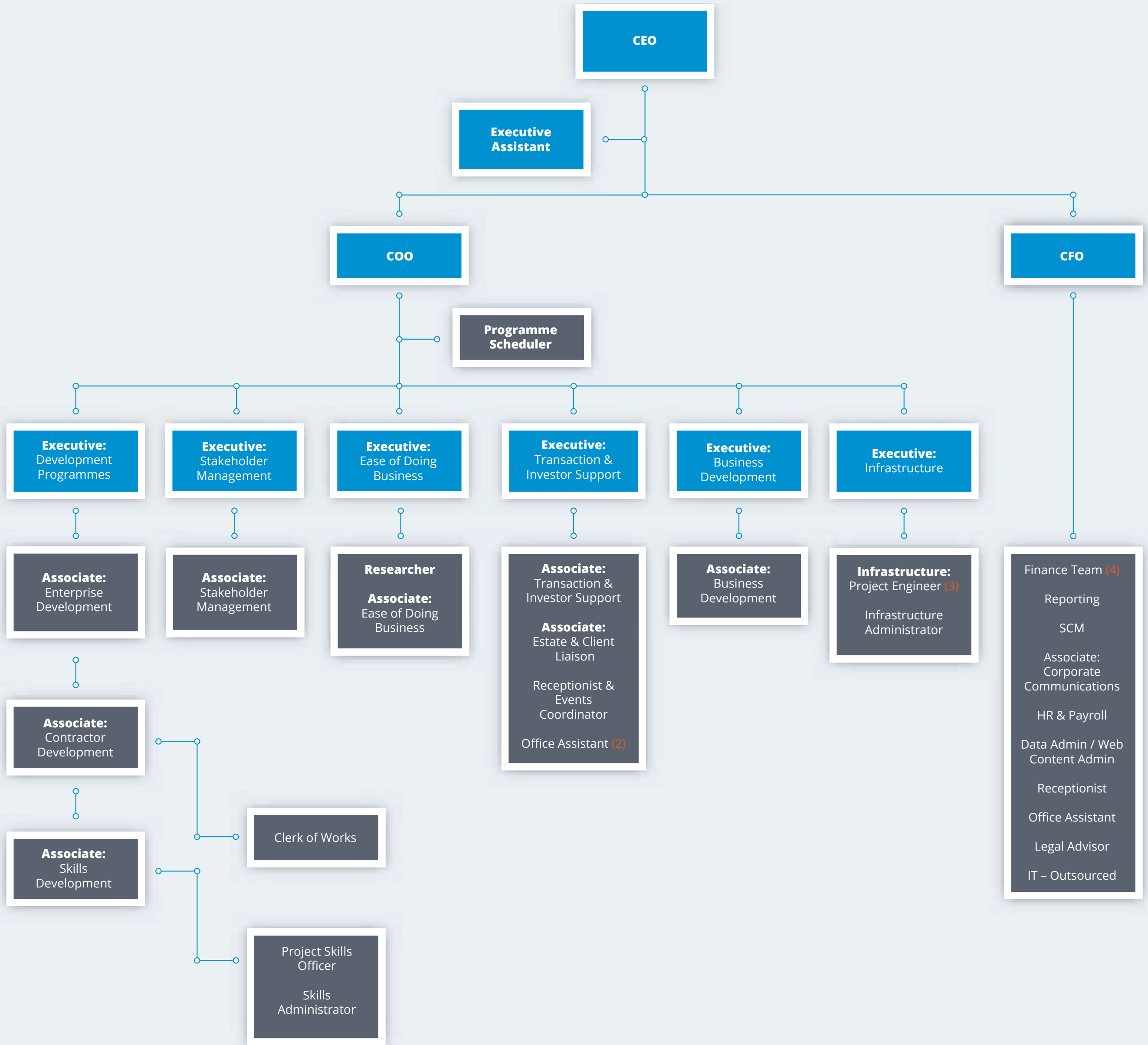
Adinda Preller
Transaction & Investor Support

Patrick Lakabane
Development Programmes

Hannes Marais
Infrastructure & Environment
Resigned
31 March 2022

Danielle Manuel
Stakeholder Management

ORGANISATIONAL STRUCTURE



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 members from the private sector with requisite expertise and experience.

Thembisile Salman
Board Chairperson
Reappointed: June 2021
Resigned: June 2022

Mr Thembisile Salman holds a BSc in Chemical Engineering degree from the University of Cape Town, BSc Honours majoring in Chemistry and Biochemistry 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 later appointed as lead engineer to assist Sasol Technology in putting together a CTL proposition for the Indian government that resulted in securing a Joint Venture partnership with Tata. 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 various expertise and a preferred focus on oil and gas.

Johan Stegmann
Deputy Chairperson
Reappointed: February 2021

Mr Johann Stegmann acquired an MBChB degree from the University of Pretoria in 1969, a Postgraduate Diploma in Economic Principles in 1999 followed by an MSc in Economics in 2001, both at SOAS, University of London. After 1969, he practised as a doctor for a number of years in Gauteng and Namibia. In the late seventies, a shift into full-time health administration and management followed, initially in Namibia and then in the old Cape Province, as his interest in 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 Western Cape provincial driver for the phasing-in of the first-ever democratic Constitution. That led to performing the Western Cape Provincial Treasury function up to the end of December 2014. Subsequently, Mr Stegmann became responsible for strategic coordination in the Office of the Director-General of the WCG, which has now morphed into directly supporting the development and roll-out of data and evidence-led decision-making within the WCG and its associated partners in service delivery within the province.

Jacqueline Brown
Appointed: November 2019

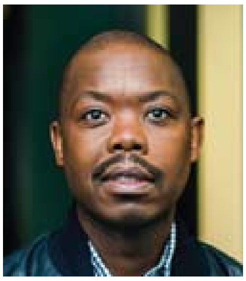
Ms Jacqueline Brown obtained a BA Social Work degree from the University of the Western Cape and later completed a Postgraduate Certificate in Engineering Business Management at the University of Warwick in the UK.

A proven leader and a much-admired female executive, Ms Brown was a finalist in the national Businesswomen's Association of South Africa (BWASA) Businesswoman of the Year Awards and in November 2012 received the Eastern Cape Black Management Forum (BMF) Businesswoman 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.

Acutely aware of the many barriers that still face women in the workplace, Ms Brown has devoted much of her professional life to removing gender obstacles and diversifying what has traditionally been a male-dominated industry. She has taken a keen personal interest in creating an environment that not only welcomes women, but also nurtures their professional growth and development.

Heinrich Mettler
Reappointed: June 2022

Mr Heinrich Mettler obtained a National Diploma in Civil Engineering at the Cape Technikon. He then completed his Diploma in Business Administration at Damelin College in George and later obtained his BTech Business Administration and an MBA at the Port Elizabeth Technikon. Mr Mettler joined the Department of Water Affairs in George as the Manager of Maintenance and Contraction and as the manager of Calibration. He later joined the Development Bank of South Africa as a junior project manager and later as a civil engineering expert. In 2011, he became the Municipal Manager of the Prince Albert Municipality and was awarded the MFMA Most Improved Audit Award for the medium capacity municipalities in the Western Cape as well as the Best Integrated Residential Development Programme for the Western Cape Govan Mbeki Award 2018, sharing the position with the SBM. In 2018, he was appointed as Municipal Manager of the SBM.



Justice Ngwenya
Term ended: January 2022

Mr Justice Ngwenya holds a BSc honours degree in Business Studies from the University of Wales. His career at Standard Bank started in 1994 as a product analyst which included in-depth research on industry product development trends and competitor analysis, which information was used to inform competitive strategies. Mr Ngwenya next joined Standard Bank's Investment Banking division, where he was a supervisor within the financial market operations. He supervised and managed foreign transactions for local and international clients, including banks. In 1997, he joined Triton South Africa as a National Sales Manager and was involved in reviewing business plans, strategies and budgets as part of the Executive team. In 1999, he joined KPMG as a Senior Consultant in the Advisory Unit and was seconded to a World Bank-funded international project driven by the Department of Trade and Industry (the dti). In 2004, Mr Ngwenya joined the dti as a director responsible for customer care, giving support to units managing different incentives. In 2006, he moved to manage one of the key programmes of the dti supporting investment with critical infrastructure. In 2016, he was appointed the Chief Director of Infrastructure Investment Support, responsible for financing bulk infrastructure in the Special Economic Zone (SEZ) as well as the Critical Infrastructure Programme (CIP), which entails management of about R1,6 billion per annum. He sits on the Adjudication Committees of some of the dtic programmes.

Irvin Esau
Reappointed: April 2022

Mr Irvin Esau obtained his BComm in Management Accounting in 1991 and later completed a Management Development Programme at the University of Stellenbosch. In March 1998, Mr Esau started as a Management Accountant at Sea Harvest Ltd in Saldanha Bay and was promoted to Group Admin Manager in 1999. In July 2000, Mr Esau joined Sea Vuna Fishing in Mossel Bay as a General Manager and was appointed as the Managing Director in 2001. In April 2006 he moved back to Sea Harvest in Saldanha Bay where he worked as the Operations Executive and was appointed later as the Operations Director, serving 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: May 2021

Mr John Smelcer has more than 15 years' experience working in the Energy and Infrastructure sectors with a focus on gas projects where he has been involved in some of the largest LNG projects in emerging economies across Africa as well as working on gas-fired power projects and other gas transportation and downstream utilisation projects. He 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. Having previously worked for law firms Webber Wentzel and Latham & Watkins as an independent commercial consultant, Mr Smelcer now leads the development of the Temane gas-fired power projects for Globeleq in Mozambique and plays a leadership role in growing Globeleq's African gas business. In addition to his Globeleq role, Mr Smelcer regularly leads training seminars with senior government officials and other stakeholders related to energy and oil and gas developments and financing. Mr Smelcer is also an LNG expert for the US 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.

Edwin Obiri
Reappointed: April 2022

Mr Edwin Obiri holds a Bachelor of Business Systems degree from Monash University. His professional career began when he was selected to participate in a talent development programme for Siemens AG. He worked as an intern with Siemens for four years on various projects and assignments in the USA and Germany. He then assumed a role as a business development manager for an investment fund based in Johannesburg and Accra. There he developed a mining procurement business with blue chip clients including AngloGold Ashanti and BP/Castrol SA.

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

Mr Obiri has founded several businesses, including Powerbet Gaming (Pty) Ltd, Africore Energy Ltd, Empower Workforce Solutions Limited, Empower Facilities Management Limited, and Frontier Pipeline Services Gh. Limited.

Kaashifah Beukes
Chief Executive Officer (Executive Director)
Appointed: June 2018

Ms Kaashifah Beukes 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 company and the delivery of the SBIDZ-LC's mandate and operationalisation strategy. Ms Beukes has been with the SBIDZ-LC since its start-up in 2014. She has 18 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. Ms Beukes holds a BSc in Civil Engineering and an MBA from the University of Cape Town.

Herman Boneschans
Chief Financial Officer (Executive Director)
Appointed: May 2020

Mr Herman Boneschans qualified as a professional accountant in 2003, after completing his articles at Ernst & Young. Shortly thereafter, 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). Mr Boneschans has extensive experience in organisational governance, compliance and policy development. Under his leadership, the organisations he has worked for have achieved clean audits over the past 13 years. He was appointed as Chief Financial Officer of the SBIDZ-LC in 2014.

Sollie Marthinus
Company Secretary

Mr Sollie Marthinus acquired BProc and LLB degrees from the University of the Western Cape in 1999. He was admitted as an Attorney of the High Court of South Africa in 2001. Mr Marthinus has experience in the field of municipal governance, municipal and provincial legislative processes, constitutional law, administrative 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 SBIDZ-LC on 24 August 2016.

B

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently 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 71 of the Report of the Auditor-General, published in Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

The macroeconomic context summarised below is sourced and adapted from the Municipal Economic and Review Outlook (MERO 2021) and the Socio-Economic Profile of Saldanha Bay (SEP 2022), both issued by the Provincial Treasury.

The COVID-19 pandemic has resulted in severe consequences for the economic and social prosperity of the Western Cape. As a recourse to mitigate the impact of COVID-19, the WCRP has identified key interventions that are relevant to the SBIDZ-LC. These include infrastructure development, the promotion of exports, energy security and the green economy, and public employment interventions. A key theme stemming from the plan is jobs – "emphasis needs to be placed on economic growth and the generation of income by citizens to allow for the mitigation of the economic impact of COVID-19".

The economy of the Saldanha Bay municipal area was valued at R9,5 billion (current prices) and employed 51 546 workers in 2019. The estimate for 2020 indicates that the economy was valued at R9,7 billion (current prices), while employment declined by 4 221 jobs to 47 325 workers in the municipal area. The labour-intensive manufacturing sector was the largest economic sector contributing to GDP-R in the Saldanha Bay municipal area at 22.9% and, in the same year, the manufacturing sector employed 9.5% of the West Coast District (WCD) workforce, indicating that it is a capital-intensive industry.

Considering the current socio-economic context and service delivery environment, the SBIDZ remains a critical promoter and implementer of the country's reconstruction and recovery plans and strategies because it enables investment and trade by leveraging targeted value propositions in the maritime and energy sectors.

Our key strategic priorities for the year under review were:

- Maintaining and strengthening stakeholders' relationships with our primary partners, specifically, the WCG, SBM, West Coast District Municipality, Transnet/TNPA, the dtic and trade unions. These partnerships are critically important to signal to investors that the country and its institutions are open for business and are fully committed to facilitating investors' activities.
- As the SEZ programme in South Africa does not have an all-encompassing mandate, a prime external enabler required to support the strategic priorities of the Company has been to ensure that the SBIDZ-LC is anchored as a strategic policy priority vertically across all three spheres of government and horizontally between various departments. An integrated and coordinated policy approach within the public sector is essential to secure the enabling, effective environment for the programme in a competitive international investment climate.
- A material risk to the Company is unlocking the critical biodiversity areas (CBA) within the SBIDZ. Through the establishment of dedicated stakeholder interfaces with the Department of Transport and Public Works (DTPW) and the Department of Environmental Affairs and Development Planning (DEA&DP), they have collaboratively consistently provided the Company with guidance in terms of unlocking SBIDZ land earmarked for development through biodiversity offsetting.

- Transnet and TNPA have undergone significant structural reform that has delayed progress on various strategic issues and important agreements made in the past between these two entities and the Company. However, the SBIDZ-LC remains committed to working with Transnet and TNPA to address matters that will enhance and encourage investment into South Africa and support the recovery and transformation of our economy and society.
- With the support of Infrastructure South Africa (ISA) and TNPA, the Company delivered an in-person project pitch at the Presidential Sustainable Infrastructure Development Symposium, toward advancing the development of port infrastructure at the Port of Saldanha. ISA formally confirmed that the SBIDZ Port Infrastructure project has reached the early business case gateway. With the support and coordination of ISA, the SBIDZ-LC has had numerous engagements with several Development Finance Institutions (DFIs).
- The freeport's strategic, targeted focus on the maritime and energy sectors is aligned with the natural and man-made endowments of the Port of Saldanha, the Saldanha Bay municipal area and the Western Cape and responds to changes in international production and demand. The Port of Saldanha is a greenfield port, the deepest and one of the largest ports in the Southern Hemisphere, with existing demand and networks in global shipping and maritime markets, goods and services. This focus supports the existing macroeconomic and socio-economic attributes of the WCD and SBM, with its large fishing and manufacturing base already in place.
- The freeport designation in place since 2019 over the designated Customs Control Area within areas of the port, with standard operating protocols with SARS, Department of Home Affairs, Department of Labour and TNPA Port Security, establishes a competitive advantage for qualifying manufacturers and logistics firms importing and exporting raw materials and goods.
- The Saldanha Bay Innovation Campus, which encourages research and development, knowledge, innovation and technological capacity spill-overs, has grown considerably, launching a new programme annually while continuing the work and activities of existing programmes such as the Energy Transition Programme and Saldanha Bay Schools Development Programme (in partnership with WCED). The Company also signed an MOU with the CHIETA to fully fund the establishment of a Digital Smart Skills Centre at the SBIDZ to advance digital capabilities in support of the oil and gas and maritime sectors.

2.2. Organisational Environment

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

By using the vehicle of an IDZ to facilitate sustainable economic growth in the Saldanha Bay Area, the SBIDZ-LC 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 for a sizeable contribution to the national GDP of the country.

The SBIDZ designated areas include a component of the Transnet National Ports Authority (TNPA) land for direct access and usage, governed by a Memorandum of Understanding (MOU) between the SBIDZ and TNPA that will enable the creation of the first freeport within South Africa.

2.3. Key Policy Developments and Legislative Changes

The SBIDZ is functional under the Special Economic Zone Act, Act 16 of 2014, on a national level and the Saldanha Bay Industrial Development Zone Licencing Company Act, Act 1 of 2016, on a provincial level.

2.4 Progress towards achievement of Institutional Impacts and Outcomes

Impact

To create an enabling, inclusive, sustainable environment by fostering responsible investment in the Company as an inclusive and sustainable economic catalyst.

Outcome

For the Western Cape, it is estimated that the SBIDZ would contribute R9 billion to direct regional Gross Domestic Product (GDP-R) and R28,1 billion to total GDP-R. On average, 4 300 direct jobs would be sustained annually with a further 6 000 indirect and induced jobs, so that, on average, 10 300 total jobs would be sustained in the province.

In terms of specific strategic outcomes, the SBIDZ will create an enabling environment to promote sustainable economic growth and job creation by:

- Facilitating a cumulative contribution to the national GDP by investing R34,9 billion within the IDZ by the end of the 2024/25 financial year.
- Facilitating a cumulative contribution to the Western Cape GGP by investing R28,1 billion within the IDZ by the end of the 2024/25 financial year.
- Facilitating the creation on average of 12 400 direct, indirect and induced jobs throughout South Africa by the end of the 2024/25 financial year.

Planned targets as per the original tabled 2021/22 Corporate Plan

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reason for deviation
To promote sustainable economic growth and job creation	GDP	A cumulative contribution to the National GDP by investment within the IDZ by the end of the financial year 2024/5	-	R1,020m	R2,134 m	-	-	-
	GGP	A cumulative contribution to the Western Cape GGP by investment within the IDZ by the end of the financial year 2024/5	-	R833m	R1,717m	-	-	-

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reason for deviation
To promote sustainable economic growth and job creation	Jobs	The creation of indirect and induced jobs throughout South Africa by the financial year 2024/5	-	1 788	3 817	-	-	-

In-Year Changes – Re-tabled 2021/22 Corporate Plan

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reason for deviation
To promote sustainable economic growth and job creation	GDP	A cumulative contribution to the National GDP by investment within the IDZ by the end of the financial year 2024/5	-	R1,020m	R0,644b	R0,756b	R112m	After the target was adjusted the economy grew more than anticipated
	GGP	A cumulative contribution to the National GDP by investment within the IDZ by the end of the financial year 2024/5	-	R833m	R0,524b	R0,611b	R87m	After the target was adjusted the economy grew more than anticipated
	Jobs	The creation of indirect and induced jobs throughout South Africa by the financial year 2024/5	-	1 788	1 095	1 288	193	After the target was adjusted the economy grew more than anticipated

3. PERFORMANCE INFORMATION

Programme 1: Administration

Purpose

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

The programme has a complex role due to its need to balance the business needs and requirements of the operations while under-taking a crucial governance function within the Company as a state-owned company, it provides a treasury function to ensure optimum spending and utilisation of financial resources.

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

Programme Structure

The programme includes the following functions:

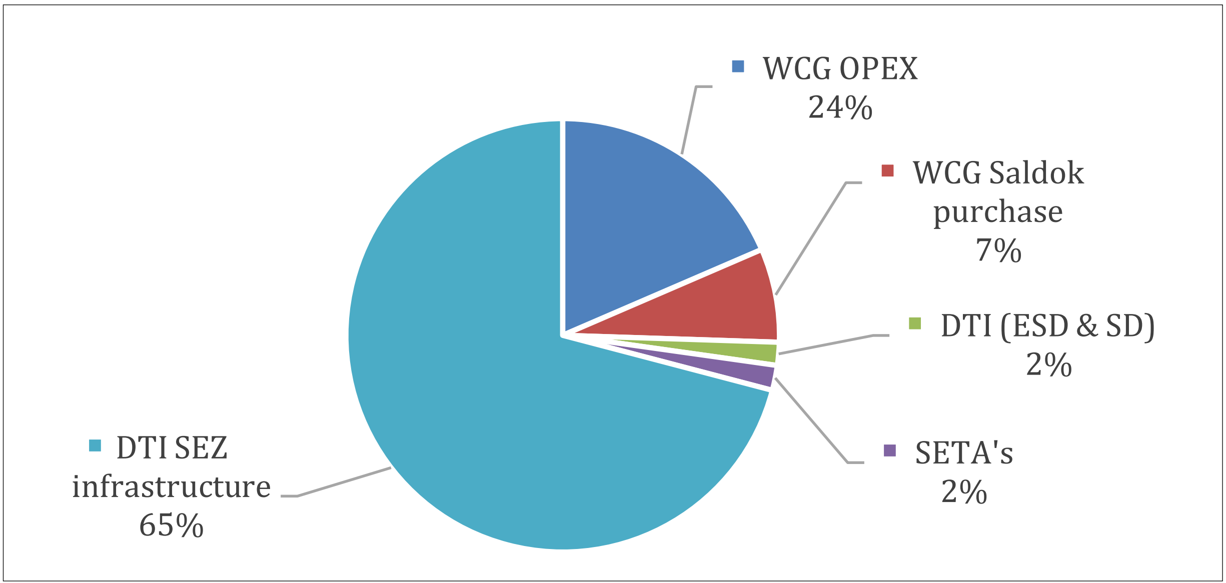
- Governance,
- Legal,
- Financial Management,
- Human Resource,
- Supply Chain Management,
- Information Technology,
- Corporate Communications.

Funding

Operations are funded by the WCG, while infrastructure is funded by the National Government by way of the SEZ Fund. The WCG also funded the purchase of the Saldok land from the IDC.

Development programmes are funded from various sources as they do not form part of the formal funding programme.

Figure 2: SBIDZ Funding Model



Outcome, Output Indicators, Targets and Actual Achievements Table

PROGRAMME 1: ADMINISTRATION								
Outcome	**Output**	**Output Indicator**	**Audited Actual Performance 2019/20**	**Audited Actual Performance 2020/21**	**Planned Annual Target 2021/22**	**Actual Achievement 2021/22**	**Deviation from planned target to Actual Achievement 2021/22**	**Reason for deviation**
To promote sustainable economic growth and job creation	Unqualified Audit opinion	Unqualified Audit Report	Unqualified Audit Report	Unqualified Audit Report	Unqualified Audit Report	Unqualified Audit Report	-	
	Institutional agreements monitored	Number of institutional agreements reviewed	2	3	3	3	-	
	Number of frameworks created and/ or reviewed to monitor and manage tenant lease agreements	Number of frameworks reviewed	1	5	4	4	-	
	Website performance	Number of page views on the SBIDZ website	-	22 425	24 000	21 204	(2 796)	The Company is still experiencing the impact of COVID-19 hence the appetite for transacting via the website is less than anticipated

Strategy to overcome underperformance

Strategies are being put in place to attract visitors to the website.

Changes required to planned targets

None required.

3.2. 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 stakeholders of the Company.

Programme Structure

The programme includes the following business units:

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

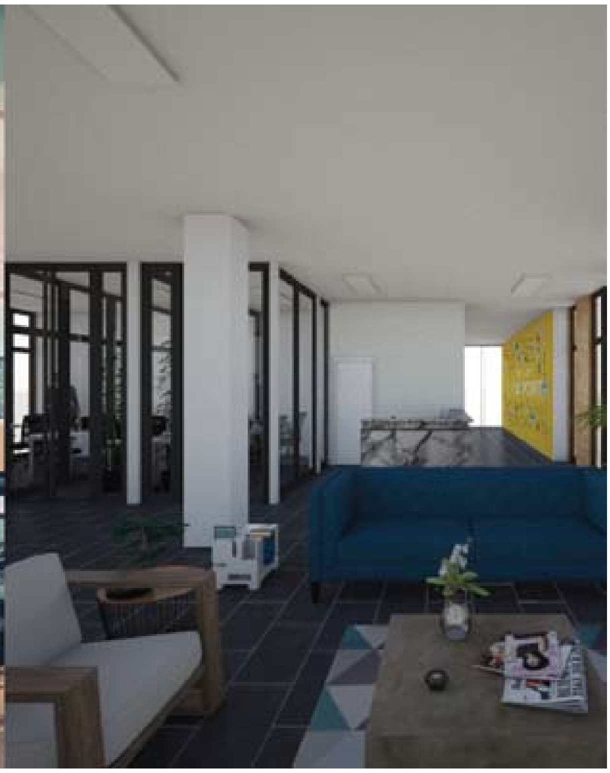
Highlights of each business unit for the year under review are shared below.

Ease of Doing Business

- The Ease of Doing Business (EODB) philosophy is to provide proactive solutions that are customer-centric for investors and service providers in the zone.
- During the 2021/22 financial year, we started the work of establishing a physical space called the EODB Centre, which is a co-working space located within the Access and Security Complex of the SBIDZ.
- This space has been designed to extend the services already offered by the EODB Unit into a physical location where investors can consult with the government officials and private service providers co-located in the building and available by appointment.

These services holistically entail:

- Advisory services that supply the detailed, in-depth knowledge across several requirements (e.g. registration, licenses, permits, inspections) that businesses need to successfully start and maintain their operations.
- Co-located services that provide a single location to access government assistance. These services are not integrated – they are delivered by different people working for



different government departments, agencies or ministries and using different systems.
- Client-centric services that offer a personalised service based on businesses' life cycle events (business setup and continued operations). These services address all formalities required to operate in the sectors we service.

The EODB Centre is synonymous with the term 'red tape reduction'. We make it easier for investors to do business with us by lessening bureaucracy and simplifying the procedures for applications, licensing and permits, which are necessary for investing in project start-ups and business continuation.

Other red tape reduction services provided by the SBIDZ include:
- Speed of approval of building plans;
- Advisory services on port/ marine procedures;
- Support visa and work permit applications;
- Advisory services on labour and employment;
- Advisory services on abnormal loads;
- Gaining access to rail/ road/ aviation;
- Tax and investment incentives:
  a. Reduced corporate income tax rate (S12R);
  b. Accelerated building allowance;
  c. Reduction of PAYE tax payable;
  d. Customs and VAT benefits in a CCA within an SEZ.

Panel of Service Providers

The EODB Centre has enlisted independent private consultants who offer services that are complementary to the legislative requirements and advisory services from the public sector officials to provide additional personalised assistance with licensing, permits and application processes.

Business Development

The Business Development unit focuses on investment promotion activities in the zone, as well as on concluding key memoranda of agreement with a specific focus on increasing the value proposition and future investment into the zone.

The Company has established a robust and growing tenant pipeline and will continue to drive its diversification for the resilience of the pipeline and the market positioning of the zone. With a targeted investor engagement strategy, based on market developments and the market demand analysis, and the value within the Western Cape ports and the SEZ, the Business Development team focuses on the maritime and energy sectors. A shared investor pipeline portal within the investment ecosystem is under development in partnership with Wesgro, the Atlantis SEZ and the DEDAT.

Business Development remains relevant to market trends and developments, with a deeper focus on scenario planning beyond the current maritime, energy, logistics and engineering sectors to visualise and customise products and services to meet new market, environmental and geopolitical demands, as informed by the market demand analysis and broader trend analysis.

Transaction and Investor Support

The Transaction and Investor Support (T&IS) unit fulfils a vital role in realising the commercial interests of the business investor and the Company. In synergy with the business development and the infrastructure development processes, T&IS undertakes targeted tenant support activities, such as investments in generic top structures and estate management functions to unlock investment further and support the revenue-generating potential of the Company, building on the best practice leasing model previously developed.

Key areas of focus for the business unit continue to be the development and tenanting of the Access Complex, Project Leasing Facility, SBIDZ warehouses and the Saldanha Bay Innovation Campus.

Infrastructure and Environment Development

A key part of the SBIDZ's mandate is to provide enabling infrastructure to attract investors who will increase exports and create jobs. To do this, the Company has a dedicated business unit implementing the macro-infrastructure plan for the SBIDZ, in line with the SBIDZ strategy and mandate, inclusive of investor requirements. The unit has developed critical competencies and systems to oversee the planning, alignment, contracting, construction and handover of all manner of buildings, utilities and enabling provisions (e.g. EAs, EMPs, guidelines, permits, licences).

Among these resources are the panels of contractors and professional panels put in place through the company's supply chain management policies. This reduces time in procurement and gives an assurance of capacity to a list of forecasted construction and professional needs.

Development Programmes

The Development Programmes business unit aims 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 maritime and energy sectors and value chains. The business unit aims to ready the workforce and business community appropriately to deliver world-class services to these global markets.

The business unit is highly partnership-focused, particularly with regard to fundraising, recruitment and selection of persons and businesses for initiatives, and ultimately implementing any development programme initiative. Partnerships developed across the local community, such as the Community Skills and Training Committee and the various business associations, will continue to be a key element of the business unit in addition to continued partnerships with various SETAs, private and public training and development service providers and many other practitioners and regulators in this field.

Skills Development

- Build strategic human capital development partnerships with relevant industry stake-holders 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 and 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.

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 the strategic relationships required by the entity's business model and strategic objectives.

During the financial year under review, the unit dedicated much of its time and resources to maintaining the relationships that the Company has developed with key programme partners such as the SBM, TNPA, dtic and WCG. Two of these programme partners, namely the TNPA and SBM, underwent organisational changes at an executive and strategic level with the TNPA appointing a new port manager for the Port of Saldanha from December 2021 while, following the local government elections, a new mayor and council were inaugurated during November 2021. As such, the unit focused on bringing these individuals and their teams up to speed with developments in the zone while preserving strategic alignment and ensuring that progress is made towards collaboratively addressing agreed short and long-term issues.

- The unit ensured that the Company, SBM, TNPA, DEDAT and the WCDM consistently meet to address strategic and operational matters, which are tracked through an 'action dashboard' that ensures that stakeholders can keep each other accountable to ensure that momentum and progress regarding these matters are maintained.
- While Transnet and TNPA are currently undergoing significant structural reform that has delayed progress on various strategic issues and important agreements made in the past between these two entities and the Company, the unit has ensured through the institutional governance arrangements in place that progress on strategic issues and agreements is managed and kept on the agenda of these two stakeholders.
- Furthermore, to ensure Government and industry support and alignment with the proposed port infrastructure development at the Port of Saldanha, the unit has worked to establish regular engagements with the industry associations, the Port of Saldanha Port Consultative Committee (PCC) and relevant national government departments such the DEFF and the Department of Transport.
- The SBIDZ-LC and the dtic continue to meet monthly through an established institutionalised structure that aims to improve the dtic's account management concerning the zone and accelerate progress on SBIDZ related funding applications to the dtic.
- The WCG remains a key stakeholder of the SBIDZ-LC, expressed through the collaboration of the two entities through the District Development Model (DDM) and the Whole of Society Approach (WoSA) initiative, which the Stakeholder Management unit continues to lead on behalf of and at the request of the SBM. In addition, the Company has established formal dedicated interface structures with various WCG departments such as the Department of Transport and Public Works (DTPW) and the Department of Environmental Affairs and Development Planning (DEA&DP). Through the work enabled by these interfaces, the DTPW has agreed, on behalf of the Company, to start construction on a new access road to the zone during the 2022/23 financial year while the DEA&DP has consistently provided the Company with guidance in terms of unlocking SBIDZ land earmarked for development through biodiversity offsetting.
- With the finalisation and conclusion of a Zone Labour Charter (ZLC) between the SBIDZ-LC and National Union of Mineworkers (NUM) in March 2022, the Company has now succeeded in concluding ZLCs with NUM, the Congress of South African Trade Unions (COSATU) and the National Union of Metalworkers of South Africa (NUMSA). These ZLCs pave the way toward establishing and fostering coherent agreements between the labour unions, the SBIDZ-LC and ultimately SBIDZ investors in terms of labour relations within the zone. As agreed in the ZLCs, the SBIDZ-LC meets with trade unions quarterly to provide progress updates on developments in the zone.

Outcome, Output Indicators, Targets and Actual Achievements Table

Planned Target as per the original tabled 2021/22 Corporate Plan

PROGRAMME 2: OPERATIONS

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reason for deviation
To promote sustainable economic growth and job creation	Operationalisation of the Access Complex, Project Leasing Facility and Innovation Campus	Percentage available space tenanted	-	35%	50%	-	-	-

In-Year Changes - Retabled 2021/22 Corporate Plan

PROGRAMME 2: OPERATIONS

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reason for deviation
To promote sustainable economic growth and job creation	Operationalisation of the Customs Control Area regime with key partners, such as the TNPA, SARS, DOL & DHA	Number of standard operating protocols in place	-	1	2	2	-	
	Maintain and improve the outcomes of EoDB SLA with SBM	Turnaround time on building plans	-	42 days	28 days	No demand for the service	-	No demand for the service

In-Year Changes - Retabled 2021/22 Corporate Plan (continued)

PROGRAMME 2: OPERATIONS

Outcome	Output	Output Indicator	Audited Actual Performance 2019/20	Audited Actual Performance 2020/21	Planned Annual Target 2021/22	Actual Achievement 2021/22	Deviation from planned target to Actual Achievement 2021/22	Reason for deviation
To promote sustainable economic growth and job creation	Tenant and operator leases signed	Number of signed tenant and operator lease agreements	-	8	8	15	7	More interest was shown in the SBIDZ than anticipated
	Maintain contractor and professional panels	Number of contractor and professional panels maintained	-	-	2	2	-	
	Develop strategic partnerships for development programmes initiatives	Number of partnership agreements established	-	5	3	10	7	Saldanha Bay community showed more interest in SBIDZ-LC training iniatives
	Operationalisation of the Zone Labour Charter with trade unions, tenants and operators	Number of generic agreements agreed by trade unions for negotiation with investors	-	-	1	1	-	
	Operationalisation of the Access Complex, Project Leasing Facility and Innovation Campus	Percentage available space tenanted	-	35%	30% available space tenanted	26%	(4%)	Bid windows for the IPP projects were delayed
	Commercial self-sustainability	Zero dependency on provincial operational financial support	-	100%	100%	100%	-	

Strategy to overcome underperformance
SBIDZ-LC to reach out to the renewables office to assist in fast tracking the bid windows to reach financial close.

Changes required to planned targets - None required.

Linking Performance with Budget

	2020/21			2021/22		
Programme	**Budget** **R**	**Actual Expenditure (incl. capital)** **R**	**(Over)/ Under Expenditure** **R**	**Budget** **R**	**Actual Expenditure (incl. capital)** **R**	**(Over)/ Under Expenditure** **R**
Administration	26,730,807	25,869,652	861,155	22,659,707	18,344,304	4,315,403
Operations	201,667,346	196,038,824	5,628,522	194,271,221	171,845,965	22,425,256
Total	**228,398,153**	**221,908,476**	**6,489,677**	**216,930,928**	**190,190,269**	**26,740,659**

Revenue Collections

	2020/21			2021/22		
Sources of Revenue	**Estimate** **R**	**Actual Amount Collected** **R**	**(Over)/ Under Collection** **R**	**Estimate** **R**	**Actual Amount Collected (cash)** **R**	**(Over)/Under Collection** **R**
Total	7,036,346	6,494,988	541,358	2,621,341	2,651,390	-30,049

Capital Investment

	2020/21			2021/22		
Capital Investment	**Budget** **R**	**Actual Expenditure** **R**	**(Over)/ Under Expenditure** **R**	**Budget** **R**	**Actual Expenditure (cash)** **R**	**(Over)/ Under Expenditure** **R**
Total	140,500,000	133,932,303	6,567,697	113,186,000	105,456,920	7,729,080

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

The following infrastructure projects are still in progress:

Projects	**Estimated Completion Deadline**
Construction of a 2 250 m² bespoke investor factory and office	End May 2023
Construction of a sewer pump station to increase capacity for SBIDZ develoment	End December 2022

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

C

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION

The Saldanha Bay IDZ Licencing Company (SOC) Ltd has ensured that sound corporate governance structures and processes were implemented within the organisation from the outset. These practices are constantly reviewed and adapted to accommodate internal corporate developments and stakeholder expectations, and to reflect national and international best practices.

The Directors of the SBIDZ-LC support the principles of the King IV Report on Corporate Governance for South Africa, and where applicable and practical, 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 governments that the structure of the SBIDZ-LC Board should be representative of the founding partners from the three spheres of government as well as industry experts to professionally and expertly deal with the next phases of the IDZ project. 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 SAOGA Board of Directors with the requisite sector-specific expertise;
- Two proven accomplished broader business practitioners with relevant expertise; and
- Two executive directors, one the Chief Executive Officer and the other the Chief Financial Officer of the Company, in line with the King IV report to improve collective accountability.

At the end of March 2022, three positions on the Board remained vacant, namely, the representatives of the Saldanha social and labour community, dtic and SAOGA.

The powers and duties of the Board are detailed in the Companies Act, read together with the various Board Charters. These describe the rules governing the meetings and decisions of the Board, the appointments to committees, powers of delegation as well as remuneration.

Board of Directors

Name	Designation	Date Appointed	Date Resigned/ Term ended	Qualifications	Area of Expertise	Board Directorship (List Entities)	Other Committees	No. of Meetings Attended
Thembisile Salman	Chairperson IDC	19/6/2021	Resigned 30/6/2022	BSc Hons- Chemistry & Bio- Chemistry BSc Chemical Eng. MBA in Finance	Finance, Project Development with focus in Oil & Gas	Glodina Towelling (Pty) Ltd	Investment Audit, IT & Risk	4
Johann Stegmann	Deputy Chairperson WCG	27/2/2021		MBChB Degree MSc Economics Postgrad Diploma in Economic Principles	Finance, Economics		Audit, IT & Risk	4
Heinrich Mettler	SBM	24/6/2022		Nat Dipl Civil Eng. BTech Business Admin MBA	Business Administration, Financial Management, Governance	Ixabiso (Management Consulting)	HR&R & Social & Ethics	3
Justice Ngwenya	DTIC	16/1/2019	Term ended 15/1/2022	BSc Hons Business Studies	Finance	None	HR&R & Social & Ethics	2
Jaqueline Brown	TNPA	20/11/2019		BA Social Work Postgraduate Certificate Eng Bus. Management	Maritime logistics, Port operations		Investment	3
Irvin Esau	Saldanha Economic Representative	10/4/2022		BComm	Accountant, Property developer		HR&R & Social & Ethics Audit, IT & Risk	3

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorship (List Entities)	Other Committees	No. of Meetings Attended
John Smelcer	Business Practitioner	20/5/2021		Juris Doctor Bachelor of Arts	Energy & Infrastructure projects with focus on oil, gas and LNG, Independent commercial and legal advisor	Mikhulu Trust, Genysis Africa	Investment	2
Edwin Obiri	Business Practitioner	10/4/2022		BSc Ind. & Systems Engineering BSc Business Systems	Business Development, Mining procurement, Corporate finance		Investment	4
Kaashifah Beukes	SBIDZ-LC CEO	1/9/2018		BSc Civil Eng. MBA	Design, Construction and project management of civil engineering infrastructure, Business administration		Investment HR&R & Social & Ethics	4
Herman Boneschans	SBIDZ-LC CFO	21/5/2020		BComm. Hons BComm Acc & Fin.	Accountant, Public sector finance, Organisational governance, Compliance and policy development		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 Company has five Board Committees namely, the Audit, IT and Risk Committee; Investment Committee; Human Resources & Remuneration and Social & Ethics Committee; Special Audit & Investment Committee; and the Nominations Committee.

Committees	No. of Meetings Held	No. of Members	Name of Members
Audit, IT and Risk	4	4	Paul Slack – Chairperson (Independent) Danny Naidoo – Independent (resigned 30 June 2021) Thembisile Salman – Member Irvin Esau – Member Johann Stegmann – Member
Investment	4	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	7	Heinrich Mettler – Chairperson Justice Ngwenya – Member (Term ended 15/1/2022) Irvin Esau – Member Marika Krieg – Independent Neil Jansen – Independent Kaashifah Beukes – Member Herman Boneschans – Member
Special Audit & Investment Committee	4	8	Paul Slack – Chairperson Thembisile Salman - Member Johann Stegmann - Member John Smelcer – Member Edwin Obiri – Member Jacqueline Brown – Member Kaashifah Beukes – Member Herman Boneschans – Member
Nominations Committee	2	4	Thembisile Salman – Chairperson Johann Stegmann - Member Heinrich Mettler – Member Kaashifah Beukes – 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 is reviewed annually.

Name	Remuneration	Other Allowance	Other Reimbursements	TOTAL
Edwin Obiri	R33,220			R33,220
Irvin Esau	R38,151			R38,151
John Smelcer	R4,374			R4,374

Risk Management

The Company remains duly committed to a risk management process that is aligned to principles of good corporate governance and is in accordance with the provisions of the Public Finance Management Act (PFMA), 1999, Act 1 of 1999, King IV and other related codes of corporate governance.

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

Internal Control

The SBIDZ-LC 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 SBIDZ-LC implements and monitors the effectiveness of internal, financial and operating controls to guard against material misstatements and losses.

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

Internal Audit and Audit Committee

The Audit, IT and Risk Committee consists of three non-executive directors and two independent members and has a defined charter. The committee is a 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 BDO Advisory Services for a three-year period ending 30 June 2023, with a possibility of a 12 month-extension. The Board of Directors is responsible for the appointment of the Internal Auditor.

The Internal Auditor operates under the direction of the Audit, IT and Risk Committee, which approves the scope of work to be performed. Significant findings are reported to both the Executive Management and the Audit, IT & Risk Committee. Corrective action is taken to address internal control deficiencies identified in the execution of the work.

External Audit

The AGSA is responsible for performing the annual audit of the Company. The Audit, IT and Risk Committee examines and reviews the annual financial statements of the Company and other relevant financial reports.

Audit, IT and Risk Committee Members

Name	Qualifications	Internal or External	If internal position in the public company	Date appointed	Date resigned	No. of meetings attended
Paul Slack	BCom Hons	External		17/11/2020		4
Danny Naidoo	BComm Hons. CA(SA)	External		17/11/2020	30/6/2021	1
Johann Stegmann	MBChB, MSc Economics, Postgrad Diploma in Economic Principles	External		17/11/2020		4
Thembisile Salman	BSc Hons Chemistry & Biochemistry, BSc Chemical Eng., MBA in Finance	External		17/11/2020	30/6/2022	4
Irvin Esau	BComm	External		17/11/2020		4

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 stay 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, on a quarterly basis, 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). Quarterly reports on the Company's compliance with the legislation are tabled 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.

Through these forums, important and relevant training is also provided to incumbents. The SBIDZ-LC also receives updates through various circulars from the National Treasury and Provincial Treasury.

Fraud and Corruption

The Company supports and fosters a culture of zero tolerance of fraud in all its manifestations. The Company 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 Company must report all incidents of fraud to their manager and/or the 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 and/or the Fraud Hotline on the toll-free number or by mail. All information received relating to fraud and subsequently investigated will be treated confidentially 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 communicates allegations to the Chairperson of the Audit, IT and Risk Committee and initiates investigations. 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 comply with 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 be recused from the entire process.

Code of Conduct

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

Employees are required to conduct themselves in a professional manner at all times, both within Company premises and at clients' premises, and are to conduct their business in a transparent and professional manner, demonstrating integrity in all they do. The Company's formal disciplinary approach is in place to establish and promote acceptable behaviour that supports the Company's goals.

Health Safety and Environmental Issues

The SBIDZ-LC takes reasonable, practicable steps to ensure a working environment at the Company that is safe and without risk to the health of employees and non-employees who may be directly affected by the Company's activities.

Company Secretary

In terms of the Companies Act, every state-owned company must appoint a person to serve as company secretary.

The SBIDZ-LC appointed a company secretary on 24 August 2016.

The company secretary's duties include:

- providing the directors of the SBIDZ collectively and individually with guidance as to their duties, responsibilities and powers;
- making the directors aware of any law relevant to or affecting the SBIDZ-LC;
- 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-LC 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-LC's audit committee, are properly recorded in accordance with the Companies Act;
- certifying in the SBIDZ-LC's annual financial statements whether the SBIDZ-LC has filed required returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date;
- ensuring that a copy of the SBIDZ-LC's annual financial statements is sent, in accordance with the Companies Act, to every person who is entitled to it; and
- carrying out the functions of a person designated in terms of section 33(3) of the Companies Act.

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

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

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

Social Responsibility

The Company holds a fundamental overarching corporate social responsibility (CSR) purpose to catalyse socioeconomic transformation in Saldanha Bay and the Western Cape. CSR is ingrained in the values guiding the way the Company conducts its work and as a mechanism to respond to the socio-economic development context within which it operates.

The Company 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 Company implemented various social responsibility initiatives in partnership with the SBM and the WCG.

B-BBEE Compliance Performance Information

Has the company 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)*
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law.	No	The company has commenced a process to obtain its new BBBEE certificate. We envisage that this process will be concluded before we are required to submit our report to the BBBEE commission. The rating agency will assist the company in determining which criteria are applicable.
Developing and implementing a preferential procurement policy.	Yes	The Supply Chain Management Policy has incorporated the preferential procurement requirements. This has been implemented since the promulgation of the Preferential Procurement Policy Framework ACT, 2017.
Determining qualification criteria for the sale of state-owned enterprises.	No	The company has commenced a process to obtain its new BBBEE certificate. We envisage that this process will be concluded before we are required to submit our report to the BBBEE commission. The rating agency will assist the company in determining which criteria are applicable.
Developing criteria for entering into partnerships with the private sector.	Yes	The Supply Chain Management Policy has incorporated Public-Private Partnerships. These types of contracts are based on the needs of the company and should such a scenario present itself, the policy will be our guideline for implementation.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment.	No	The company has commenced a process to obtain its new BBBEE certificate. We envisage that this process will be concluded before we are required to submit our report to the BBBEE commission. The rating agency will assist the company in determining which criteria are applicable.

In terms of section 13G(1) of the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) (B-BBEE), the public entity is required to report on its compliance with Broad-Based Black Economic Empowerment in its audited annual financial statements and annual reports required under the Public Finance Management Act, 1999 (Act 1 of 1999).

In terms of B-BBEE regulations 12(2), the public entity is required to file the audited annual financial statements and the annual report compiled in terms of section 13G(1) with the Commission, in the prescribed FORM B-BBEE 1, within thirty (30) days of the approval of such audited annual financial statements and annual report. The 2020/21 audited annual financial statements and 2020/21 Annual Report were approved on 3 September 2021. The 2020-21 audit financial statements, 2020-21 annual report and FORM BBEE 1 were submitted to the Commission after the required date.

SCOPA Resolutions - There were no SCOPA resolutions.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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. The HR role encompasses Recruitment and Selection, Training and Development, Performance Management, Employee Wellness and Payroll. The role reports to the Chief Financial Officer.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme

Programme	Total Expenditure for the company R	Personnel Expenditure R	Personnel exp. as a % of total Expenditure	No. of employees	Average personnel cost per employee R
Operations	95,741,265	21,406,414	17.96%	23	930,713.64
Administration	23,466,234	12,953,601	10.87%	19	681,768.48
Subtotal	**119,207,499**	**34,360,015**	**28.82%**	**42**	**818,095.59**
Infrastructure	92,514,595	5,058,735	5.47%	6	843,122.49
TOTAL	**211,722,094**	**39,418,750**	**18.62%**	**48**	**821,223.95**

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	15,712,410	40%	8	1,964,051
Professional qualified	19,698,012	50%	22	895,364
Skilled	2,886,071	7%	12	240,506
Semi-skilled	1,122,257	3%	6	187,043
TOTAL	**39,418,750**		**48**	

Performance Rewards

Level	Performance Rewards R	Personnel Expenditure R	% of Performance Rewards to Total Personnel Cost
Top Management	-	15,712,410	0.00%
Professional qualified	-	19,698,012	0.00%
Skilled	-	2,886,071	0.00%
Semi-skilled	-	1,122,257	0.00%
TOTAL	**-**	**39,418,750**	**0.00%**

Training Costs

Programme	Personnel Expenditure R	Training Expenditure R	Training Expenditure as a % of Personnel Cost	No. of employees trained R	Avg training cost per employee
Operations	21,406,414	378,531	2%	28	13,519
Administration	12,953,601	92,538	1%	22	4,206
Infrastructure	5,058,735	-	0%	-	-
TOTAL	**39,418,750**	**471,069**		**50.00**	**9,421**

Employment and vacancies, by programme

Programme	2021/22 No. of Employees	2021/22 Vacancies	% of vacancies
Operations	23	3	12%
Administration	14	2	13%
Infrastructure	6	2	25%
TOTAL	**43**	**7**	**14%**

Employment and vacancies, by level

Programme	2021/22 No. of Employees	2021/22 Vacancies	% of vacancies
Top Management	7	2	22%
Professional qualified	22	5	19%
Skilled	9	0	0%
Semi-skilled	5	0	0%
TOTAL	**43**	**7**	**14%**

Employment Changes

Salary Band	Employment at beginning of the period	Appointments	Employment movements	Terminations	Employment at end of the period
Top Management	8	0	0	1	7
Professional qualified	22	0	0	0	22
Skilled	13	0	0	4	9
Semi-skilled	5	0	0	0	5
TOTAL	**48**	**0**	**0**	**5**	**43**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death		
Resignation	1	20%
Dismissal		
Retirement		
Expiry of contract	4	80%
Other		
Total	**5**	**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				2	
Professional qualified	1		6				1	
Skilled	2		2					
Semi-skilled	0		1					
TOTAL	**4**		**9**				**3**	

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1		2				1	
Professional qualified	5		7				2	
Skilled	3		2				0	
Semi-skilled	0		4				0	
TOTAL	**9**		**15**				**3**	

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FINANCIAL INFORMATION

General Information

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
Directors (as at 31 March 2022)	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) Kaashifah Beukes (Executive) Thembisile Salman (Non-Executive) (Chairperson)
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 Chartered Accountants (S.A.) Registered Auditors
Company registration number	2012/035625/30
Income tax number	9523103175

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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 Board of 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 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 Board of directors to meet these responsibilities, the Board of directors 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.

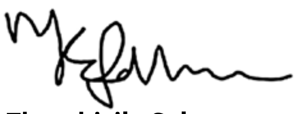
The Board of directors have reviewed the entity's cash flow forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the Department of Economic Development and Tourism for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the accounting authority are 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 71.

The annual financial statements set out on page 79 to 130, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2022 and were signed on its behalf by:



Thembisile Salman
Chairperson of the Board

Audit, IT and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2022.

Audit, IT and Risk Committee members and attendance

The audit committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference. During the current year four number of meetings were held.

Name of member	Number of meetings attended
Paul Slack (Chairperson) (independent member)	4
Dr Johann Stegmann	4
Thembisile Salman	4
Irvin Esau	4
Danny Naidoo (independent member) (resigned 30 June 2021)	1

Audit, IT and Risk Committee responsibility

The Audit, IT and Risk Committee reports that it has complied with its responsibilities arising from section 55(1)(a) of the PFMA and Treasury Regulation 27.1.

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

The effectiveness of internal control

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit, IT and Risk 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 quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The Audit, IT and Risk Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Authority of the entity during the year under review.

Internal audit

The Audit, IT and Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

Auditor-General of South Africa

The Audit, IT and Risk Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee
31 July 2022

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Saldanha Bay IDZ Licencing Company (SOC) Limited set out on pages 79 to 130, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information with actual amounts for the year then ended, as well as 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 Saldanha Bay IDZ Licencing Company (SOC) Limited as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the PFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the public 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 public 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

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 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.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2022:

Programme	Pages in the annual performance report
Programme 2 – operations	45 - 46

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for programme:

- Programme 2 – operations

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on pages 45 to 46 for information on the achievement of planned targets for the year and management's explanations provided for the under-/overachievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
18. 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

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the accounting authority's responsibilities and approval, audit, IT and risk committee report, accounting authority's report and company secretary's certification, as required by the Companies Act 71 of 2008 (Companies Act). The other information does not include the financial statements, the auditor's report and those selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
20. 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 on it.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

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

Auditor-General

Cape Town
29 July 2022

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programme and on the public 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 public 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 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 Saldanha Bay IDZ Licencing Company (SOC) Limited 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 a public 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Accounting Authority's Report

The Board of directors submit their report for the year ended 31 March 2022.

1. Review of activities

Main business and operations

The entity is engaged in to establish an industrial development zone (idz) at Saldanha Bay as a catalyst for economic activity and sustainable job creation and operates principally 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. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

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

4. Share capital

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

5. Distributions to owners

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

6. Accounting Authority

The Directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Edwin Obiru (Non-Executive)	Ghanaian	
Heinrich Mettler (Non-Executive)	South African	
Herman Boneschans (Executive)	South African	
Irvin Esau (Non-Executive)	South African	
Jacqueline Brown (Non-Executive)	South African	
Johann Stegmann (Non-Executive)	South African	
John Smelcer (Non-Executive)	United States of America	
Justice Ngwenya (Non-Executive)	South African	Term ended, 15 January 2022
Kaashifah Beukes (Executive)	South African	
Thembisile Salman (Non-Executive) (Chairperson)	South African	Resigned 30 June 2022

7. 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 total compliance with the Code of Corporate Practices and Conduct (“the Code”) laid out in the King Report on Corporate Governance for South Africa 2002. The accounting authority discuss the responsibilities of management in this respect, at Board meetings and monitor the entity’s compliance with the code on a three monthly basis.

The salient features of the entity’s adoption of the Code 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 (as defined by the Code).

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 two Non-Executive directors, two Executive directors, two independent members 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:
Heinrich Mettler
Justice Ngwenya
Irvin Esau
Neil Jansen
Magdelena Krieg
Kaashifah Beukes
Herman Boneschans

Accounting authority

The accounting authority have met on 2 separate occasions during the financial year. The accounting authority schedule to meet at least 4 times per annum.

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

Investment Comittee

The committee consists of four Non-Executive directors, two Executive directors and is chaired by Thembisile Salman. The committee met four times during this year to review matters necessary to fulfil its role. Members of the committee are:
Thembisile Salman
John Smelcer
Edwin Obiru
Jacqueline Brown
Kaashifah Beukes
Herman Boneschans

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:
Johann Stegmann
Thembisile Salman
Irvin Esau

Special Audit and Investment Committee

The committee consists of four Non-Executive directors, two Executive directors and is chaired by Paul Slack. The committee met four times during this year to review matters necessary to fulfil its role. Members of the committee are:
Thembisile Salman
John Smelcer
Johann Stegmann
Edwin Obiru
Paul Slack
Jacqueline Brown
Kaashifah Beukes
Herman Boneschans

Nominations Committee

The committee consists of three Non-Executive directors, one Executive director and is chaired by Thembisile Salman. The committee met once to review matters necessary to fulfil its role. Members of the committee are:
Thembisile Salman
Johann Stegmann
Heinrich Mettler
Kaashifah Beukes

Internal audit

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

BDO Advisory Services performed the function.

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.

The annual financial statements set out on page 75, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2022 and were signed on its behalf by:

Thembisile Salman
Chairperson of the Board

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 2022

Figures in Rand	Note(s)	2022	2021
Assets			
Current Assets			
Operating lease asset	3	1,557,171	-
Receivables from exchange transactions	4	331,977	1,131,116
Receivables from non-exchange transactions	5	1,343,365	185,281
VAT receivable	6	2,967,318	16,534,828
Prepayments	7	1,019,211	8,279,677
Cash and cash equivalents	8	175,611,477	312,733,911
		182,830,519	**338,864,813**
Non-Current Assets			
Investment property	9	268,768,420	182,469,409
Property, plant and equipment	10	573,651,633	598,319,572
Intangible assets	11	96,383	411,983
Receivables from non-exchange transactions	5	347,923	611,288
Operating lease asset	3	1,247,776	428,836
		844,112,135	**782,241,088**
Total Assets		**1,026,942,654**	**1,121,105,901**
Liabilities			
Current Liabilities			
Operating lease liability	3	137,011	5,323,146
Payables from exchange transactions	12	5,657,060	22,762,341
Employee benefit obligation	13	2,437,595	2,204,969
Unspent conditional grants and receipts	14	55,972,199	110,787,683
		64,203,865	**141,078,139**
Non-Current Liabilities			
Operating lease liability	3	194,417	6,610,707
Unspent conditional grants and receipts	14	83,730,374	127,671,654
Payables from exchange transactions		-	1,253,014
Payables from non-exchange transactions	15	326,827	258,824
		84,251,618	**135,794,199**
Total Liabilities		**148,455,483**	**276,872,338**
Net Assets		**878,487,171**	**844,233,563**
Share capital	16	120	120
Accumulated surplus		878,487,051	844,233,443
Total Net Assets		**878,487,171**	**844,233,563**

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
Revenue			
Revenue from exchange transactions			
Rental income	18	2,889,040	7,206,101
Sundry income		5,250	-
Interest income	19	2,593,378	3,380,744
Gain on disposal of assets		46,925	-
Total revenue from exchange transactions		**5,534,593**	**10,586,845**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	20	147,532,399	193,046,588
Total revenue		**153,066,992**	**203,633,433**
Expenditure			
Employee related costs	21	(34,360,015)	(29,598,605)
Depreciation and amortisation	22	(31,593,238)	(23,954,682)
Lease rentals on operating lease	23	(26,970,361)	(20,740,573)
Loss on disposal of assets and liabilities		-	(27,425)
General expenses	24	(25,889,770)	(22,493,829)
Total expenditure		**(118,813,384)**	**(96,815,114)**
Surplus for the year		**34,253,608**	**106,818,319**

Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus	Total net assets
Balance at 01 April 2020	**120**	**737,415,124**	**737,415,244**
Changes in net assets			
Surplus for the year	-	106,818,319	106,818,319
Total changes	-	106,818,319	106,818,319
Balance at 01 April 2021	**120**	**844,233,443**	**844,233,563**
Changes in net assets			
Surplus for the year	-	34,253,608	34,253,608
Total changes	-	34,253,608	34,253,608
Balance at 31 March 2022	**120**	**878,487,051**	**878,487,171**
Note(s)	16		

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Grants		41,522,230	38,739,007
Interest income		8,842,040	17,548,708
Rental income		2,651,390	6,494,988
Sundry income		5,250	-
		53,020,910	62,782,703
Payments			
Employee costs		(33,962,261)	(33,010,514)
Suppliers		(50,771,090)	(54,965,657)
		(84,733,351)	(87,976,171)
Net cash flows from operating activities	26	**(31,712,441)**	**(25,193,468)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,866,838)	(57,363,442)
Proceeds from sale of property, plant and equipment		46,925	-
Purchase of investment property		(90,590,080)	(76,568,861)
Net cash flows from investing activities		**(105,409,993)**	**(133,932,303)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**(137,122,434)**	**(159,125,771)**
Cash and cash equivalents at the beginning of the year		312,733,911	471,859,682
Cash and cash equivalents at the end of the year	8	**175,611,477**	**312,733,911**

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	2,621,341	-	**2,621,341**	2,651,390	**30,049**	
Administration fees received	-	-	**-**	5,250	**5,250**	
Interest received - investment	9,186,000	-	**9,186,000**	8,842,040	**(343,960)**	
Total revenue from exchange transactions	**11,807,341**	**-**	**11,807,341**	**11,498,680**	**(308,661)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies - current year	41,522,665	-	**41,522,665**	41,522,230	**(435)**	
Total revenue	**53,330,006**	**-**	**53,330,006**	**53,020,910**	**(309,096)**	
Expenditure						
Corporate service, Operational services and Special projects)	(103,744,926)	-	**(103,744,926)**	(84,733,349)	**19,011,577**	35
Operating deficit	**(50,414,920)**	**-**	**(50,414,920)**	**(31,712,439)**	**18,702,481**	
Gain on disposal of assets and liabilities	53,000	-	**53,000**	46,925	**(6,075)**	
Deficit before taxation	**(50,361,920)**	**-**	**(50,361,920)**	**(31,665,514)**	**18,696,406**	
Actual Amount on Comparable Basis	**(50,361,920)**	**-**	**(50,361,920)**	**(31,665,514)**	**18,696,406**	
Reconciliation of surplus for year						
Brought forward from previous page						
Government grants & subsidies				106,010,170		
Interest received				(6,248,662)		
Rental income				237,650		
Employee costs				(397,754)		
Depreciation				(31,593,238)		
Operating lease				13,159,596		
General expenses				(15,248,640)		
Actual surplus for the year in the Statement of Financial Performance				**34,253,608**		

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	149,185,990	-	**149,185,990**	175,611,477	**26,425,487**	36
Non-Current Assets						
Investment property	93,517,110	-	**93,517,110**	90,590,081	**(2,927,029)**	36
Property, plant and equipment	19,668,890	-	**19,668,890**	14,866,839	**(4,802,051)**	36
	113,186,000	**-**	**113,186,000**	**105,456,920**	**(7,729,080)**	
Total Assets	**262,371,990**	**-**	**262,371,990**	**281,068,397**	**18,696,407**	
Net Assets	**262,371,990**	**-**	**262,371,990**	**281,068,397**	**18,696,407**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	312,733,911	-	**312,733,911**	312,733,911	**-**	
	312,733,911	**-**	**312,733,911**	**312,733,911**	**-**	
Non-controlling interest	(50,361,921)	-	**(50,361,921)**	(31,665,514)	**18,696,407**	
Total Net Assets	**262,371,990**	**-**	**262,371,990**	**281,068,397**	**18,696,407**	

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.

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 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4 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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables / Held to maturity investments and/or loans and receivables

The company 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 the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Useful lives of property, plant and equipment and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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.

1.5 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.

1.5 Investment property (continued)

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	7-30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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 9).

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 9).

1.6 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, rental to others, or 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. Trade discounts and rebates are deducted in arriving at the cost.

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

1.6 Property, plant and equipment (continued)

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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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.

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings and structures	Straight-line	7-30 years
Buildings - Leasehold property	Straight-line	Over the lease term
Furniture and fixtures	Straight-line	6 - 10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	8 years
IT equipment	Straight-line	3 - 5 years
Infrastructure	Straight-line	10 - 120 years

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

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

1.6 Property, plant and equipment (continued)

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 10).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.7 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.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 - 4 years

1.7 Intangible assets (continued)

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 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).

1.8 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.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

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 (see the Standard of GRAP on Revenue from Exchange Transactions), 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.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

1.8 Financial instruments (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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;

1.8 Financial instruments (continued)

- 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.

Measurement

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

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

Presentation

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

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

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

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

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).

1.9 Statutory receivables (continued)

- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

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.

1.10 Tax

Current tax assets, liabilities and Tax expenses

The entity is registered with the South African Revenue Service Exemption Unit under section 10(1)(cA)(ii).

1.11 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

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

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

Operating leases - lessee

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

1.12 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.

1.13 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.

1.13 Impairment of cash-generating assets (continued)

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.

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.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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.

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.14 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.

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

A cash-generating unit is the smallest identifiable group of assets managed 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.

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 service amount is the higher of a non-cash-generating asset's 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 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.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

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.

1.15 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.16 Employee benefits

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

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:
- 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 recognises 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 recognises 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 measures 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.

1.16 Employee benefits (continued)

The entity recognises 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.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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.

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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

1.19 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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

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

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

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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

1.19 Revenue from non-exchange transactions (continued)

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.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

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.

1.20 Comparative figures

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

1.21 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.22 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 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.

1.23 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.

1.23 Segment information (continued)

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.

1.24 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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 programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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 note 35.

Comparative information is not required.

1.25 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).

1.25 Related parties (continued)

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 those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.26 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.

1.27 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

Figures in Rand	2022	2021

2. New standards and interpretations

2.1 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 01 April 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 25 (as revised): Employee Benefits	01 April 2099	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

3. Operating lease asset (liability)

Non-current assets	1,247,776	428,836
Current assets	1,557,171	-
Non-current liabilities	(194,417)	(6,610,707)
Current liabilities	(137,011)	(5,323,146)
	2,473,519	**(11,505,017)**

Operating lease asset relates to the Port of Saldanha lease (Transet National Ports Authority lease) and property leased to tenants. The company made a payment to Transnet National Ports Authority on the operating lease and straight lined to GRAP 13.

- Non-current operating lease asset of R1,247,776 (March 2021: R428,836) (tenants)
- Current operating lease asset of R1,557,171 (March 2021: R0) (Port of Saldanha)

Operating lease liability (as lessee) consists of:

- operating lease liability of R 231,119 (March 2021: R 328,478) (Cape Town and Saldanha Bay office)
- operating lease liability of R 100,309 (March 2021: R 11,605,375) (Port of Saldanha Bay)

Refer to note 23 for further information on operating leases.

4. Receivables from exchange transactions

Debtors	191,046	772,335
Other receivables from exchange transactions	159,147	376,997
Provision for impairment	(18,216)	(18,216)
	331,977	**1,131,116**

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 2022, R 87,945 (2021: R 197,446) were past due but not impaired.

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

1 month past due	51,620	531,145
2 months past due	51,481	43,744
3 months past due	87,945	197,446

Trade and other receivables provided for

As of 31 March 2022, trade and other receivables of R 18,216 (2021: R 18,216) were impaired and provided for. This impaired receivable pertains to a company in business rescue.

The amount of the provision was R (18,216) as of 31 March 2022 (2021: R (18,216)).

The ageing of these loans is as follows:

Over 6 months	18,216	18,216

Other receivables relate to interest accrual on cash balance with no restrictions or conditions.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

5. Receivables from non-exchange transactions

Receivables from non-exchange revenue	1,691,288	796,569

Non-current assets	347,923	611,288
Current assets	1,343,365	185,281
	1,691,288	**796,569**

The non-current receivables relate to leasing deposits receivable in more than 12 months.

Current receivables relate to interest receivable.

6. VAT receivable

VAT	2,967,318	16,534,828

VAT is a statutory receivable in terms of GRAP 108. The entity levies/(claims) output/(input) value added tax (15%) on goods and services sold/(purchased) in accordance with the provisions of the Value Added Tax Act 89 of 1991 and relevant regulations.

No interest is payable to SARS if the VAT is paid over timeously.

No statutory receivable is impaired or past due. No interest was payable.

7. Prepayments

Prepayments	1,019,211	3,279,677
Advance payment - Investment property construction	-	5,000,000
	1,019,211	**8,279,677**

In the prior year, Lombard Insurance Company Limited (Reg. No 1990/001253/06) issued an Advance payment guarantee C202074626 for use with the NEC3 Engineering and Construction contract. The contract relates to the construction of a new warehouse. The guarantee sum is R5,000,000 and expired on 30 September 2021. The advance payment was recouped in the current financial year.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	25,190	23,828
Bank balances	164,103,015	300,565,350
Corporation for Public Deposits and call accounts	11,483,272	12,144,733
	175,611,477	**312,733,911**

Unspent conditional grants are included the cash and cash equivalents. Refer to note 14.

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 or historical information about counterparty default rates:

Credit rating		
BB	164,103,015	300,565,350

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	272,314,065	(3,545,645)	268,768,420	182,888,245	(418,836)	182,469,409

Reconciliation of investment property - March 2022

	Opening balance	Additions	Depreciation	Total
Investment property	182,469,409	89,425,820	(3,126,809)	268,768,420

Reconciliation of investment property - March 2021

	Opening balance	Additions	Transfers	Depreciation	Total
Investment property	104,032,270	79,488,511	(632,536)	(418,836)	182,469,409
	-	-			

Investment Property per asset class		
Investment Property - Land	92,614,841	92,614,841
Investment Property - Buildings (completed)	88,590,687	16,940,994
Investment Property - Buildings (work in process)	87,562,892	72,913,574
	268,768,420	**182,469,409**

Pledged as security

No investment property was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

9. Investment property (continued)

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

Opening balance	72,913,574	18,420,129
Additions	89,425,819	72,485,812
Transfer to completed items	(74,776,501)	(17,359,831)
Transfer to infrastructure completed items	-	(632,536)
	87,562,892	**72,913,574**

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the entity.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	474,820	219,612
From Investment property that generated rental revenue		
Repairs and maintenance	14,838	1,900
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	2,298,172	1,644,752
Repairs and maintenance	89,937	22,023
	2,388,109	**1,666,775**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	1,490,897	-	1,490,897	1,490,897	-	1,490,897
Buildings and structures	166,161,526	(18,260,228)	147,901,298	165,674,105	(9,486,276)	156,187,829
Furniture and fixtures	2,182,431	(930,428)	1,252,003	2,043,625	(753,784)	1,289,841
Motor vehicles	471,882	(448,382)	23,500	471,882	(378,333)	93,549
Office equipment	773,205	(415,709)	357,496	688,091	(340,918)	347,173
IT equipment	2,185,177	(1,615,813)	569,364	2,050,386	(1,408,693)	641,693
Infrastructure assets	482,145,546	(60,088,471)	422,057,075	479,544,192	(41,275,602)	438,268,590
Total	**655,410,664**	**(81,759,031)**	**573,651,633**	**651,963,178**	**(53,643,606)**	**598,319,572**

Reconciliation of property, plant and equipment - March 2022

	Opening balance	Additions	Disposals - Cost	Disposals - Accumulated depreciation	Depreciation	Total
Land	1,490,897	-	-	-	-	1,490,897
Buildings and structures	156,187,829	487,421	-	-	(8,773,952)	147,901,298
Furniture and fixtures	1,289,841	138,806	-	-	(176,644)	1,252,003
Motor vehicles	93,549	-	-	-	(70,049)	23,500
Office equipment	347,173	85,114	-	-	(74,791)	357,496
IT equipment	641,693	170,195	(35,404)	35,404	(242,524)	569,364
Infrastructure assets	438,268,590	2,601,354	-	-	(18,812,869)	422,057,075
	598,319,572	**3,482,890**	**(35,404)**	**35,404**	**(28,150,829)**	**573,651,633**

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - March 2021

	Opening balance	Additions	Disposals - Cost	Disposals - Accumulated depreciation	Transfers	Transfer from investment property	Depreciation	Total
Land	-	1,490,897	-	-	-	-	-	1,490,897
Buildings and structures	158,742,451	16,434,215	(89,661)	62,237	(13,568,433)	-	(5,392,980)	156,187,829
Furniture and fixtures	807,792	620,147	-	-	-	-	(138,098)	1,289,841
Motor vehicles	187,874	-	-	-	-	-	(94,325)	93,549
Office equipment	425,427	-	-	-	-	-	(78,254)	347,173
IT equipment	776,002	94,957	-	-	-	-	(229,266)	641,693
Infrastructure assets	400,166,525	41,168,133	-	-	13,568,433	632,536	(17,267,037)	438,268,590
	561,106,071	**59,808,349**	**(89,661)**	**62,237**	**-**	**632,536**	**(23,199,960)**	**598,319,572**

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)

Buildings	93,574	-
Infrastructure assets	11,942,527	48,997,669
	12,036,101	**48,997,669**

Carrying value of property, plant and equipment where construction or development has been delayed

Eastern Link Road	7,374,234	7,374,234
The project was delayed due to environmental processes. Development will resume in the 2023 financal year. There was no impairment loss recognised.		
	7,374,234	**7,374,234**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress March 2022

	Included within Infrastructure	Included within Buildings	Total
Opening balance	48,997,700	-	48,997,700
Additions/capital expenditure	2,601,353	93,574	2,694,927
Transferred to completed items	(39,656,526)	-	(39,656,526)
	11,942,527	**93,574**	**12,036,101**

Reconciliation of Work-in-Progress March 2021

	Included within Infrastructure	Included within Buildings	Total
Opening balance	7,829,566	140,932,685	148,762,251
Additions/capital expenditure	41,168,134	14,623,840	55,791,974
Transferred to completed items - Buildings	-	(141,988,092)	(141,988,092)
Transferred to completed items - Infrastructure	-	(13,568,433)	(13,568,433)
	48,997,700	**-**	**48,997,700**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Computer equipment	-	2,500
Buildings	378,041	148,605
	378,041	**151,105**

A register containing the information required by the Public Finance Management Act is available for inspection at the registered office of the entity.

Figures in Rand

11. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1,008,578	(912,195)	96,383	1,008,578	(596,595)	411,983

Reconciliation of intangible assets - March 2022

	Opening balance	Amortisation	Total
Computer software	411,983	(315,600)	96,383

Reconciliation of intangible assets - March 2021

	Opening balance	Amortisation	Total
Computer software	747,869	(335,886)	411,983

Pledged as security

No intangible assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

12. Payables from exchange transactions

Current trade payables	5,657,060	22,762,341
Current payables	5,657,060	22,762,341
Non-current payables	-	1,253,014
	5,657,060	**24,015,355**

The prior year balance include large construction payables for projects completed during the year.

13. Employee benefits

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

Carrying value		
Leave pay	2,363,042	2,190,696
Workmen's compensation and other salary-related payables	74,553	14,273
	2,437,595	**2,204,969**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Unspent conditional grants and receipts		
Department of Trade and Industry - SEZ fund	107,756,504	206,877,561
Enterprise and skills development - DTI and DEDAT	6,323,644	6,020,728
Merseta - Skills development	209,640	-
Skills development - CHIETA and LG SETA	-	148,263
Department of Economic Development and Tourism - Land	25,412,785	25,412,785
	139,702,573	**238,459,337**

Movement during the year

Balance at the beginning of the year	238,459,337	379,591,413
Additions during the year	42,192,855	38,739,007
Interest received	6,582,780	13,175,506
Income recognition during the year	(147,532,399)	(193,046,589)
	139,702,573	**238,459,337**
Non-current liabilities	83,730,374	127,671,654
Current liabilities	55,972,199	110,787,683
	139,702,573	**238,459,337**

The unspent conditional grants and receipts represent amounts previously received from government grants that will be utilised in the future against the respective projects. Refer to note 20 for reconciliation of each grant.

15. Payables from non-exchange transactions

	326,827	258,824

Payables from non exchange transactions relates to deposits received from tenants as per lease agreements.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

16. 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

17. Revenue

Rental income (refer note 18)	2,889,040	7,206,101
Sundry income	5,250	-
Interest accrued on financial asset at amortised cost (refer note 19)	2,593,378	3,380,744
Government grants & subsidies (refer note 20)	147,532,399	193,046,588
	153,020,067	**203,633,433**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental income (refer note 18)	2,889,040	7,206,101
Sundry income	5,250	-
Interest accrued on financial asset at amortised cost (refer note 19)	2,593,378	3,380,744
	5,487,668	**10,586,845**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies (refer note 20)	147,532,399	193,046,588

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 Authority 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.

18. Rental income

Premises		
Land and premises	2,889,040	7,206,101

Included in the above rentals are operating lease rentals at straight-lined amounts of R 825,332 (2021: R 357,014) as well as contingent rentals of R 639,816 (2021: R 6,003,082).

The company lease land and facilities out and the current agreement period varies between month-to-month and 23 years. Long term leases has a annual escalation.

19. Interest income

Interest revenue		
Bank	2,593,378	3,380,744

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Government grants & subsidies

Operating grants		
Department of Economic Development and Tourism	34,882,947	43,774,589
Enterprise and skills development - DTI and DEDAT	25,800	2,700,012
Merseta - Skills Development	2,966,775	2,252,419
Skills development - CHIETA and LG SETA	4,335,139	1,477,625
	42,210,661	**50,204,645**
Capital grants		
Department of Trade and Industry - SEZ fund	105,321,738	142,841,943
	147,532,399	**193,046,588**

Department of Trade and Industry - SEZ fund

Balance unspent at beginning of year	206,877,561	337,086,098
Conditions met - transferred to revenue	(105,321,738)	(142,841,943)
Interest received	6,200,681	12,633,406
	107,756,504	**206,877,561**

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 14).

Department of Economic Development and Tourism

Balance unspent at beginning of year	-	6,644,459
Current-year receipts	34,829,565	37,013,913
Interest received	53,382	116,217
Conditions met - transferred to revenue	(34,882,947)	(43,774,589)
	-	**-**

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 14).

Enterprise and skills development - DTI and DEDAT

Balance unspent at beginning of year	6,020,728	8,294,858
Interest received	328,716	425,882
Conditions met - transferred to revenue	(25,800)	(2,700,012)
	6,323,644	**6,020,728**

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 14).

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

Balance unspent at beginning of year	-	1,019,429
Current-year receipts	3,176,415	1,232,990
Conditions met - transferred to revenue	(2,966,775)	(2,252,419)
	209,640	**-**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

20. Government grants & subsidies (continued)

The 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 14).

Skills development - CHIETA and LG SETA

Balance unspent at beginning of year	148,263	1,133,784
Current-year receipts	4,186,875	492,104
Conditions met - transferred to revenue	(4,335,138)	(1,477,625)
	-	**148,263**

The 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 14).

Department of Economic Development and Tourism - Land

Balance unspent at beginning of year	25,412,785	25,412,785

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 14).

21. Employee related costs

Basic	33,513,658	32,506,639
Performance incentive	-	(3,416,792)
UIF	80,408	70,717
WCA	106,151	93,535
Leave pay provision charge	308,881	(2,346)
Other allowances	224,554	220,346
Directors' fees (refer note 31)	126,363	126,506
	34,360,015	**29,598,605**

Remuneration of Chief Executive Officer

Annual Remuneration	2,747,244	2,751,368
Contributions to UIF, Medical and Pension Funds	66,474	62,066
Other	12,000	12,000
	2,825,718	**2,825,434**

Remuneration of Chief Finance Officer

Annual Remuneration	1,950,959	1,953,888
Contributions to UIF, Medical and Pension Funds	47,806	44,594
Other	12,000	12,000
	2,010,765	**2,010,482**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

22. Depreciation and amortisation

Property, plant and equipment	28,150,829	23,199,960
Investment property	3,126,809	418,836
Intangible assets	315,600	335,886
	31,593,238	**23,954,682**

23. Lease rentals on operating lease

Premises		
Contractual amounts	26,740,620	20,292,219
Equipment		
Contractual amounts	229,741	448,354
	26,970,361	**20,740,573**

The entity has an operating lease with Ryden Property and Eigelaar en Seun 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. Refer to note 3 for operating lease liability.

The Transnet National Ports Authority (TNPA) lease period is 15 years with an option to renew. The first 5 years have a fixed annual escalation. The lease agreement will be reviewed and adjusted for market-related rental for years 6-15. The company made a payment to Transnet National Ports Authority on the operating lease and straight lined according to GRAP 13.

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

Assessment rates and municipal charges	936,687	1,031,083
Consulting and professional fees	2,104,563	4,484,271
Consulting fees - Innovation campus	2,084,817	1,763,102
Electricity and water	1,816,221	949,026
External audit fees	1,497,983	1,572,065
IT expenses	2,666,964	2,729,062
Insurance	321,066	254,331
Internal Audit fee	955,036	667,390
Marketing and advertising	1,870,333	296,561
Printing and stationary	188,804	230,481
Repairs and maintenance	416,369	175,028
Security	1,393,215	157,422
Subscriptions and research membership fees	101,553	383,709
Sundry expenses	1,075,066	963,262
Training	471,069	406,626
Training - Short skills project	7,261,180	5,830,813
Transport - Short skills project	28,950	283,950
Travel - local	468,267	315,647
Travel - overseas	198,306	-
Venue hire	33,321	-
	25,889,770	**22,493,829**

25. External Auditors' remuneration

Fees	1,497,983	1,572,065

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

26. Cash generated from operating activities

Surplus	34,253,608	106,818,319
Adjustments for:		
Depreciation and amortisation	31,593,238	23,954,682
Loss/(gain) on sale of assets and liabilities	(46,925)	27,425
Movements in operating lease assets and accruals	(13,978,536)	(3,568,862)
Movements in employee benefits	232,626	(3,978,504)
Movement in employee benefits included in infrastructure assets	136,535	566,594
Changes in working capital:		
Receivables from exchange transactions	799,139	(424,465)
Receivables from non-exchange transactions	(894,719)	502,474
Prepayments	7,260,466	(5,783,973)
Payables from exchange transactions	(18,290,293)	12,382,857
Value added tax	13,567,510	(8,626,788)
Unspent conditional grants and receipts	(98,756,764)	(141,132,076)
Property, plant and equipment and Investment property payables	17,411,674	(10,931,151)
Investment Property prepayment	(5,000,000)	5,000,000
	(31,712,441)	**(25,193,468)**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

27. Financial instruments disclosure

Categories of financial instruments

2022

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	331,977	331,977
Other receivables from non-exchange transactions	1,691,288	1,691,288
Cash and cash equivalents	175,611,477	175,611,477
	177,634,742	**177,634,742**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	5,657,059	5,657,059
Trade and other payables from non-exchange	326,827	326,827
Unspent conditional grants and receipts	139,702,573	139,702,573
	145,686,459	**145,686,459**

2021

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	1,131,116	1,131,116
Other receivables from non-exchange transactions	796,569	796,569
Cash and cash equivalents	312,733,911	312,733,911
	314,661,596	**314,661,596**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	24,015,354	24,015,354
Trade and other payables from non-exchange transactions	258,824	258,824
Unspent conditional grants and receipts	238,459,337	238,459,337
	262,733,515	**262,733,515**

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

28. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	6,432,838	6,441,582
• Investment property	181,996	87,227,698
	6,614,834	**93,669,280**

Total capital commitments		
Already contracted for but not provided for	6,614,834	93,669,280

This committed capital expenditure will be financed by unspent conditional grants. Refer note 14.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	24,569,389	25,485,982
- in second to fifth year inclusive	2,896,826	27,466,214
- later than five years	11	12
	27,466,226	**52,952,208**

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 rental 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	1,615,785	1,041,779
- in second to fifth year inclusive	4,268,707	4,458,090
- later than five years	25,201,523	25,899,046
	31,086,015	**31,398,915**

Investment property of the entity is held to generate rental income. Lease agreements are non-cancellable and have terms from 3 to 25 years. There are no contingent rents receivable.

29. Contingencies

No contingencies identified.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

30. Related parties

Relationships	
Directors	Refer to members' report note 31
Controlling entity	Department of Economic Development and Tourism
Members of key management	Refer to note 21

All related party transactions were at an arm's length. The balances and transactions disclosed below are additional disclosure.

Related party balances

	2022	2021
Unspent conditional grants - Owing to related parties		
Department of Economic Development and Tourism - Land	25,412,785	25,412,785

Related party transactions

	2022	2021
Conditions met - transferred to revenue		
Department of Economic Development and Tourism	34,882,947	43,774,589

31. Directors' and co-opted members' fees

Non- executive/Co-opted

2022

	Fees	Total
Edwin Obiri (Non-Executive)	33,220	33,220
Irvin Esau (Non-Executive)	38,151	38,151
John Smelcer (Non-Executive)	4,374	4,374
Neil Jansen (Human Resources, Remuneration, Social a	14,843	14,843
Magdalena Krieg (Human Resources, Remuneration, So	6,075	6,075
Paul Slack (Audit, IT and Risk Committee)	29,700	29,700
	126,363	**126,363**

2021

	Fees	Total
Edwin Obiri (Non-Executive)	17,010	17,010
Irvin Esau (Non-Executive)	28,916	28,916
Neil Jansen (Human Resources, Remuneration, Social and Ethics Committee)	23,666	23,666
Magdalena Krieg (Human Resources, Remuneration, Social and Ethics Committee)	10,207	10,207
Danny Naidoo (Audit, IT and Risk Committee - paid to employer)	15,795	15,795
Paul Slack (Audit, IT and Risk Committee)	30,912	30,912
	126,506	**126,506**

32. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting authority. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity’s operating units. The accounting authority provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

32. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury 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 and net-settled derivative 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 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	55,972,199	83,730,374	-	-
Trade and other payables	5,657,059	326,827	-	-

At 31 March 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	110,787,683	127,671,654	-	-
Trade and other payables	22,762,340	1,511,839	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments 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. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	2022	2021
Receivables from non-exchange transactions	1,691,288	796,569
Receivables from exchange transactions	331,977	1,131,116
Cash and cash equivalents	175,611,477	312,733,911

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

32. Risk management (continued)

Market risk

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.

At 31 March 2022, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R 175,611 (2021: R 312,734) lower/higher, mainly as a result higher/lower interest expense on floating rate borrowings.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	4.00 %	175,611,477	-	-	-	-

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

Price risk

The entity is not exposed to price risk.

33. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure identified during the financial year.

34. Irregular expenditure

No irregular expenditure identified during the financial year.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

35. Actual operating expenditure versus budgeted operating expenditure

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

Rent is paid in advance and therefore included in the budget for 2022. However, the payment was only made in the new fiscal year.

There were some expenditures for the conditional special projects grant that did not realize. Those projects are ongoing and will continue in the new financial year.

Movement in the opening and closing VAT balance. Refer note 26.

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

36. Actual capital expenditure versus budgeted capital expenditure

The nature of infrastructure implementation leads to the commitment of funds over the duration of the implementation period, and funds will be spent as the contractual deliverables are met. Cash and cash equivalents - Actual amount includes funds for the difference between budgeted capital expenditure and actual capital expenditure.

Investment Property - Large payable on yearend.

Property, plant and equipment - The construction of the Cartol pump station commenced later than anticipated due to internal processes that had to be completed.

Cash and cash equivalents - refer to the explanations of expenditure, investment property, and property, plant, and equipment.

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

37. Broad-Based Black Economic Empowerment Act

In terms of section 13G (1) of the Broad-Based Black Economic Empowerment Act, 2003 (Act No 53 of 2003) (B-BBEE), the public entity is required to report on its compliance with broad-based black economic empowerment in its audited annual financial statements and annual reports required under the Public Finance Management Act, 1999 (Act No.1 of 1999).

In terms of B-BBEE regulations 12(2), the public entity is required to file the audited annual financial statements and annual report compiled in terms of section 13G (1), with the Commission, in the prescribed FORM B-BBEE 1 within thirty (30) days of the approval of such audited annual financial statements and annual report. The 2020/21 audit financial statements and 2020-21 annual report were approved on 03 September 2021. The 2020-21 audit financial statements and 2020-21 annual report and FORM BBBEE 1 was submitted to the Commission after the required date.

Notes to the Annual Financial Statements

Figures in Rand	2022	2021

38. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of four major functional areas: Corporate service, Operations, Infrastructure and Special projects. The segments were organised around the type of service delivered and the target market. 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. Statement of financial position are not reported on a segment level in management reports and therefore not included in annual financial statements.

Aggregated segments

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

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

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

Infrastructure Implementation

Special projects: Armscor, SEZ short skills, MERSETA, CHIETA, Procurement Portal and Enterprise development.

Types of goods and/or services by segment

Corporate Services has the overarching objective of implementing best practice governance and administration practices, in support of the entity's operations. The function has a complex role due to its need to balance the business needs and requirements of the entity, whilst at the same time undertaking 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 is 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 focus on local skills development and are crucial in the West Coast region for the successful implementation of the Saldanha Bay Industrial Development Zone.

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Figures in Rand

38. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2022

	Corporate Services	Operational Services	Infrastructure implementation	Special Projects	Total
Revenue					
Revenue from non-exchange transactions	7,334,104	27,548,843	105,321,738	7,327,714	147,532,399
Rental income	-	2,889,040	-	-	2,889,040
Other income	-	5,250	-	-	5,250
Interest income	2,593,378	-	-	-	2,593,378
Gain on disposal	46,925	-	-	-	46,925
Total segment revenue	**9,974,407**	**30,443,133**	**105,321,738**	**7,327,714**	**153,066,992**
Entity's revenue					**153,066,992**
Expenditure					
Employee related costs	12,903,849	21,456,166	-	-	34,360,015
Depreciation and amortisation	859,896	30,733,342	-	-	31,593,238
Lease rentals on operating lease	2,314,923	24,655,438	-	-	26,970,361
General expenses	6,993,451	11,606,189	-	7,290,130	25,889,770
Total segment expenditure	**23,072,119**	**88,451,135**	**-**	**7,290,130**	**118,813,384**
Total segmental surplus/(deficit)					**34,253,608**

Notes to the Annual Financial Statements

Figures in Rand

38. Segment information (continued)

2021

	Corporate Services	Operational Services	Infrastructure implementation	Special Projects	Total
Revenue					
Revenue from non-exchange transactions	11,283,346	32,491,243	142,841,943	6,430,056	193,046,588
Rental income	-	7,206,101	-	-	7,206,101
Interest income	3,380,744	-	-	-	3,380,744
Total segment revenue	**14,664,090**	**39,697,344**	**142,841,943**	**6,430,056**	**203,633,433**
Entity's revenue					**203,633,433**
Expenditure					
Employee related costs	11,670,770	17,927,835	-	-	29,598,605
Depreciation	918,375	23,036,308	-	-	23,954,683
Lease rentals on operating lease	3,161,330	17,579,243	-	-	20,740,573
General expenses	7,541,282	8,605,953	-	6,346,593	22,493,828
Loss on disposal	27,425	-	-	-	27,425
Total segment expenditure	**23,319,182**	**67,149,339**	**-**	**6,346,593**	**96,815,114**
Total segmental surplus/(deficit)					**106,818,319**

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