SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT

SALDANHA BAY IDZ LICENCING COMPANY (SOC) LTD

2015/16

the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Western Cape Government
Economic Development and Tourism

SALDANHA BAAI BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

Contents

PART A

CREDIT: DCD MARINE

GENERAL INFORMATION

1. Public Entity's General Information

REGISTERED NAME:	Saldanha Bay IDZ Licencing Company (SOC) Ltd
REGISTRATION NUMBER:	2012 / 035625 / 30
PHYSICAL ADDRESS:	24 Main Road Saldanha Bay 7395
POSTAL ADDRESS:	PO Box 304 Cape Town 8000
TELEPHONE NUMBER:	+27 22 714 0206
EMAIL ADDRESS:	info@sbidz.co.za
WEBSITE ADDRESS:	www.sbidz.co.za
EXTERNAL AUDITORS:	Auditor-General of South Africa No.17 Park Lane Building Park Lane Century City
BANKERS:	Nedbank 5th Floor, Nedbank Building Silo District V&A Waterfront Cape Town 8001

2. List of Abbreviations/Acronyms

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

3. Foreword by the Chairperson

The 2015/16 financial year has been the second year of operation of the Saldanha Bay IDZ Licencing Company (SOC) Ltd (SBIDZ LiCo), still as a subsidiary of the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro).

Operations commenced on 1 April 2014 aiming to give effect to an eventual Oil & Gas Supply Hub and Marine Manufacturing & Rig Repair Centre within the confines of the designated Industrial Development Zone (IDZ). This Saldanha Bay marine complex is planned to include specialised logistics and handling facilities as well as repair, maintenance and some value adding light industrial services for oilfield equipment. This will realise the respective national and provincial and policy imperatives, namely Operation Phakisa and Khulisa.

Overall current public sector capital and capitalised investment estimates in and around the IDZ will amount to more than R14 billion, by respectively the Transnet National Ports Authority (TNPA) with its extensive Saldanha Bay Port upgrade, the Department of Trade and Industry (DTI) as the funder for the installation of the services infrastructure within the IDZ itself, and the Western Cape Government's roads upgrade via its Transport and Public Works department.

To this needs to be added potential private sector investment, estimated to be of a similar magnitude.

For the Saldanha Bay IDZ initiative to be successful in ultimately establishing a sustainable and niche industrial hub for the Oil, Gas and Marine Manufacturing, and Rig Repair Service Cluster, it would be dependent on the fostering of robust partnerships with the TNPA as the Port operator and owner of nearly half of the designated IDZ land area, the Industrial Development Corporation (IDC) as the owner of the balance of the IDZ land area, the Provincial Government as the ultimate shareholder and operational funder of the SBIDZ LiCo, the municipality, the local business and broader Saldanha Bay community.

Over the past year, much attention has been given to building partnerships, as well as the general tightening of governance mechanisms, the most important of which was the finalisation of the provincial legislation to enable the transfer of shares from Wesgro to the Provincial Government proper. This also enables the conversion of the SBIDZ LiCo from a 3C non-trading type provincial entity, to a 3D category provincial business enterprise in the new financial year, which would

A sincere appreciation goes to our key institutional partners for their contributions towards growing and landing the SBIDZ LiCo.

be essential for it to be able to operate the IDZ and conclude a range of agreements, amongst others, with the land owners of the designated IDZ area.

Progress was made with securing the IDC (Saldok) land portion, with an in principle agreement reached shortly after the closure of the financial year for the sale of the Saldok land to the SBIDZ LiCo. Promising engagements similarly with the TNPA have also been initiated, this is also due to be concluded in the new financial year.

Building on earlier project funding from both the Provincial Government and the DTI to mobilise engineering and design resources to finalise site development plans and infrastructure programmes, project spending continued apace, utilising the DTI's R443 million to install a variety of utility services on the IDC/Saldok site, with around R304 million contractually bound by the end of the financial reporting year. A further R168 million has also already been committed.

Included in the above were enhancements to the Saldanha Bay municipal waste water treatment plant, bulk water storage and electricity supply, the link road and bridge across Provincial Road MR559 to link the TNPA and Saldok land sites. It is planned for all such enhancements to be completed over the next 12 months.

Although much has been achieved over the past year, even more remains to be done, with the 2016/17 financial year, a crucial year to bring to conclusion all the property transactions, to set up the SBIDZ LiCo as a proper state owned trading business enterprise, to put in place all the relevant estate management processes, to conclude firmer agreements with potential investors, to dovetail with the mooted Port developments, to strengthen local partnerships and to try and bring more resources to bear on the skills pipeline.

A sincere appreciation goes to our key institutional partners for their contributions towards growing and landing the SBIDZ LiCo. These include the Provincial Parliament, Provincial Cabinet, key departments in the Provincial Government, our colleagues in the DTI, IDC and TNPA, likewise in the Saldanha Bay municipality. Additionally, to representatives from the Saldanha Bay business and general community who have kept us on our toes.

My sincere appreciation also to my fellow Board members who have co-charted this journey over the past year, and to the LiCo Team under the leadership of Mr Doug Southgate, for their ongoing commitment to the realisation of the SBIDZ.

On behalf of the Board, I hereby submit the second Chairperson's report on the Saldanha Bay IDZ Licencing Company (LiCo).

Dr Johann Stegmann
Board Chairperson
Date: 31 July 2016

4. Chief Executive Officer's Overview

The SBIDZ, in line with the IDZ Regulations is operated by the SBIDZ Licencing Company (LiCo) as designated in the Government Gazette No. 36988 of 2013, and is operationally funded by the Western Cape Provincial Department of Economic Development and Tourism, while infrastructure, via the SEZ fund, is funded by the National Department of Trade and Industry. Funding in support of both skills, and enterprise development are funded through various other channels on an ad-hoc basis.

The Saldanha Bay IDZ Licencing Company (LiCo) was formally awarded the Operator's Licence on 31 October 2013 for the establishment of an IDZ in Saldanha Bay specifically focused on Oil & Gas Services and Marine Repair and Fabrication. This marked the formal beginning of implementing a 30 year strategic initiative to utilise the existing Industrial Development Zone enabling legislation to create an enabling environment to promote sustainable economic growth and job creation.

The enactment of the LiCo's legislation, incorporating the Saldanha Bay IDZ Licencing Company SOC LTD, was assented to by the Premier of the Western Cape on 31 March 2016. The finalisation of this legislative process now enables the LiCo to apply to National Treasury for a 3D Provincial Government Business Enterprise status.

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

To this end, during this financial year, we have continued with the provision of infrastructure on the Saldok land, and assisted with the upgrading of certain municipal infrastructure which is necessary for the operation of the Zone. These include, upgrading of the existing Saldanha Bay Waste Water Treatment Works, by adding more capacity, upgrading of sewerage discharge system, to accommodate the new development, and extensions to the bulk water supply system, by adding to the storage facility. These projects are all scheduled for completion during the 2016/17 financial year. Through these contracts, we continuously endeavour to create opportunities for local economic development through the construction activities, by identifying specific portions of the work to be performed by local small businesses.

Further to the above mentioned infrastructure provision, the LiCo also performed conceptual land use planning for the land it intends to lease from Transnet for the establishment of marine related facilities. Physical construction of these facilities are scheduled to commence during the first quarter of the 2017/18 financial year.

Whilst infrastructure development is a large funded component of the SBIDZ, we undertake many other strategic initiatives and activities in order to support the broader economic development and job creation mandate of the Zone. The activities includes, strategic stakeholder and community engagements, investor attraction and engagements, commercial negotiations and services, and the development of an ease of doing business model within the SBIDZ.

Given the SBIDZ LiCo's strong focus on broader economic development and job creation, one of the capacity constraints facing the industry is adequate local skills and business resources to support the SBIDZ investor industry requirements in the short to medium-term.

Given the technical nature of the Oil and Gas and Marine Repair and Fabrication industries, a framework has been set to facilitate local and provincial skills and enterprise development, in support of the industry supply chain as investors commence locating within the Zone.

Our skills development work-stream is driven through a civil society partnership with the Community Skills and Training Committee, through which we commit to facilitating the training of approximately 520 individuals annually, along with skills requirements of targeted industries. Through partnerships, we have facilitated funding for a number of training interventions on a case by case basis, with funds secured through the DEDAT Armscor Learnership Programme, the dti SEZ Fund, MERSETA and CHIETA.

The 2015/16 financial year has seen many milestones reached, and our sincere gratitude and appreciation is extended to all partners, stakeholders and invested parties.

Current skills development interventions include:

- Artisan Experiential Learning Programme
- Department of Labour: Employment Services System of South Africa
- Occupational Readiness Programme with DEDAT
- Recognition of Prior Learning with SAOGA
- Train-the Trainer (Mentoring & Coaching) with SAOGA
- Engineering & Construction related skills programmes (SEZ Fund & MERSETA)
- Engineering related learnership programmes (CHIETA)
- Career awareness

Further, we have partnered with local and regional offices of the Department of Social Development, in providing guidance, support and mentoring to learners recruited on our programmes. These programmes are in support to ward against the social challenges presented in the community, and to ensure learners have the best possible chance of completing their training.

Our approach to Supply Chain Management (SCM), is an area of our business where we have focused our efforts in order to boost the local economy and local content. We also focus on vigilantly complying with the Public Finance Management Act in all our supply chain activities, and strategically focuses on prioritising local content and suppliers in line with our mandate. The Saldanha Bay IDZ SCM Strategy, is developed in accordance with the Western Cape Provincial Treasury Instructions Chapter 16A and 16B Supply Chain Management: Goods & Services.

As with skills development, we do not receive funding for Enterprise Development. However, there is a strategic imperative to ready local businesses to be in a position of readiness once the Investors require their services. Our Enterprise Development interventions are implemented through the IDZ Business Forum, which comprises of many local business associations. Our focus is to assist local businesses to become "oil and gas ready" in support of the investors.

While our actual present focus, has to a large extent been on the current construction within the zone, sight is not lost on the required skills and enterprise development initiatives for the medium-term, in order to develop a solid skills base in support of the IDZ focused industries.

Given our focus on the initial SBIDZ infrastructure development, the construction category accounts for more than 80% of the SBIDZ spend in the 2015/16 financial year, and this trend will continue in the medium-term.

The "ease of doing business" is the key strategic driver for targeted industries to have the ability to conduct business easily. The achievement of successfully attracting industry to the Zone, depends to a significant degree on our ability to service the investor market in a manner that exceeds the current available offerings in terms of both quality and efficiency.

We have a dedicated work-stream which will ensure that the best practice in both public and private offerings are available to the investors, as we recognise that the needs vary from government to private sector stakeholders, and across the different roles each plays within the SBIDZ. To better facilitate the process, we have categorised stakeholders into four main categories. Namely; Investors and anchor tenants of the zone, Clients and passing by customers of the zone, Value-Adding Service Providers, and the Workforce and Business Community. These definitions would complement the Freeport regime, which is currently being formulated by SARS and the dti. This allows access to a suite of SEZ Tax Incentives, including VAT and Customs Relief, Building Allowances, Employment Tax Incentives and Reduced Corporate Income Tax, as well as other incentives which our investors will be able to access.

Given the strategic imperative of being able to service the end-user market in a manner that exceeds the current available market offerings in Africa, one of the most significant drivers of the SBIDZ is an 'ease of doing business' approach to servicing investors, which includes:

- Ensuring the ease of access to a world class facility
- Developing a Freeport
- Providing a seamless flow of goods and people into the SBIDZ
- Housing service providers to ensure efficient and world-class services are provided to investors

Despite the current oil prices, investor interest remains robust, particularly in the areas of fabrication and equipment servicing. Once the combination of the intended Port (through TNPA) and our infrastructure offerings has been provided, there will be an influx of industry investment. The joint vision with TNPA and the SBIDZ, have resulted in a strong focus towards dedicated infrastructure development, investor support, hosting delegations and jointly presenting at conferences. These include multiple market engagements locally and internationally, with key engagements at the Offshore Technology Conference (OTC) in Houston in May, and the Offshore Europe Conference & Exhibition in Aberdeen in September.

The 2015/16 financial year has seen many milestones reached, and our sincere gratitude and appreciation is extended to all partners, stakeholders and invested parties.

Specifically, we wish to acknowledge the support of Minister Rob Davies, in the Department of Trade & Industry, and the Western Cape Minister of Economic Opportunities, Mr Alan Winde.

We also acknowledge the support of our local partners, the Port of Saldanha, the Saldanha Bay Municipality, the local Saldanha Bay community, Transnet National Ports Authority and Operation Phakisa. We look forward to a continued working relationship with you all, and together, fulfilling the mandate of promoting sustainable economic growth and job creation.

I would also like to thank the Board of Directors for their unwavering support and guidance. Your time and business acumen is invaluable to the company.

Lastly, I would personally extend my appreciation and gratitude to all our staff members. Individually, each of you fulfil a fundamental role within the team, and bring a unique combination of talent and commitment to our endeavours, and I look forward to our continued successes in the years ahead.

Doug Southgate
Chief Executive Officer (Acting)
Date: 31 July 2016

5. Statement of Responsibility and Confirmation of Accuracy for the Annual Report

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2016.

Yours faithfully

Chief Executive Officer (Acting)
Doug Southgate

Chairperson of the Board
Dr Johann Stegmann

6. Strategic Overview

6.1. Vision

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

6.2. Mission

To make use of the enabling legislation to attract foreign and domestic investment, initially through four key levers that support the development of the Oil and Gas, and Marine Repair and Fabrication cluster:

- Ease of doing business
- Develop a competitive environment
- Infrastructure support
- Freezone, customs efficiency and reduce administrative processes

6.3. Values

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

- Customer Focus
- Going the Extra Mile
- Accountability
- Sound Decision Making and Judgement
- Self-Development

7. Legislative and Other Mandates

The SBIDZ is a component of the "Industrial Promotion" functional area of concurrent national and provincial legislative competence, as indicated in Schedule 4 of the Constitution of the Republic of South Africa, 108 of 1996.

National:

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

- The Manufacturing Development Act (MDA), Act 87 of 1993 as amended.
- The IDZ Regulations and subsequent amendments, including any imminent adoption of the Special Economic Zones Bill of 2013
- Section 21A of the Customs and Excise Act, and relevant provisions of the Value Added Tax.
- Report No. 14 promulgated by the International Trade Administration Commission in accordance with the Customs and Excise Act.

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

- The National Development Plan and National Infrastructure Plan
- The Presidential Infrastructure Coordinating Commission (PICC) Rollout Programme
- The Industrial Policy Action Plan
- Medium Term Strategic Framework of 2014-2019

Provincial:

The SBIDZ in line with the IDZ Regulations, is operated by the SBIDZ Licencing Company (SOC) Ltd (LiCo) as designated in the Government Gazette No. 36988 of 2013, and is a jointly funded and supported by the National Department of Trade and Industry (dti) and the Western Cape Provincial Department of Economic Development and Tourism (DEDAT).

The SBIDZ LiCo currently operates as a Schedule 3C public entity, with the Provincial Department of Economic Development and Tourism being the overseeing governing body.

The SBIDZ LiCo Act was assented by the Premier of the Western Cape on 31 March 2016 and established the SBIDZ Licencing Act 1 of 2016. The SBIDZ LiCo is currently in the process of applying to become a Schedule 3D Public Entity.

Other

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

Companies Act, 2008

Employment Equity Act, 1998 (Act 55 of 1998)

Labour Relations Act, 1995 (Act 66 of 1995)

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

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

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

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

The Constitution of South Africa

SEZ Act No.16 of 2014

Skills Development Act, 1998 (Act 97 of 1998)

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

National Treasury Regulation, 2005

Provincial Treasury Instruction, 2012

National Environmental Management Act, 1998

Ports Act No.12 of 2005

SBIDZ Licencing Act 1 of 2016

8. Organisational Structure

The SBIDZ LiCo operates as a small, concise, specialised team, structured as follows:

Executive Management


Doug Southgate


Kaashifah Beukes

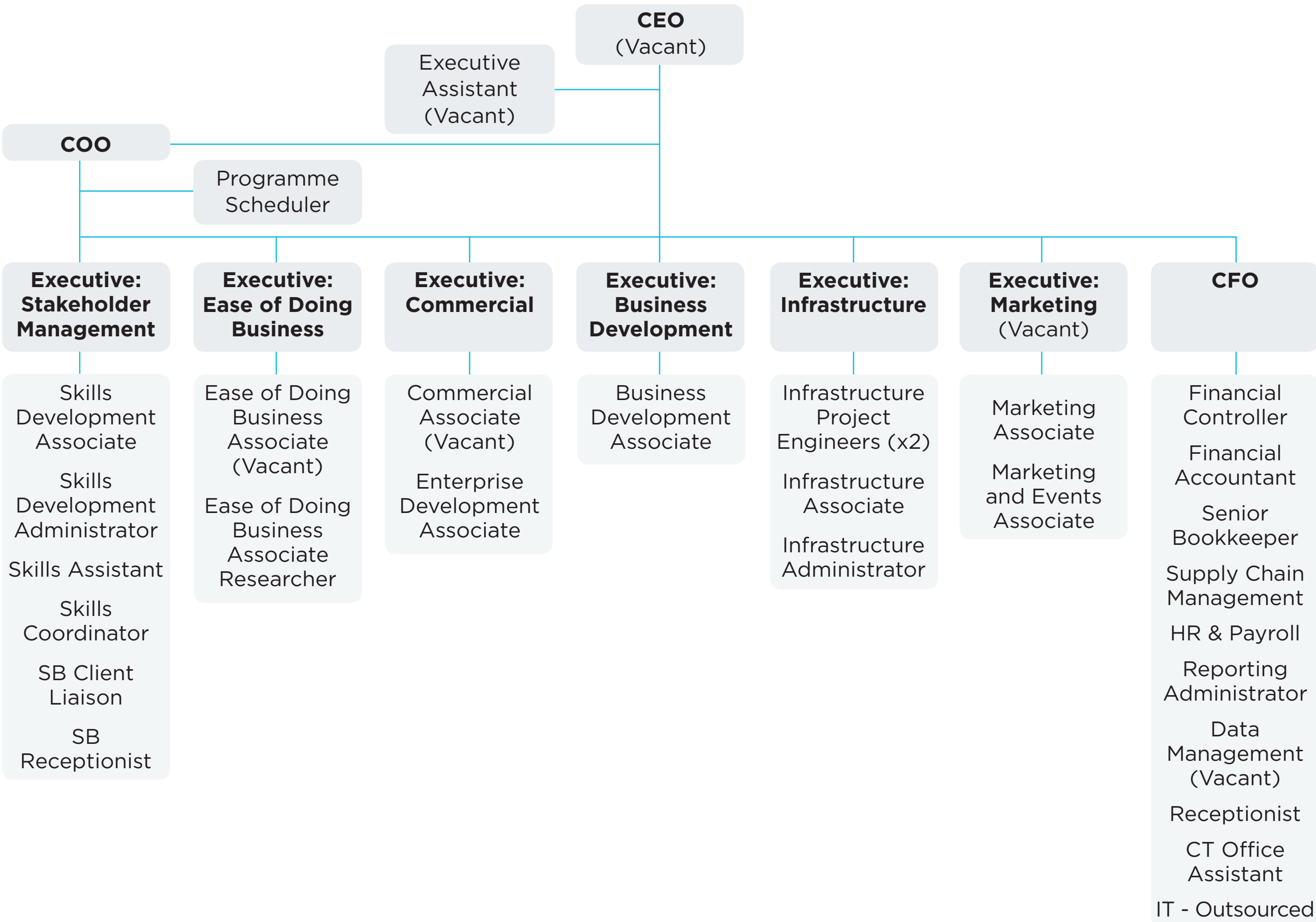

Herman Boneschans


Benedicta Mahlangu


Johannes Marais


Moeketsi Marumo


Laura Peinke



9. BOARD OF DIRECTORS

The structure of the Board is represented by the founding partners of the 3 spheres of government, Saldanha Bay Municipality, Provincial and National Government. The Board is currently in the process of appointing two representatives from Saldanha Bay, who represents the business community and the social and civil society in Saldanha Bay. During the current financial year, Mr Ngwenya was appointed to the Board of Directors to represent National Government, after Mr Ngqaka resigned from the DTI.

Dr Johann Stegmann

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

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

In the late seventies, a shift into full-time health administration and management followed, initially in Namibia and then in the old Cape Province, as resource and financial Health management became more compelling.

This morphed into being appointed as the Deputy to the then Provincial Secretary, and in 1994 as the Provincial driver for the phasing-in of the first-ever democratic Constitution.

This led to the entrustment of the Western Cape Provincial Treasury function up to the end of December 2014. Post this date, he has been made responsible for strategic coordination in the Office of the Director-General of the Western Cape Government, as well as appointed as the Chairperson of the Board of the Saldanha Bay IDZ Licencing Company (SOC) Ltd.

Lizo Ntloko

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

His academic achievements include a BComm degree, and a Postgraduate Diploma in Marketing Management from Unisa. Previous business experience emanates from strong financial and marketing background. Prior to joining the IDC, he was the Business Development & Operations Manager at Eskom Finance Corporation. Other previous positions held were, as the Head of Marketing at Protea Life Assurance, and Home Loans Manager at NedPerm Bank.

He is a member of the Institute of Directors (IoD), previously served on the Boards of WESGRO; MEDIRO Industrial Holdings, an empowerment company with previous interests in companies: Global Roofing Solutions, Kulungile Metals, Dynamic Fluid Control, and Midas Group. He currently serves on the Boards of Sheraton Textile Holdings, the South African Savings Institute (SASI), CapX Finance, Capital Harvest Emerging Farmers Fund (CHEFF) and is one of the trustees of the Desmond Tutu Peace Trust. Lizo also serves in the Steering Committee of the newly established Design Innovation Seed Fund administered by the Cape Craft Design Institute.

Frank Pronk

Frank was born in Cape Town and lived and grew up in Table View. After obtaining his Matric at Milnerton High School, he completed 2 years compulsory military training.

He achieved a 4 year Higher Diploma in Teaching and started his career in Saldanha Bay at the Special School. Coming from an entrepreneurial background, Frank ventured into opening up his own business in April 1994, which is a thriving business to this day.

Currently he is serving as a Mayoral Committee Member for Strategic Planning and Economic Development and also Ward Councillor for Ward 5 in Saldanha Bay.

Being a resident on the West Coast for 28 years – he is involved and serves on the following Forums / Boards.

- West Coast Business Development Forum (Started off as WCEDP)
- West Coast Business Development Centre
- Weskus Sakekamer / West Coast Business Chamber
- Association for people with disabilities (APD West Coast)

Gerrit de Bruyn

After Gerrit completed his schooling, he went on to further completing a Community Adult Education Program at the University of Cape Town in 1998.

In 2006 he obtained his Human resource Management Diploma through the Damelin Group, and in 2014 he completed an Executive leadership Development Programme at the University of the Western Cape.

Currently, Gerrit is a Councillor at the Saldanha Bay Municipality since 2011. During the transitional period in 1995, he also served as a Councillor at the Saldanha Bay Municipality. His work experience includes being involved in the Trade Union Sector for over 20 years.

Gerrit serves as a Trustee on various Worker Trusts. He acts as an Executive Director on the Board of private companies and serves as Chairperson / Secretary on many NGO's and sports bodies along the West Coast.

Gerrit is actively involved with the Saldanha Bay Community since 1983.

Miyelani Mushwana

Miyelani acquired his B. Compt. Degree at the University of South Africa (UNISA). He completed his articles of clerkship with PriceWaterhouseCoopers (PWC) in 2000. He worked in a financial position at various companies, in sectors ranging from Information Technology, Transport, Mining and Logistics. He is currently employed at the Transport National Ports Authority (TNPA) in the port of Saldanha as a Finance Manager.

Kayalethu Ngqaka

With over 11 years of Executive Management positions in the public service, he has managed multi-billion Rand Industrial Development Zone (IDZ) projects in various sectors, including oil and gas, automotive, metals and metals fabrication, to name a few.

His duties have included project appraisal and evaluation for all Special Economic Zones (SEZs) project funding applications, the development of an SEZ Funding Model for the new SEZ programme in South Africa, budget management, the business development and technical support to investors locating in the SEZs and elsewhere as well as development of the SEZ Policy, Legislation and Strategy.

Mr Kaya Ngqaka is the current Chief Director: Infrastructure Investment Support at the national Department of Trade and Industry in South Africa. Other positions he has held include Chief Director: Economic Analysis, Department of Transport; Director at National Treasury and Lecturer roles in Economics at the University of Pretoria and University of Transkei (currently known as Walter Sisulu University).

Mr Ngqaka holds a Master of Commerce (Economics) from the University of KwaZulu-Natal in Pietermaritzburg, South Africa. His Thesis was titled'' Tourism as an instrument of economic development: A special focus on the Eastern Cape''. He also studied Economics at Vrije Universiteit Amsterdam.

Mr Ngqaka's publications include the following:

Ngqaka, K.H. (2001) Economic Basics of Tourism. South African Journal of Economic and Management Sciences 4(2): 306 - 315.

Economic growth and development constraints in South Africa, Focus on key economic issues, no. 51, South African Journal of Economic and Management Sciences, 2001.

A University of Pretoria journal article written on behalf of Absa Bank, November 2001.

Justice Ngwenya

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

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

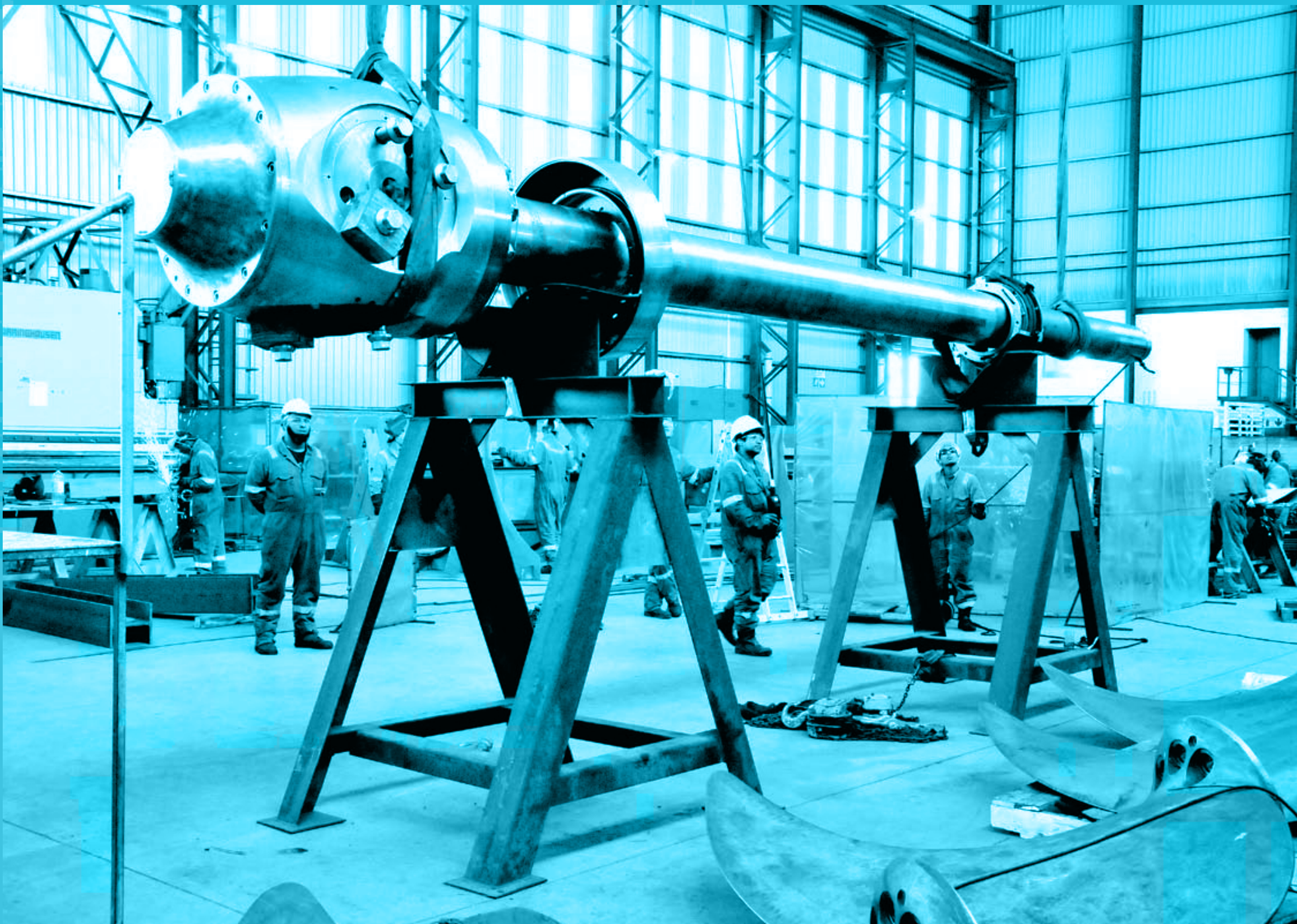
In 1997 he joined Triton South Africa, as a National Sales Manager, he was involved in reviewing business plans, strategies and budgets as part of the Executive team. In 1999 he joined KPMG as a Senior Consultant in the Advisory Unit and was seconded onto a World Bank Funded international Project driven by the Department of Trade and Industry (the dti).

In 2004 Mr Ngwenya joined the Department of Trade and Industry as a Director responsible for Customer Care, giving support to units managing different incentives by the dti. In 2006, he moved from Customer Care to manage one of the key programmes of the dti supporting investment with critical infrastructure.

In 2016 he was appointed Chief Director: Infrastructure Investment Support, responsible for financing bulk infrastructure in the Special Economic Zone (SEZ) as well as the Critical Infrastructure Programme (CIP), which entail management of about R1.6 billion per annum.

He sits in the Adjudication Committees of some of the dti programmes as a member.

PART B



PERFORMANCE INFORMATION

1. Auditor's Report: Predetermined Objectives

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with no material findings being reported under the predetermined objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

2. Situational Analysis

2.1. Service Delivery Environment

Since 1 April 2014, the Saldanha Bay IDZ Licencing Company (SOC) Ltd started operating as an independent entity, receiving grants from both National and Provincial Governments. Since then, all governance structures have been implemented including all key positions being filled.

At a National level, the SBIDZ is actively involved in the Phakisa Project where we provide invaluable input on the oil & gas and marine repair sector including skills development. The SBIDZ also plays an integral role in Project Khulisa, which is operated at a Provincial level.

Various tenders were awarded for the infrastructure development of the industrial development Zone. Part of the tenders awarded has a corporate social investment component whereby the local businesses in Saldanha Bay has an opportunity to be part of the infrastructure development within the IDZ.

The Enterprise and Skills Development Units play an active role within Saldanha Bay, ensuring the Saldanha Bay community are well informed of business and skills opportunities. The Skills Unit is also responsible for the upskilling of certain individuals which were enrolled in various skills development programmes.

2.2. Organisational Environment

The Saldanha Bay IDZ operates in a complex and challenging environment, resulting in economic and operational risks, specifically, these include:

- Implementation of the key strategic industry driver – Ease of Doing Business
- Completion of formal sub-leasing and land arrangements
- Timely completion of infrastructure requirements in and around the Zone
- Local enterprise capacity in the Saldanha Bay area to support international investors
- Skills capacity in the Saldanha Bay area

2.3. Key Policy Developments and Legislative Changes

- The Saldanha Bay IDZ Licencing Company (SOC) Ltd is functional under the SEZ ACT no.16 of 2014
- Saldanha Bay Industrial Development Zone Licencing Company Act 1 of 2016

2.4. Strategic Outcome Oriented Goals

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

3. Performance Information

Programme: Saldanha Bay Industrial Development Zone

Purpose

Given that the SBIDZ has recently been designated, the 5 year Strategic Plan focuses on developing the SBIDZ in a systematic fashion, in order for the Zone to achieve its longer-term 20 year strategy, as defined within the Application for IDZ Designation and Operator Permit of the SBIDZ, in order to meet its strategic outcome and objectives of economic growth and job creation.

Programme structure

The programme has two components, namely Administration and Operations.

Administration

The administration function aims to set up structures and processes for the SBIDZ, in order to operate under the SEZ legislative framework.

Operations

The operations function is broken down into key activities, and the focus areas succinctly drive the overarching strategic objectives in a systematic manner, and includes:

- Business Development - focuses on targeting key investors in the areas of maintenance and repair, fabrication and supply and other services, within the Oil & Gas and Marine Repair Cluster, to fulfil the key strategy of the SBIDZ
- Infrastructure Development - focuses on developing the initial macro-infrastructure required to support potential investors into the SBIDZ
- Stakeholder Management - focuses on developing stakeholder and community relationships, to facilitate the effective operations of the SBIDZ.
- Ease of Doing Business - focuses on the servicing of investors within a global customer service context, and is a critical component to the success of the SBIDZ in implementing an approach for the 'ease of doing business.
- Commercial - focuses on the commercial aspects of the programme, and more specifically, on the lease and sub-leasing of property and general management of the zone.

Strategic Objectives

The strategic outcome oriented goal of the SBIDZ is to promote sustainable economic growth and job creation.

The overarching strategic objectives in our current 5-year strategy Plan include:

- Facilitating a cumulative contribution to National GDP by investors within the SBIDZ of R16.133 billion by the end of the FY 2019/2020
- Facilitating a cumulative contribution to the Western Cape GDP of investors in the Zone of R13.7 billion by the end of the FY 2019/2020

These overarching objectives are driven and supported by key goals and outcomes for each of the functions and work-streams within the organisation.

Performance Delivery Environment

The value proposition of the SBIDZ is to provide a competitive and highly efficient Cluster that positions itself as the leading location for Oil & Gas and Marine Repair activities within the African continent, in response to investor demand.

This value proposition will be achieved through:

- The depth and level of infrastructure support within South Africa (e.g. logistics);
- Facilitation of the ease of doing business through the provision of One-Stop-Shops and a Freezone;
- A competitive and transparent market environment;
- Timeous and efficient response to investor's market requirements

There are several international and local industry and market drivers which impact on the performance delivery against this value proposition.

Industry Strategic Drivers: Key market research on the Oil and Gas and Marine Repair and Fabrication industries determined that the key industry drivers are ease of delivery, speed, quality of products and reliability.

This means that a key strategic driver of the SBIDZ has to be the 'ease of doing business', and that the success of the IDZ depends to a very large degree on its ability to service the end-user market in a manner that exceeds the current available offering in terms of quality and efficiency.

International Market Considerations: It is clear that the international industry model that is most effective and competitive, links to developing a hub of shared services that not only meet the direct industry requirements, but also includes services linked to the industry value chain.

This clustering approach results in high density socio-economic impacts and business sustainability and viability, resulting in broader sustainable economic development, which is a key strategic focus of the SBIDZ. It is this cluster modelling and international research and linkages that have determined that the SBIDZ will focus on the following components of industry investment:

- Exploration and Production
- Repairs and Maintenance
- Marine/Subsea Engineering and Fabrication
- Logistics
- Ancillary Services

African Market Considerations: Currently, within the African market, components of the Marine Repair industry are spread between various African countries such as Namibia, Ghana and Mozambique. Bunkering activities takes place in Nigeria and Gabon, with oil terminals in Mozambique and Tanzania.

The SBIDZ will be unique, by becoming a centralised provider of bulk parts and services, with a coordinated supply chain contribution that will fill a specific role within the industry.

Local Economic Considerations: Saldanha Bay is a critical resource for the sustainable growth and development of the Western Cape. The deep-water port and surrounding infrastructure have already encouraged the development of major industries that contributes positively to local employment and regional and national GDP.

Whilst the existence of industry within the SBM area bodes well for the establishment of the IDZ, however, there are still some critical intervention required within the area linked to local skills and enterprise development to create skills and local businesses that will support the Oil and Gas and Marine Repair and Fabrication industries, specifically because the industries require a level of specialised skills and business support that is new to South Africa in general. These considerations have been taken into account during the implementation of the SBIDZ initiative.

Key activities for the year

Nine right of first refusal agreements were signed with both international and national companies.

Funding to the value of more than R35m was secured from the Department of Trade and Industry (DTI), meSETA and Chieta (Chemical SETA) for the various skills programmes which is being facilitated by the SBIDZ. This will provide prospects to more than 1200 training opportunities for accredited skills programmes, learnerships, apprenticeships, including advanced and specialised training programmes.

In collaboration with Green Cape (Atlantis SEZ), 45 learners were trained in Photovoltaic (PV) sales and installation over a period of one week. This training was fully funded by the Master Artisan Academy South Africa.

The construction of the infrastructure commenced on the Saldoc land. The design for all the external infrastructure projects were completed, including the construction contracts for these projects. The concept design for infrastructure to be provided in the port, was also completed.

Enterprise Development within the SBIDZ focused on building and maintaining a database of small medium and micro enterprises for development purposes, and implementing information sessions, access to markets and influencing procurement processes during the development phase of the IDZ infrastructure, as well as the setting up of agreements with possible investors.

The IDZ Business Forum, with nine member based organisations, continued to function optimally during the year, with ± 70 Businesses benefitted from the Togasi (talks on the oil and gas industry) series in the seven sessions held during the 2015/16 financial year.

Key milestones towards defining the Ease of Doing Business (EoDB) Framework were set. A team of specialists will focus on the requirements and global best practice guidelines for processes that will make it easy to do business in an oil and gas and marine engineering cluster. The focus areas are:

- Repairs on maintenance of rigs and vessels
- Marine and/or subsea fabrication and construction
- Logistics and warehousing
- Petroleum companies and/or drilling fleet operators involved in offshore production and exploration
- Oil and gas clusters and/or marine shipyard operations

SBIDZ is also a Steercom Member of DEDAT's Red Tape Reduction Unit's Project Quantify: Rig Repair. This project calculates the administrative burden for companies operating in the Western Cape's rig repair sector.

The DTI's Inter Departmental Clearing House has embarked on the National and Provincial One-Stop-Shop Model. The SBIDZ EoDB Model will have a critical role to play in the design of the Western Cape Investor Centre.

Strategic objectives, performance indicators planned targets and actual achievements

Programme: Saldanha Bay IDZ (SBIDZ)

Strategic Objective Performance Indicator	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Direct jobs facilitated in the WC as a result of the SBIDZ	-	7	14	7	There were additional job opportunities created by the service provider

The infrastructure contracts awarded during the 2015/16 financial year, resulted in creating 14 direct jobs in the Western Cape.

Key performance indicators, planned targets and actual achievements

Programme: Saldanha Bay IDZ (SBIDZ)

Key Performance Indicators	Actual Achievement 2014/15	Planned Target 2015/16	Actual Achievement 2015/16	Deviation from planned target to Actual Achievement for 2015/16	Comment on deviations
Completion of internal engineering services on the Saldok land	-	1	1	-	The target set out was achieved
Completion of the upgrade to the SBM Sewerage works	-	1	1	-	The target set out was achieved
Completion of service provider appointment for the design and construction of external engineering services by 31 March 2016	-	1	1	-	The target set out was achieved

The main objective of this programme, which was to establish the IDZ, was achieved with the awarding of a licence. The SBIDZ established itself as a PFMA Schedule 3C public entity as a subsidiary of Wesgro since 1 April 2014.

Strategy to overcome underperformance

None required

Changes required to planned targets

None required

Programme	2014/15			2015/16		
	Budget	Actual Expenditure (incl. capital)	(Over)/Under Expenditure	Budget	Actual Expenditure (incl. capital)	(Over)/Under Expenditure
Saldanha Bay IDZ	249,609,613	35,174,069	214,435,544	150,532,944	146,770,510	3,762,434

Capital Investment

Capital Investment	2014/15			2015/16		
	Budget	Actual Expenditure (incl. capital)	(Over)/Under Expenditure	Budget	Actual Expenditure (incl. capital)	(Over)/Under Expenditure
Total	213,193,735	17,088,533	196,105,202	116,203,236	115,871,613	331,623

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.

PART C

CORPORATE GOVERNANCE REPORT

1. Introduction

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

The Directors of Saldanha Bay IDZ Licencing Company SOC Ltd supports the principles of the King III Report on Corporate Governance for South Africa, and where applicable and practical, will implement these principles. Responsible corporate citizenship and sound governance practices will remain a top priority of the Board, its sub-committees and management.

2. The Accounting Authority (Board of Directors)

Introduction

It was agreed by both the Provincial and National Government that the structure of the SBIDZ LiCo Board should be represented by the founding partners from the three spheres of government. After the appointment of the Board members, their first task would be to ensure compliance with the required additional representation on the Board from the Saldanha Bay Community.

2.1 Composition of the Board of Directors

The Board currently consists of 6 members representing the Saldanha Bay Municipality and both the National and Provincial Government.

The Composition of the Board would ultimately consist of 8 members resulting in a breakdown of; 2 representatives nominated by the Saldanha Bay Municipality, 2 representatives nominated by the Western Cape Government and 2 representatives nominated by National Government. The Board will appoint a further 2 directors representing the broader Saldanha Bay social and economic community.

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

2.2 Board Remuneration

In terms of the PFMA, the Directors are not remunerated for attending Board, committee and special meetings.

2.3 Board Committees

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

The Saldanha Bay IDZ Licencing Company SOC Ltd has two Board Committees; namely the Audit, IT and Risk Committee and the Human Resources & Remuneration and Social & Ethics Committee.

2.3.1 Board meetings and attendance

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

Non-Executive Directors	Number of Board Meetings attended.
Johann Stegmann (Chairperson)	4
Frank Pronk	4
Lizo Ntloko	4
Gerrit de Bruyn	4
Kayalethu Ngqaka (Resigned)	1
Miyelani Mushwana	4
Justice Ngwenya	3

2.4 Human Resources and Remuneration and Social and Ethics Committee

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

Non-Executive Directors	Number of Board Meetings attended.
Miyelani Mushwana (Chairperson)	2
Frank Pronk	4
Gerrit de Bruyn	3
Kayalethu Ngqaka (Resigned)	1
Justice Ngwenya	2

3. Internal Audit and Audit Committee

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

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

3.1 Internal Audit

The internal audit function is outsourced to KPMG for a two year period, ending August 2016. The Board of Directors are responsible for the appointment of the Internal Auditor. The Internal Auditors operates under the direction of the Audit Committee which approves the scope of work to be performed. Significant findings are reported to both the Executive Management and the Audit Committee. Corrective action is taken to address internal control deficiencies identified in the execution of its work.

3.2 External Audit

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

3.3 Internal Control

We maintain internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the annual financial statements and to safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented with appropriate segregation of duties.

Audit, IT & Risk Sub-Committee	Number of Committee Meetings attended.
Paul Slack (Chairperson) Independent Member	6
Danny Naidoo (Independent Member)	3
Lizo Ntloko (Non-Executive Board Member)	5
Miyelani Mushwana	4
Johann Stegmann	5

4. RISK MANAGEMENT

The Saldanha Bay IDZ Licencing Company (SOC)) Ltd remains duly committed to a risk management process that is aligned to principles of good Corporate Governance and is in accordance with the provision of the Public Finance Management Act (PFMA) no.1 of 1999, King III and other related codes of Corporate Governance.

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

5. Internal Control

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

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

6. Company Secretary

The function of the Company Secretary who is responsible for developing systems and processes to enable the Board of Directors to discharge its function efficiently and effectively, is currently outsourced.

In addition to various statutory functions, the Board Secretariat ensures that the Board of Directors are 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 responsibility.

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

7. Materiality

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

PART D

HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

Part D: Human Resource Management & Development

1. Introduction

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

2. Human Resource Oversight Statistics

Personnel Cost by programme

Programme	Total Expenditure for the entity R	Personnel Expenditure R	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee R
Operations Management	3 813 866	2 900 897	76%	3	966 966
Corporate Services	14 484 694	5 641 699	39%	9	626 856
Business Development	2 594 276	1 651 711	64%	2	825 855
Stakeholders Management	6 901 042	3 944 814	57%	10	394 481
Ease of Doing Business and Commercial	3 905 249	3 186 034	82%	4	796 509
Subtotal	31 699 127	17 325 156	55%	28	618 756
Infrastructure	118 386 780	3 877 031	3%	5	775 406
Totals	**150 085 907**	**21 202 187**	**14%**	**33**	**642 491**

Personnel cost by salary band

Level	Personnel Expenditure R	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee R
Top Management	10 046 278	47%	7	1 435 183
Professional qualified	9 330 481	44%	16	583 155
Skilled	906 588	4%	3	302 196
Semi-skilled	918 840	4%	7	131 263
TOTAL	**21 202 187**	**100%**	**33.00**	**642 491**

Training Costs

Programme	Personnel Expenditure R	Training Expenditure R	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee R
Operations Management	2 900 897	80 534	3%	1	80 534
Corporate Services	5 641 699	55 446	1%	1	55 446
Business Development	1 651 711	-	0%	-	-
Stakeholders Management	3 944 814	196 328	5%	6	32 721
Ease of Doing Business and Commercial	3 186 034	57 102	2%	1	57 102
Infrastructure	3 877 031	-	0%	-	-
Totals	**21 202 187**	**389 410**	**2%**	**9.00**	**43 268**

Employment and vacancies

Programme	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Operations Management	2	2	50%
Corporate Services	9	1	10%
Business Development	2	0	0%
Stakeholders Management	9	0	0%
Infrastructure	3	1	25%
Ease of Doing Business and Commercial	3	3	50%
Totals	**28**	**7**	**20%**

Programme	2015/2016 No. of Employees	2015/2016 Vacancies	% of vacancies
Top Management	6	2	25%
Professional qualified	12	5	29%
Skilled	3	0	0%
Semi-skilled	7	0	0%
TOTAL	**28**	**7**	**20%**

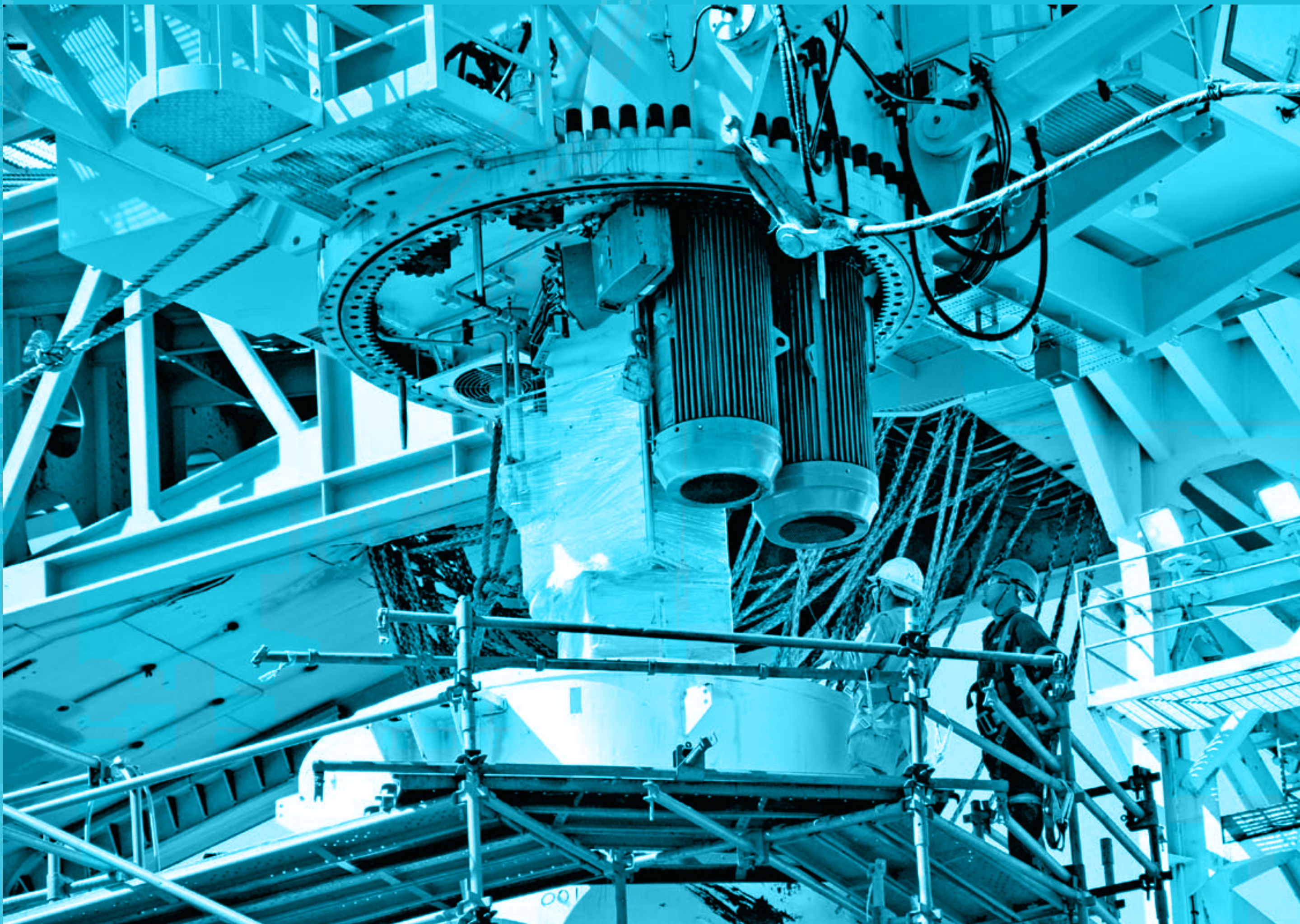
Employment Changes

Salary Band	Employment at beginning of the period	Appointments	Terminations	Employment at end of the period
Top Management	7	0	1	6
Professional qualified	11	3	3	11
Skilled	4	1	1	4
Semi-skilled	4	3	0	7
Total	**26**	**7**	**5**	**28**

Equity Target and Employment Equity Status

Levels	Male				Female			
	Africans	Coloured	Indian	White	African	Coloured	Indian	White
Top Management	0	0	0	3	1	1		1
Professional qualified	4	1	0	1	2	3	0	1
Skilled	1	1	0	0	0	1	0	0
Semi-skilled	1	1	0	0	3	2	0	0
TOTAL	**6**	**3**	**0**	**4**	**6**	**7**	**0**	**2**

PART E



FINANCIAL INFORMATION
for the year ended 31 March 2016

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index

Abbreviations

GRAP	Generally Recogniseed Accounting Practice
IAS	International Accounting Standards
IPSAS	International public Sector Accounting Standards
PFMA	Public Finance Management Act

Accounting Authority's Responsibilities and Approval

The Board (Accounting Authority) 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 to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The Board 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 have reviewed the entity's cash flow forecast for the year to 31 March 2017 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 and Department of Trade and Industry for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Department of Economic Development and Tourism and Department of Trade and Industry 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 pages 39 to 41.

The annual financial statements set out on pages 42 to 84, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2016 and were signed on its behalf by:

Dr Johann Stegmann
Chairperson of the Board

Audit, IT and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2016.

Audit 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.

Name of member	Number of meetings attended
Paul Slack (Chairperson) (independent member)	6
Danny Naidoo (independent member)	3
Lizo Ntloko	5
Miyelani Mushwana (appointed 24 April 2015)	4
Dr Johann Stegmann	5

Audit committee responsibility

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

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

The effectiveness of internal control

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

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

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity. The following internal audit work was completed as per the three year internal audit plan: Supply Chain Management Review, Financial Discipline Review, General IT Control Review, Human Resources and Payroll Review and Performance Information

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved matters.

Paul Slack
Chairperson of the Audit Committee
Date: 31 July 2016

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

Report on the financial statements

Introduction

1. I have audited the financial statements of the Saldanha Bay IDZ Licencing Company (SOC) Limited set out on pages 42 to 84, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, and the cash flow statement and statement of comparison of budget information with actual informationfor the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The board of directors, which constitute the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA), and the Companies Act of South Africa, 2008 (Act No. 71 of 2008), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. 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 2016 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP, the requirements of the PFMA and the Companies Act of South Africa.

Emphasis of matter

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

Events after reporting date

8. As disclosed in note 27 to the financial statements, an offer to purchase the land currently owned by Saldok (Proprietary) Limited was accepted on 18 April 2016 for a cash consideration of R87million. The purchase of the land would be funded by provincial government and the suspensive conditions in the sale agreement were finalised on 1 July 2016.
9. As also disclosed in note 27 to the financial statements, the Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (Act No. 1 of 2016) was assented by the premier on 31 March 2016, which would result in the transfer of shares to the provincial government.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act

11. As part of our audit of the financial statements for the year ended 31 March 2016, I have read the accounting authority' report and the the audit committee's report and the company secretary's certificate to determine whether there were material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, I did not identify material inconsistencies between these draft reports and the audited financial statements. I have not audited these reports and, accordingly, do not express an opinion on them.

Report on other legal and regulatory requirements

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading, but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programme presented in the annual performance report of the public entity for the year ended 31 March 2016:
    - Saldanha Bay industrial development zone, on pages 23 to 24
14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles, and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.
15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following programme:
    - Saldanha Bay industrial development zone

Additional matter

17. Although I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programme, I draw attention to the following matter:

Achievement of planned targets

18. Refer to the annual performance report on pages 23 to 24 for information on the achievement of the planned targets for the year.

Compliance with legislation

19. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

20. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town

29 July 2016

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Accounting Authority's Report

The Board submit their report for the year ended 31 March 2016.

1. Review of activities

Main business and operations

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

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

2. Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year other than disclosed in note 27.

3. Share capital

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

4. Distributions to owners

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

5. Accounting Authority

The non-executive directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Dr Johann Stegmann	South African	
Gerrit De Bruyn	South African	
Frank Pronk	South African	
Lizo Ntloko	South African	
Kayalethu Ngqaka	South African	Resigned 31 July 2015
Miyelani Mushwana	South African	Appointed 24 April 2015
Justice Ngwenya	South African	Appointed 23 November 2015

6. Corporate governance

General

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

The entity confirms and acknowledges its responsibility to 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 discussed the responsibilities of management in this respect, at Board meetings and monitor the entity’s compliance with the code on a three monthly basis.

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

Board of directors

The Board:

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

Chairperson and Chief Executive

The Chairperson is a non-executive and independent director.

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

Human Resources and Remuneration and Social/Ethics Committee

The committee consist of four Non-Executive directors and chaired by Miyelani Mushwana. The committee met four times during the reporting period to review matters necessary to fulfil its role. Other members of the committee are:

Frank Pronk
Gerrit De Bruyn
Justice Ngwenya

Accounting authority

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

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

Audit, IT and Risk Committee

For the current financial year the chairperson of the audit committee was Paul Slack (independant member). The committee met 6 times during the financial year to review matters necessary to fulfil its role. Other members of the committee are:

Danny Naidoo (independant member)
Dr Johann Stegmann
Lizo Ntloko
Miyelani Mushwana

Internal audit

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

7. Auditors

The Auditor-General of South Africa will continue in office for the next financial period.

8. Entity status

Saldanha Bay IDZ Licencing Company is currently a public entity, not listed in the schedules to the Public Finance Management Act.

Company Secretary's Certification

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

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

Ewald van Heerden (on behalf of Mazars Advisory Services (Pty) Ltd)
Company Secretary

Statement of Financial Position as at 31 March 2016

Figures in Rand	Note(s)	2016	2015
Assets			
Current Assets			
Cash and cash equivalents	5	314 049 738	322 067 135
Receivables from non-exchange transactions	6	650 007	594 612
Prepayments	7	1 691 654	465 744
		316 391 399	323 127 491
Non-Current Assets			
Property, plant and equipment	3	139 746 026	20 850 929
Intangible assets	4	318 329	526 815
Receivables from non-exchange transactions	6	193 168	182 423
		140 257 523	21 560 167
Total Assets		456 648 922	344 687 658
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	22 873 144	1 544 642
Employee benefits	10	4 408 588	3 219 128
Unspent conditional grants and receipts	11	288 332 397	317 774 463
Operating lease liability	12	51 580	50 580
		315 665 709	322 588 813
Non-Current Liabilities			
Operating lease liability	12	439 295	333 500
Total Liabilities		316 105 004	322 922 313
Net Assets		140 543 918	21 765 345
Share capital	8	120	120
Accumulated surplus		140 543 798	21 765 225
Total Net Assets		140 543 918	21 765 345

Statement of Financial Performance as at 31 March 2016

Figures in Rand	Note(s)	2016	2015
Revenue			
Revenue from exchange transactions			
Coordination fee on special projects		22 222	377 778
Tender fees		-	11 000
Interest income		36 932	8 717
Total revenue from exchange transactions		**59 154**	**397 495**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	14	150 385 737	39 528 548
Public contributions and donations	3&13	-	3 374 634
Total revenue from non-exchange transactions		**150 385 737**	**42 903 182**
Total revenue	13	**150 444 891**	**43 300 677**
Expenditure			
Employee related costs	15	17 325 156	11 776 990
Administration		897	3 112
Depreciation and amortisation	3&4	897 990	369 771
Finance expense		-	60 295
Lease rentals on operating lease		2 044 776	1 526 450
Repairs and maintenance		17 211	12 441
General expenses	16	11 413 097	7 754 508
Total expenditure		**(31 699 127)**	**(21 503 567)**
Operating surplus		**118 745 764**	**21 797 110**
Gain/(loss) on disposal of property, plant and equipment		32 984	(31 474)
Loss on foreign exchange		(175)	(411)
		32 809	**(31 885)**
Surplus for the year		**118 778 573**	**21 765 225**

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

Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus	Total net assets
Balance at 1 April 2014	**120**	**-**	**120**
Changes in net assets			
Surplus for the year	-	21 765 225	21 765 225
Total changes	-	21 765 225	21 765 225
Balance at 1 April 2015	**120**	**21 765 225**	**21 765 345**
Changes in net assets			
Surplus for the year	-	118 778 573	118 778 573
Total changes	-	118 778 573	118 778 573
Balance at 31 March 2016	**120**	**140 543 798**	**140 543 918**
Note	8		

Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
Cash flows from operating activities			
Receipts			
Tender fees		-	11 000
Grants		100 213 993	344 552 592
Interest received		20 755 570	12 659 094
		120 969 563	357 222 686
Payments			
Employee costs		(16 231 364)	(9 230 461)
Suppliers		(14 008 513)	(8 193 044)
		(30 239 877)	(17 423 505)
Net cash flows from activities	19	**90 729 686**	**339 799 181**
Cash flows from investing activities			
Purchase of property, plant and equipment		(98 764 767)	(17 088 531)
Proceeds from sale of property, plant and equipment		32 984	18 809
Purchase of other intangible assets	4	(15 125)	(662 033)
Net cash flows from investing activities		**(98 746 908)**	**(17 731 755)**
Cash flows from financing activities			
Proceeds from the issue of share capital		-	120
Net increase in cash and cash equivalents		**(8 017 222)**	**322 067 546**
Cash and cash equivalents at the beginning of the year		322 067 135	-
Effect of exchange rate movement on cash balances		(175)	(411)
Cash and cash equivalents at the end of the year	5	**314 049 738**	**322 067 135**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget (Annual)	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Administration and management fees received	22 222	-	22 222	-	(22 222)	
Interest received - investment	13 817 507	-	13 817 507	20 755 570	6 938 063	Note 30
Total revenue from exchange transactions	13 839 729	-	13 839 729	20 755 570	6 915 841	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies - current year	136 693 215	-	136 693 215	100 213 993	(36 479 222)	Note 30
Total revenue	150 532 944	-	150 532 944	120 969 563	(29 563 381)	
Expenditure						
Employee related costs	17 362 300	-	17 362 300	16 231 364	(1 130 936)	
Administration	897	-	897	897	-	
Depreciation and amortisation	897 863	-	897 863	-	(897 863)	
Lease rentals on operating lease	1 993 282	-	1 993 282	1 948 643	(44 639)	
Repairs and maintenance	18 958	-	18 958	17 211	(1 747)	
General Expenses	14 041 208	-	14 041 208	12 042 059	(1 999 149)	Note 30
Total expenditure	(34 314 508)	-	(34 314 508)	(30 240 174)	4 074 334	
Operating surplus	116 218 436	-	116 218 436	90 729 389	(25 489 047)	
Gain on disposal of assets and liabilities	-	-	-	32 984	32 984	
Surplus before taxation	116 218 436	-	116 218 436	90 762 373	(25 456 063)	
Actual Amount on Comparable Basis	116 218 436	-	116 218 436	90 762 373	(25 456 063)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget (Annual)	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation of surplus for year						
Brought forward from previous page				90 762 373		
Government grants & subsidies				50 171 744		Adjustment for actual cash received
Coordination fee				22 222		
Personnel				(1 093 793)		Bonus and leave pay provision
Interest received				(20 718 638)		Interest allocated to unspent conditional grants. Refer note 11
Loss on disposal and foreign differences				(175)		Non cash item
Depreciation				(897 990)		Non cash item
General expenses				1 099 339		Prepayments and receivables
General expenses				(470 406)		Accruals
Operating lease				(96 103)		Non cash item
Actual surplus for the year in the Statement of Financial Performance				**118 778 573**		

Part E: Annual Financial Statements for the year ended 31 March 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget (Annual)	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	319 979 172	-	319 979 172	314 049 738	(5 929 434)	Note 31
Non-Current Assets						
Property, plant and equipment	116 203 236	-	116 203 236	115 853 301	(349 935)	Note 31
Intangible assets	15 200	-	15 200	677 035	661 835	
	116 218 436	-	116 218 436	116 530 336	311 900	
Total Assets	436 197 608	-	436 197 608	430 580 074	(5 617 534)	
Net Assets	436 197 608	-	436 197 608	430 580 074	(5 617 534)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital	-	-	-	120	120	
Reserves						
Accumulated surplus - opening balance	319 979 172	-	319 979 172	339 817 581	19 838 409	
Accumulated surplus	116 218 436	-	116 218 436	90 762 373	(25 456 063)	Note 31
Total Net Assets	436 197 608	-	436 197 608	430 580 074	(5 617 534)	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 new standards and interpretations.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Impairment of Trade receivables

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 - Employee benefits.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

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

1.4 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.

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Infrastructure assets under construction are only depreciated upon completion.

1.4 Property, plant and equipment (continued)

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

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

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

1.5 Intangible assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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

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

1.5 Intangible assets (continued)

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	Useful life
Computer software	3 years

Intangible assets are derecognised:

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

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

1.6 Financial instruments

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

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

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

1.6 Financial instruments (continued)

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

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

1.6 Financial instruments (continued)

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.

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).

1.6 Financial instruments (continued)

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.

1.7 Tax Taxation

No provision has been made for SA Income Taxation as the entity is exempt from income taxation in terms of S 10 (1) (cA) (ii) of the Income Tax Act (Act No. 58 of 1962).

1.8 Leases

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

Operating leases - lessee

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

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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.

1.9 Impairment of cash-generating assets (continued)

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.

Identification

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.10 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

Identification

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

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

Value in use

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.11 Share capital

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

1.12 Employee benefits

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

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

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

Short-term employee benefits

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

1.2 Employee benefits (continued)

Short-term employee benefits include items such as:

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

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

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

1.13 Commitments

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

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 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:

1.14 Revenue from exchange transactions (continued)

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

Interest, royalties and dividends

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

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

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

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

1.15 Revenue from non-exchange transactions

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

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

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

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

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

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

Recognition

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

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

1.15 Revenue from non-exchange transactions (continued)

Measurement

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

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

Grants and Project funds

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

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

Gifts and donations, including goods in-kind

Gifts and donations, 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.

1.16 Fruitless and wasteful expenditure

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

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

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or

(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

1.17 Irregular expenditure (continued)

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

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

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

1.18 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

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

1.19 Budget information

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

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

The approved budget covers the fiscal period from 2015/04/01 to 2016/03/31.

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

1.20 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

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

1.21 Events after reporting date

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

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

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

1.22 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	2016	2015

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The adoption of this amendment has not had a material impact on the results of the company but has resulted in more disclosure than would have previously been provided in the financial statements
• GRAP 17 (as amended 2015): Property, Plant and Equipment	01 April 2015	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	01 April 2015	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	01 April 2015	The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2016			2015		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings and structures	6 511 141	-	6 511 141	-	-	-
Furniture and fixtures	831 049	(105 851)	725 198	573 606	(21 964)	551 642
Motor vehicles	136 135	(54 454)	81 681	136 135	(27 227)	108 908
Office equipment	240 224	(36 155)	204 069	80 853	(7 010)	73 843
IT equipment	1 021 882	(405 599)	616 283	570 084	(123 554)	446 530
Leasehold improvements	1 256 141	(299 883)	956 258	942 058	(47 808)	894 250
Infrastructure work in process	129 730 085	-	129 730 085	18 775 756	-	18 775 756
Infrastructure assets	921 311	-	921 311	-	-	-
Total	**140 647 968**	**(901 942)**	**139 746 026**	**21 078 492**	**(227 563)**	**20 850 929**

Reconciliation of property, plant and equipment - March 2016

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Buildings and structures	-	-	6 511 141	-	-	6 511 141
Furniture and fixtures	551 642	257 441	-	-	(83 885)	725 198
Motor vehicles	108 908	-	-	-	(27 227)	81 681
Office equipment	73 843	159 372	-	-	(29 146)	204 069
IT equipment	446 530	451 798	-	-	(282 045)	616 283
Leasehold improvements	894 250	314 084	-	-	(252 076)	956 258
Infrastructure work in process	18 775 756	118 386 780	-	(7 432 451)	-	129 730 085
Infrastructure assets	-	-	921 311	-	-	921 311
	20 850 929	**119 569 475**	**7 432 452**	**(7 432 451)**	**(674 379)**	**139 746 026**

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - March 2015

	Opening balance	Additions	Donations	Disposals	Accumulated depreciation on disposals	Depreciation	Total
Furniture and fixtures	-	541 056	32 550	-	-	(21 964)	551 642
Motor vehicles	-	136 135	-	-	-	(27 227)	108 908
Office equipment	-	80 853	-	-	-	(7 010)	73 843
IT equipment	-	627 357	-	(57 273)	6 990	(130 544)	446 530
Leasehold improvements	-	942 057	-	-	-	(47 807)	894 250
Infrastructure work in progress	-	15 433 672	3 342 084	-	-	-	18 775 756
	-	17 761 130	3 374 634	(57 273)	6 990	(234 552)	20 850 929

Pledged as security

No assets were pledged as security.

Reconciliation of Work-in-Progress March 2016

	Included within Infrastructure	Total
Opening balance	18 775 756	18 775 756
Capital expenditure	118 386 780	118 386 780
Transferred to buildings	(6 511 140)	(6 511 140)
Transferred to completed infrastructure assets	(921 311)	(921 311)
	129 730 085	129 730 085

The Site Camp building structure was commissioned on the 31st of March 2016.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress March 2015

	Included within Infrastructure	Total
Opening balance	-	-
Capital expenditure	15 433 672	15 433 672
Received as donation	3 342 084	3 342 084
Transferred to completed items	-	-
	18 775 756	18 775 756

Donation received relates to infrastructure expenditure incurred in the Western Cape Tourism, Trade and Investment Promoting Agency (Wesgro).

4. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	677 158	(358 829)	318 329	662 033	(135 218)	526 815

Reconciliation of intangible assets - March 2016

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

Reconciliation of intangible assets - March 2015

	Opening balance	Additions	Amortisation	Total
Computer software	-	662 033	(135 218)	526 815

Pledged as security

No intangible assets were pledged as security.

5. Cash and cash equivalents

Cash and cash equivalents consist of:

	2016	2015
Cash on hand	12 100	29 944
Bank balances	83 750 504	1 153 849
Corporation for public deposits	230 287 134	320 883 342
	314 049 738	322 067 135

Included in the R314,049,738 are amounts as disclosed in note 11, which are conditional grants.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

5. Cash and cash equivalents (continued)

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

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

Credit rating		
C-	83 750 504	1 153 849

6. Receivables from non-exchange transactions

Current	650 007	594 612
Non-current	193 168	182 423
	843 175	**777 035**

Current receivables includes operating lease incentive of R257 900 for Cape Town office and interest accrual. Non-current includes the following:

Non-current		
Financial asset at amortised cost	182 423	234 001
Finance cost on financial asset at amortised cost	-	(60 295)
Interest accrued on financial asset at amortised cost	10 745	8 717
	193 168	**182 423**

Long term operating lease deposit discounted using an interest rate of 5.89%.

7. Prepayments

	1 691 654	465 744

Prepayments mainly consist of the exhibition site secured for the annual Offshore Technology Conference in Houston Texas, software assurance, office rental and travel cost.

8. Share capital

Authorised		
4000 No par value shares	4 000	4 000

Reconciliation of number of shares issued:		
Issue of shares at incorporation - no par value shares	120	120

Issued		
120 No par value shares	120	120

9. Payables from exchange transactions

Trade payables	22 873 144	1 544 642

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

The significant increase in payables is due to infrastructure projects progress payments.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

10. Employee benefits

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

Carrying value		
Performance incentive	3 518 978	2 458 784
Leave pay	821 853	652 858
Workmen's compensation	67 757	27 486
Other	-	80 000
	4 408 588	3 219 128

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

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Economic Development and Tourism - Armscor special project	15 085	674 669
Department of Trade and Industry - SEZ fund	249 747 145	300 084 837
Department of Trade and Industry - SEZ fund skills development	2 609 761	4 494 881
Department of Economic Development and Tourism	13 427 989	12 520 076
Department of Trade and Industry - Enterprise and skills development	21 276 424	-
Merseta - Skills development	499 468	-
CHIETA - Skills development	756 525	-
	288 332 397	317 774 463

Movement during the year

Opening balance	317 774 463	-
Receipts	100 213 993	344 552 591
Interest received	20 729 678	12 750 420
Conditions met - transferred to revenue	(150 385 737)	(39 528 548)
	288 332 397	317 774 463

The unspent conditional grants and receipts represents amounts previously received from government grants that will be utilised in the future against the respective projects. Refer note 14 for details of each grant.

12. Operating lease liability

Non-current liabilities	439 295	333 500
Current liabilities	51 580	50 580
	490 875	384 080

Operating lease liability consist of an operating lease liability of R323,240 (2015: R164,865) for the Cape Town and Saldanha Bay office and operating lease incentive of R167,635 (2015: R219,215). Refer note 6.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015
13. Revenue		
Coordination fee on special projects	22 222	377 778
Tender fees	-	11 000
Interest accrued on financial asset at amortised cost	36 932	8 717
Government grants & subsidies	150 385 737	39 528 548
Public contributions and donations	-	3 374 634
	150 444 891	43 300 677
The amount included in revenue arising from exchanges of goods or services are as follows:		
Coordination fee on special projects	22 222	377 778
Tender fees	-	11 000
Interest accrued on financial asset at amortised cost	36 932	8 717
	59 154	397 495
The amount included in revenue arising from non-exchange transactions is as follows:		
Transfer revenue		
Government grants & subsidies	150 385 737	39 528 548
Public contributions and donations	-	3 374 634
	150 385 737	42 903 182
14. Government grants and subsidies		
Operating grants		
Department of Economic Development and Tourism	29 119 265	22 028 817
Department of Economic Development and Tourism - Armscor special project	659 584	2 066 058
Department of Trade and Industry - SEZ skills development	2 135 644	-
	31 914 493	24 094 875
Capital grants		
Department of Trade and Industry - SEZ fund	118 471 244	15 433 673
	150 385 737	39 528 548
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants recognised	150 385 737	39 528 548
Department of Economic Development and Tourism - Armscor special projects		
Balance unspent at beginning of year	674 669	-
Current-year receipts	-	2 740 727
Conditions met - transferred to revenue	(659 584)	(2 066 058)
	15 085	674 669

The project relates to skills upliftment and will be completed in the current financial year.

Notes to the Annual Financial Statements

14. Government grants and subsidies (continued)

Department of Trade and Industry - SEZ fund

Balance unspent at beginning of year	300 084 838	-
Current-year receipts	50 000 000	303 564 743
Interest received	18 133 551	11 953 768
Conditions met - transferred to revenue	(118 471 244)	(15 433 673)
	249 747 145	**300 084 838**

Funds are available for infrastructure implementation over a period of 3 years. Refer note 11.

Department of Trade and Industry - SEZ fund skills development

Balance unspent at beginning of year	4 494 881	-
Current-year receipts	-	4 494 881
Interest received	250 524	-
Conditions met - transferred to revenue	(2 135 644)	-
	2 609 761	**4 494 881**

Objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in opportunities related to IDZ development. Refer note 11.

Department of Economic Development and Tourism

Balance unspent at beginning of year	12 520 076	-
Current-year receipts	28 958 000	33 752 241
Interest received	1 069 178	796 652
Conditions met - transferred to revenue	(29 119 265)	(22 028 817)
	13 427 989	**12 520 076**

Department of economic development and tourism agreed to fund operational expenditure related to the entity. Refer note 11.

Department of Trade and Industry - Enterprise and skills development

Current-year receipts	20 000 000	-
Interest received	1 276 424	-
	21 276 424	**-**

The project relates to enterprise development and the upskilling of local community in order to equip them with the necessary skills to participate in opportunities related to IDZ development. Refer note 11.

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

Current-year receipts	499 468	-

Objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in opportunities related to IDZ development. Refer note 11.

The Chemical Industries Education and Training Authority (CHIETA)

Current-year receipts	756 525	-

Objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in opportunities related to IDZ development. Refer note 11.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

15. Employee related costs

Basic	13 951 512	9 197 936
Performance incentive	2 879 902	1 915 550
UIF	40 933	28 383
WCA	35 304	22 730
Leave pay provision charge	248 344	497 160
Other allowances	169 161	115 231
	17 325 156	**11 776 990**

Remuneration of Chief Executive Officer

Annual Remuneration	1 729 575	1 625 495
Performance incentive	373 725	-
Contributions to UIF, Medical and Pension Funds	37 710	32 730
Other	12 000	11 000
	2 153 010	**1 669 225**

Remuneration of Chief Finance Officer

Annual Remuneration	1 042 425	933 937
Performance incentive	201 875	-
Contributions to UIF, Medical and Pension Funds	23 360	30 843
Other	12 000	11 000
	1 279 660	**975 780**

16. General expenses

Auditors remuneration	885 162	241 910
Consulting and professional fees	2 518 187	1 809 091
IT expenses	1 225 150	649 652
Internal Audit fee	439 756	561 497
Sundry expenses	1 730 337	1 228 115
Training	389 410	136 246
Training - Short skills	1 626 295	-
Transport - Short skills	95 520	-
Travel - Armscor	605 519	1 688 280
Travel - local	1 024 691	809 612
Travel - overseas	873 070	630 104
	11 413 097	**7 754 507**

17. Auditors' remuneration

Fees	885 162	241 910

18. Operating lease

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

The entity have an operating lease with Eris Property and Eigelaar en Seun for letting office space in the South African Reserve Bank building and Saldanha Bay. Both agreements are for a period of 5 years and has a fixed annual escalation. Eris Property will reimburse the entity an amount for improvements for the Cape Town office as per the agreement. Refer to note 12 for operating lease liability.

The entity entered into an operating lease with Die Jabel Trust for letting office space in Saldanha Bay during the year.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

19. Cash generated from activities

Surplus	118 778 573	21 765 225
Adjustments for:		
Depreciation and amortisation	897 990	369 771
(Loss) gain on sale of assets and liabilities	(32 984)	31 474
Loss on foreign exchange	175	411
Movements in operating lease assets and accruals	106 795	384 080
Movements in employee benefits	1 189 460	3 219 130
Donation received	-	(3 374 634)
Bonus and leave accrual included in infrastructure assets	(95 668)	(672 602)
Changes in working capital:		
Prepayments	(1 225 910)	(465 744)
Receivables from non-exchange transactions	(66 140)	(777 036)
Payables from exchange transactions	21 328 499	1 544 642
Unspent conditional grants and receipts	(29 442 066)	317 774 464
Property, plant and equipment payables	(20 873 132)	-
Property, plant and equipment receivables	164 094	-
	90 729 686	**339 799 181**

20. Financial instruments disclosure

Categories of financial instruments

March 2016

Financial assets

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

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	22 873 145	22 873 145
Unspent conditional grants	288 332 397	288 332 397
	311 205 542	**311 205 542**

March 2015

Financial assets

	At amortised cost	Total
Receivables from non-exchange transactions	777 035	777 035
Cash and cash equivalents	322 067 135	322 067 135
	322 844 170	**322 844 170**

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	1 544 642	1 544 642
Unspent conditional grants	317 774 463	317 774 463
	319 319 105	319 319 105

21. Commitments

Authorised capital expenditure

	2016	2015
Already contracted for but not provided for		
• Property, plant and equipment	182 350 300	161 928 320
Not yet contracted for and authorised		
• Property, plant and equipment	22 793	42 006
Total capital commitments		
Already contracted for but not provided for	182 350 300	161 928 320
Not yet contracted for and authorised by directors	22 793	42 006
	182 373 093	161 970 326

Authorised operational expenditure

	2016	2015
Already contracted for but not provided for		
• Operational	10 952 519	6 485 380
Not yet contracted for and authorised		
• Operational	2 056 966	4 192 387
Total operational commitments		
Already contracted for but not provided for	10 952 519	6 485 380
Not yet contracted for and authorised by directors	2 056 966	4 192 387
	13 009 485	10 677 767

Total commitments

	2016	2015
Total commitments		
Authorised capital expenditure	182 373 093	161 970 326
Authorised operational expenditure	13 009 485	10 677 767
	195 382 578	172 648 093

This committed expenditure will be financed by unspent conditional grants. Refer note 11.

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

20. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1 948 128	1 325 487
- in second to fifth year inclusive	6 059 946	5 159 893
	8 008 074	6 485 380

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

22. Contingencies

No contingencies identified.

23. Related parties

Relationships	
Board	Refer to accounting authority's' report
Provincial Government	Department of Economic Development and Tourism
National Government	Department of Trade and Industry
Entities under common control	Western Cape Tourism, Trade and Investment Promotion Agency
Members of key management	Refer note 15

Related party balances

Unspent conditional grants and receipts - Owing to related parties		
Department of Trade and Industry - SEZ fund	249 747 145	300 084 838
Department of Trade and Industry - SEZ fund skills development	2 609 761	4 494 881
Department of Economic Development and Tourism	13 427 989	12 520 076
Department of Economic Development and Tourism - Armscor special project	15 085	674 669
Department of Trade and Industry - Enterprise and skills development	21 276 424	-

Related party transactions

Income recognised		
Department of Trade and Industry - SEZ fund	118 471 244	15 433 673
Department of Economic Development and Tourism	29 119 265	22 028 817
Department of Economic Development and Tourism - Armscor special project	659 584	2 066 058
Department of Trade and Industry - SEZ fund skills development	2 135 644	-
Administration fees paid to related parties		
Western Cape Tourism, Trade and Investment Promotion Agency	-	189 000
Donation received from related parties		
Western Cape Tourism, Trade and Investment Promotion Agency	-	3 374 634
Assets purchased from related parties		
Western Cape Tourism, Trade and Investment Promotion Agency	-	365 868

Notes to the Annual Financial Statements

Figures in Rand

24. Directors' emoluments

Non-executive

March 2016

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

March 2015

	Directors' fees	Travel expenses	Total
Benjamin Kodisang	10 424	14 722	25 146
Gerrit De Bruyn	-	1 040	1 040
Frank Pronk	-	937	937
	10 424	16 699	27 123

25. Risk management

Financial risk management

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

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

Liquidity risk

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

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

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

At 31 March 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	22 873 145	-	-	-
Unspent government grants	288 332 397	-	-	-

Notes to the Annual Financial Statements

Figures in Rand	2016	2015

25. Risk management (continued)

At 31 March 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1 544 643	-	-	-
Unspent government grants	317 774 463	-	-	-

Credit risk

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

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

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

Financial instrument	March 2016	March 2015
Receivables form non-exchange transactions	843 175	777 035
Cash and cash equivalents	314 049 738	322 067 135

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.

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

At 31 March 2016, if interest rates on Rand-denominated borrowings had been 0.5% higher/lower with all other variables held constant, surplus for the year would have been R1 570 249 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	7.07 %	314 049 738	-	-	-	-

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

The entity does not engage in material foreign currency transactions.

Price risk

The entity is not exposed to price risk.

Notes to the Annual Financial Statements

26. Irregular expenditure

No irregular expenditure identified during the financial year.

27. Events after the reporting date

An offer to purchase the land currently owned by Saldok (Proprietary) Limited was accepted on the 18 th of April 2016 for a cash consideration of R87,000,000. The purchase of land will be funded by Provincial Government and the suspensive conditions of the sale agreement were finalised by the 1st of July 2016.

The Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (Act 1 of 2016) was assented by the Premier on the 31st of March 2016, which will result in the transfer of shares to the Provincial Government.

28. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure identified during the financial year.

29. Unauthorised expenditure

No unauthorised expenditure identified during the year.

30. Actual operating expenditure versus budgeted operating expenditure

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

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

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

Interest received was more than budgeted for due to better cash management and increase in prime interest rate.

Government grants and subsidies - Additional funding was received from Department of Trade and Industry for Enterprise and skills development and R53,160,000 from the SEZ Infrastructure fund were received in the 2016/17 financial year.

General expenses was less than the budget due to payables paid after yearend.

31. 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.

The cash and cash equivalents balance will be utilised for commitments. Refer note 21.

Notes to the Annual Financial Statements

32. Segment information

General information

Identification of segments

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

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

Aggregated segments

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

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

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

Infrastructure Implementation

Special projects: Armscor, SEZ shortskills and MERSETA

Types of goods and/or services by segment

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand

32. Segment information (continued)

Segment surplus or deficit, assets and liabilities

March 2016

	Corporate Services	Operational Services	Infrastructure Implementation	Special projects	Total
Revenue					
Revenue from non-exchange transactions	14 620 743	14 498 522	118 471 244	2 795 228	150 385 737
Revenue from exchange transactions	22 222	-	-	-	22 222
Gain on sale of property, plant and equipment	32 984	-	-	-	32 984
Interest revenue	36 932	-	-	-	36 932
Total segment revenue	**14 712 881**	**14 498 522**	**118 471 244**	**2 795 228**	**150 477 875**
Expenditure					
Salaries and wages	6 377 413	10 866 333	-	81 411	17 325 157
Other expenses	8 021 018	3 632 189	20 186	2 700 577	14 373 970
Loss on exchange difference	175	-	-	-	175
Total segment expenditure	**14 398 606**	**14 498 522**	**20 186**	**2 781 988**	**31 699 302**
Total segmental surplus/(deficit)	**314 275**		**118 451 058**	**13 240**	**118 778 573**
Assets					
Segment assets	16 529 340	1 179 544	413 714 735	25 225 303	456 648 922
Total assets as per Statement of financial Position					**456 648 922**
Liabilities					
Segment liabilities	15 679 392	2 804 406	272 374 677	25 246 530	316 105 005
Total liabilities as per Statement of financial Position					**(316 105 005)**

Notes to the Annual Financial Statements

32. Segment information (continued)

Measurement of segment surplus or deficit, assets and liabilities

Basis of accounting for transactions between reportable segments

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