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# **PART A:**

## **PUBLIC ENTITY'S GENERAL INFORMATION:**



**Registered Name:** ..... Atlantis Special Economic Zone Company SOC LTD

**Registration Number:** ..... 2018/587778/30

**Physical Address:** ..... 7 Floor, South African Reserve Bank Building  
60 St Georges Mall, Cape Town

**Postal Address:** ..... Same as above

**Telephone Number:** ..... 087 183 7000

**Email Address:** ..... info@atlantissez.co.za

**Website:** ..... <http://www.atlantissez.com>

**External Auditors:** ..... Auditor -General of South Africa  
19 Park Lane Building, Century City

**Bankers:** ..... NEDBANK  
Mutual Park, 91 Jan Smuts Drive  
Pinelands, Cape Town  
7441

**Company Secretary:** ..... Fredelaine Brand

# LIST OF ABBREVIATIONS:

<b>3D</b>	Provincial Business Enterprise as defined in section 3D of the PFMA
<b>AGSA</b>	Auditor-General of South Africa
<b>ASEZCo</b>	Atlantis Special Economic Zone State Owned Company Limited
<b>ASEZ</b>	Atlantis Special Economic Zone
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>C&amp;I</b>	Commercial and Industrial
<b>CCA</b>	Customs Control Area
<b>CoCT</b>	City of Cape Town
<b>CHEC</b>	Cape Higher Education Consortium
<b>CIPC</b>	Companies and Intellectual Property Commission
<b>CSIR</b>	Council for Scientific and Industrial Research
<b>CSP</b>	Concentrated Solar Power
<b>DEA&amp;DP</b>	Department of Environmental Affairs and Development Planning
<b>DEDAT</b>	Department of Economic Development and Tourism
<b>DFI</b>	Development Finance Institution
<b>dti</b>	Department of Trade and Industry and Competition (Formerly Department of Trade and Industry)
<b>dtic</b>	Department of Trade, Industry and Competition
<b>EA</b>	Environmental Authorisation
<b>EIA</b>	Environmental Impact Assessment
<b>EIR</b>	Environmental Impact Report
<b>EMPr</b>	Environmental Management Programme
<b>ESG</b>	Environmental, Social and Governance
<b>EST</b>	environmentally sound technologies
<b>GBCSA</b>	Green Building Council of South Africa
<b>GDP</b>	Gross Domestic Product
<b>GIZ</b>	German International Development Agency (Deutsche Gesellschaft für Internationale Zusammenarbeit)
<b>GTAC</b>	Government Technical Advisory Centre
<b>GTMEC</b>	Greentech Manufacturing Evaluation Committee (of the CoCT)
<b>ICT</b>	Information and Communication Technology
<b>ICN</b>	International Cleantech Network
<b>IDC</b>	Industrial Development Corporation
<b>IDZ</b>	Industrial Development Zone
<b>IES</b>	Integrated Ecosystem (addressing community, jobs, skills, and enterprise development)
<b>IRP</b>	Integrated Resource Plan
<b>KPI</b>	Key Performance Indicator
<b>LED</b>	Light Emitting Diode (light bulb)
<b>LNG</b>	Liquid natural Gas
<b>MEC</b>	Member of the Executive Council
<b>merSETA</b>	Manufacturing, Engineering and Related Services Sector Education and Training Authority
<b>MOU</b>	Memorandum of Understanding
<b>MTEF</b>	Medium-Term Expenditure Framework
<b>NCPC</b>	National Cleaner Production Centre
<b>NDA</b>	Non-Disclosure Agreement
<b>NDP</b>	National Development Plan

<b>NT</b>	National Treasury
<b>OEM</b>	Original Equipment Manufacturer
<b>PFMA</b>	Public Finance Management Act
<b>PICC</b>	Presidential Infrastructure Coordinating Commission
<b>PPA</b>	Power Purchase Agreement
<b>PPP</b>	Public-Private Partnership
<b>PT</b>	Provincial Treasury
<b>PV</b>	Photovoltaic
<b>RECP</b>	Resource Efficient Cleaner Production
<b>REIPPPP</b>	Renewable Energy Independent Power Producer Procurement Programme
<b>RFP</b>	Request for Proposal
<b>RMIPPPP</b>	Risk Mitigation Independent Power Producer Procurement Programme
<b>RPL</b>	Recognition of Prior Learning
<b>SARS</b>	South African Revenue Service
<b>SAREBI</b>	SEDA Atlantis Renewable Energy Business Incubator
<b>SARETEC</b>	South African Renewable Energy Technology Education Centre
<b>SCM</b>	Supply Chain Management
<b>SETA</b>	Sector Education and Training Authority
<b>SEZ</b>	Special Economic Zone
<b>SDGs</b>	Sustainable Development Goals
<b>SIP5</b>	Strategic Integrated Project 5 of the National Infrastructure Plan
<b>SMME</b>	Small Medium and Micro Enterprise
<b>SOC</b>	State-Owned Company
<b>SSEG</b>	Small Scale Embedded Generation
<b>TISA</b>	Trade and Investment South Africa
<b>TNPA</b>	Transnet National Ports Authority
<b>TPT</b>	Transnet Ports Terminal
<b>UWC</b>	University of the Western Cape
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>UNEP</b>	United Nations Environment Programme
<b>VIPs</b>	Vision Inspired Priorities (Western Cape Province)
<b>WCG</b>	Western Cape Government
<b>WISP</b>	Western Cape Industrial Symbiosis Programme
<b>WWTW</b>	Wastewater Treatment Works



# FOREWORD

## BY THE CHAIRPERSON



### Introduction

It gives me great pleasure to write this Foreword, as the 2021/2022 year was an eventful and successful year for the Atlantis SEZ Company (ASEZCo or the Company).

The ASEZCo completed its second full year of operations for the year ending 31 March 2022. As in the case of any new company or state-owned enterprise, the building blocks of a vehicle that can deliver had to be put in place, particularly to be positioned as an effective platform to attract investment. This establishment phase is to a large extent completed. The Company's attention has shifted to the marketing and promoting the Atlantis SEZ (ASEZ) as an attractive investment destination with landing investors in the only Greentech SEZ in Africa.

Overview of the Atlantis SEZ Company Strategy and Performance of the Entity in this Greentech SEZ Sector

With the acquisition of 94 hectares from the City of Cape Town, the ASEZCo has a 118-hectare property portfolio (with 25 hectares already developed). The intention now is to leverage this property asset as a value proposition in order to create a vibrant Greentech hub, where investors benefit from an enabling commercial zone, with return on investment on environment incorporating a dynamic ecosystem, and where the community, skills and enterprise development training take centre stage.

The ASEZ Greentech approach is not only centred around green investment, but also green operations in terms of lower carbon,

resource efficiency and social inclusivity. The ASEZCo is strategically focused on attracting investors in and through green technologies - through facilitating and supporting greener inputs, processes and/or outputs in the manufacturing and service-related sectors. The economic focus on Greentech provides not only a mitigation against the threats that climate change poses to our economy and society, but it also provides opportunities to transform our economy and create new opportunities for growth and employment.

Although the Atlantis Industrial Node is a successful industrial node, unlocking the vacant 94 hectares acquired from the City of Cape Town offers an opportunity to transform what has become a socially fraught community through not only skills and enterprise development, but involving the community as a partner in the development process.

The Special Economic Zone (SEZ) status enables us to stimulate and deepen local Atlantis Greentech industrialization and integrate it into the broader regional value chains and the manufacturing sector. This we do by encouraging investment within the Atlantis SEZ and the broader Atlantis area for the manufacture and assembly of a range of goods which, because of our unique location and green-enabling environment, may be rapidly and efficiently distributed to markets internationally and on the African continent. We are doing this by supporting the development of well-trained talent and deepening the green manufacturing industry in the Western Cape.

South Africa's track record in good governance has suffered over the past number of years, but is an element that is of utmost importance. A good governance approach must find its way into projects, of which the ASEZ is one. With its Greentech focus, the ASEZCo is building on its SEZ mandate against the backdrop of good governance and competent administration. This is an important signal to potential investors who seek assurances that they are dealing with a credible partner who values good corporate governance and efficient resource management. To this end, the ASEZCo is establishing the necessary systems for the delivery of efficient, world-class infrastructure and the provision of effective support services. While Covid-19 added to the process complexity, the ASEZCo held the required four Board meetings for the financial year, and several critical policies and procedures and associated operational processes were approved and refined by the Board during this period.

The SEZ licence was allocated to the Western Cape Government in December 2018 and the company started with its operations on 1 April 2020. Since becoming a Special Economic Zone in 2018 through national and provincial approval, the Atlantis SEZ has

attracted considerable interest from prospective investors, drawn from a wide spectrum of industries which match our targeted priority sectors. The ASEZCo is also an important vehicle to realize economic transformation. We are identifying ways in which we can help empower emerging enterprises, build the talent pool in the surrounding communities, and provide the groundwork necessary to meet small business needs.

Following on the signing of the innovative and unique land transaction with the City of Cape Town in the 2020/2021 financial year, enabling the City of Cape Town, a vital partner as a minority shareholder in the ASEZCo, the most notable achievement in our second year of operations was the finalisation of the scheduling of the ASEZCo as a state-owned provincial business enterprise. This is considered as a significant achievement, as it provides the base for the ASEZCo to become fully commercial in its operations, enabling the company to buy land, buy and sell shares, and be able to borrow funds in the open market. These elements are attractive to the commercial world. However, our innovative approach to development of the ASEZ did not end there. The elected Community Stakeholder Network (CSN), a first among SEZs in South Africa, has become a key partner in the development of the ASEZ.

The ASEZCo believes that it is only as strong as the entities around it. The ecosystem of partners [e.g. Wesgro] created in investment promotion (ensuring economies of scale) and the effective three-tier government development cooperation in place, will enable an effective roll out of a potentially game-changing SEZ. The ASEZCo intends leveraging the concept of partnerships [e.g., Council for Scientific and Industrial Research (CSIR), local universities, Lesedi, GreenCape, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the approach of “doing more with less” (in terms of utilizing resources, e.g., funding) to achieve its objectives. This partnership approach is considered a great platform for the green economy to grow in the Western Cape and South Africa.

## Strategic Relationships

It is our belief that any state-owned enterprise is required to have a positive ecosystem of private, public and parastatal players around it. The Company supports partnerships and collaboration with stakeholders, which is a core part of its strategy to build an attractive SEZ. This approach includes the creation of an ecosystem for investors to thrive and realise economic opportunities, crowding in and build on global attention to the green economy, a circular economy and Greentech whilst leveraging Eco-Industrial Park principles.

We believe that one of the first success factors of the ASEZCo was to build a strong ecosystem of partners. The ASEZCo has a good reputation of cooperation and partnership with the public and private sectors and considers itself as a good example of an excellent working relationship between the three tiers of government. It has solid relationships with the National Department of Trade, Industry

and Competition (dtic), who allocated the licence and will provide capital for ASEZ infrastructure and top structures, the Provincial Department of Economic Development and Tourism (DEDAT), who provides the ASEZCo operational budget, as well as the City of Cape Town, who is a minority shareholder through the 94-hectare land transaction. In building a network of Greentech expertise, we have also established relationships with the four universities in the Western Cape, the CSIR, and the Green Building Council, and we are progressively extending our network of international stakeholders to include players such as the GIZ development agency. These relationships are important to pool and leverage not only existing knowledge and expertise, but also funding for anticipated Greentech feasibility studies. This in turn helps investors access a ready body of knowledge and support.

## The Community, Skills, and Enterprise Development Environment

Although the historical Atlantis Industrial Node is a successful one, a downturn in the node in the 1980s created a destitute and socially deprived community. To harness the full potential of the people in Atlantis, socioeconomic development really begins at the grassroots community level. Meaningful and inclusive community integration remains a key element in our Atlantis development approach. Our aim is to empower citizens in the broader Atlantis area with the opportunity to learn, grow and develop skills and experience and become meaningful stakeholders (participants) in the Western Cape economy.

The ASEZCo spent R3m in the 2021/2022 financial year on skills and enterprise development training.

## Challenges faced by the Board

Given the early stage of establishment of the entity, there had been some process matters to be finalised. While the ASEZCo is fully compliant as a registered company according to the Companies Act, The Special Economic Zones Act 16 of 2014, and a Business Enterprise Scheduled entity by National Treasury, the SEZ-related tax incentives have not been promulgated.

Being scheduled means we are able to operate commercially and fully transact as a government entity, allowing us to enter into property lease agreements amongst others. The tax incentives available for qualifying investors play a crucial role in this respect. National Treasury is aware of the situation and representation to finalise the promulgation of the tax incentives process as expeditiously as possible have been made. The SEZ tax incentives were always envisaged as one of the key attractions for the nationally designed SEZ concept and is therefore an important tool for creating a cost-effective business environment for investors.



The Covid-19 pandemic presented a challenge to everyone, with the ASEZCo being no exception. Nonetheless, the organisation was agile in adapting our systems to cope with the new way of working, and we were particularly mindful and responsive to the impact of Covid-19 in the Atlantis community. Moreover, we are cognisant that the South African economy was severely affected by the pandemic, and that it will take special effort to create new catalysts for economic growth. Greentech is considered as one such catalyst and we believe the Atlantis SEZ is an important tool to leverage the opportunities in the Greentech manufacturing sector.

Most staff members have fully returned to work and the situation is anticipated to be normalised in the 2022/2023 financial year, which will enable the company to be fully respondent to its stakeholders, more especially the investor and the Atlantis community.

## Medium to Long-Term Goals of the Entity

Securing private sector investment is all-important to a successful SEZ and is key to reducing our dependence on the Western Cape Government Provincial Revenue Fund for our operational budget. Since the SEZ licence was allocated to the Western Cape Government in 2018, the ASEZCo has made significant operational progress. We are especially pleased to have already attracted major business enterprises into the 25 hectares of privately owned land in the Atlantis SEZ. This includes landing breakthrough investments such as Gestamp Renewable Industries SA, a Spanish manufacturer of wind towers. There is also a solid investment pipeline and there are currently two investors who are ready to move onto the land unlocked through the land transaction with the City of Cape Town.

## Acknowledgements

Any entity cannot function at an optimum level without the full support of its shareholders. I would like to take this opportunity to thank the Western Cape Provincial Government, both political and administrative, for their steadfast support and guidance during the past financial year: We are most grateful for your leadership.

I also wish to thank the members of the Board: Zukiswa Kimani, Lance William Greyling, Kenosi Pearl Louisa Selane, Dr Leon Jonathan Roman, Marshall Julian Jullies, Dr Pierre Voges (CEO), and Waheeda Saib (CFO). Given the early stage of the entity's formation, there were many systems and internal policies that had to be established and approved. The Board also had to re-look at its development models and played a constructive role in this process. All these elements required intense scrutiny and due diligence from Board members, and you conducted your responsibilities impeccably. I also want to thank the Board for the openness in assessing and adopting alternative development models.

The City of Cape Town has not just become a shareholder, but also incredibly responsive and supportive to the needs of the ASEZCo, not only in terms of making the land available in an innovative manner, but for their critical strategic role in creating a conducive

environment in the wider Atlantis community and industrial ecosystem. With the conclusion of a unique sale agreement, shareholders' agreement, share subscription agreements, and the entity scheduling as a provincial business enterprise (making the land transfer effective on 31 March 2022), we are welcoming the municipality as a formal shareholder and partner. These agreements are now viewed as a blueprint for co-operation between the three tiers of government in South Africa.

I would also like to thank the community of Atlantis and the civic organisations with whom we have been building relationships to ensure that the ASEZCo can positively contribute to the socio-economic needs of the area. Thank you for your time and contributions as these help the organisation be responsive and a good Atlantis citizen.

Many thanks also to our staff, who used the Covid-19 lockdown period to be innovative and creative in respect of alternative funding models and steering the ASEZCo into a commercial direction. They have demonstrated their absolute dedication and commitment to the entity and its objectives. Thank you.

The Covid-19 pandemic has taught us to think differently about our future. That is not to conform to the old patterns of this world, but to transform ourselves to renewing our minds and the way we build state-owned enterprises to be effective investment and community players. We undertake to build on this foundation and work towards a groundbreaking and pioneering Atlantis SEZ for green manufacturing and social inclusion.



**Jo-Ann Johnston**  
**Board Chairperson**

# CHIEF EXECUTIVE OFFICER'S OVERVIEW



## Chief Executive Officer's Overview

Special Economic Zones, albeit in different formats, have become a tried and tested international economic development tool in recent years, particularly those economies that require accelerated incentivised growth.

In South Africa, the concept of Special Economic Zones was kickstarted to inter alia provide a boost to an ailing economy. To provide a long-term and stable policy framework with minimal regulation, the SEZ Act (16 of 2014) was enacted. An SEZ is conceived as an engine to accelerate the economic growth of the country with a view to attracting investment into the country and generate foreign exchange through the export of goods and services.

The South African Government envisaged the objectives of an SEZ as follows:

- Providing a legal framework for establishment of Special Economic Zones and for units operating in such zones
- Generating additional economic activity, promoting exports of goods and services, attracting investment from domestic and foreign sources, and creating employment opportunities
- This Act is unique as it helps in 'backward and forward' linkages of the economy, and to satisfy the requirements of all principal stakeholders in an SEZ – the developer and operator, occupant enterprise, out zone supplier and residents

The Atlantis SEZ Company completed its second full year of operations. In our second year of operations (2021/2022), we had an ideal opportunity to gain experience from mistakes made by other SEZs both here and further afield. The Western Cape Government created a Special Purpose Vehicle (SPV) that is responsive to market conditions. In this respect though, the ASEZCo is very dependent on the stability of South African national government policy.

SEZs are designed to be a partnership between the three tiers of government on the one hand, and investors and communities on the other. It is a concerted effort by the government to create an environment conducive to private sector investment.

Although small (118ha) compared to other SEZs in South Africa, the Atlantis SEZ is attracting attention in the investment world due to the focus on Greentech investment. The Atlantis SEZ, in this respect, is the first of its kind in Africa.

With the present international and South African focus on renewable energy, our main objective is to unlock the underlying economic value of existing and under-utilised infrastructure through the creation of a Greentech manufacturing hub. Wind turbines, solar panels, insulation, biofuels, electric vehicles, energy storage, materials recovery, and green building materials are all examples of initiatives that will find a home in the Atlantis SEZ.

The South African national government identified the SEZ programme as one of the critical economic policy instruments for promoting industrialisation. In the South African renewable energy context, the Western Cape commenced with a particularly strong focus on renewable energy generation. Several companies operating in the green economy have their headquarters in Cape Town. They span across the economic clusters of solar photovoltaic manufacturing, electrical manufacturing, fuel supply, professional services and supporting bodies. After all, there is a new green and sustainable approach to energy worldwide and Atlantis is perfectly suited to deliver this in the Western Cape. The SEZ already has six investors located in the Atlantis Greentech SEZ. These investors are in the 25 hectares of privately owned land, which form part of the Atlantis SEZ. These investors inter alia are Gestamp Renewable Industries – a Spanish investor, Kaytech Engineered Fabrics, Everflo, Swartland Insulation, Ahlesa Blankets, and Quantum V3 Holdings.

## A Competitive and Innovative Approach

Atlantis is 40 km from Cape Town and situated between the Saldanha Bay and Cape Town Ports. This is now rapidly becoming the new undeveloped economic axis in the Cape Metropole and is an ideal location from which to compete in Africa's emerging green economy markets. The Atlantis SEZ is in Cape Town and offers industrially zoned land, a dedicated support base from government, and fruitful business relationships for investors. We are situated near ports, logistical nodes, and hubs for a variety of related industries for raw materials. The unique Greentech positioning encourages the development of clusters of suppliers and service providers with a Greentech bias. Our vision is to have the Atlantis SEZ contributing to a prosperous Western Cape, where the green economy helps people thrive, reduces carbon emissions, and enables sustainable resource use. Carbon reduction, resource efficiency and social inclusivity have become the key pillars for the development of the ASEZCo, not only in the attraction of investment, but also in its operations.

**The ASEZCo has several key objectives listed below, some of which are already being implemented.**

- The development of a sustainable Greentech SEZ in Atlantis
- Attracting and retaining export focused Greentech investors into the Atlantis SEZ who value local integration
- Establishing and maintaining a conducive business environment for the green economy
- Fostering local economic growth, employment, and revitalisation

During the 2021/2022 financial year, further building blocks towards an effective governance and investment attracting vehicle were put in place. Key milestones were also reached, such as finalising the acquisition of the land from the City of Cape Town in respect of the 94 hectares of undeveloped, city-owned land and the scheduling of the ASEZCo as a provincial business enterprise. Investment promotion activities and shaping the ASEZCo offerings progressed well in 2021/2022.

The long-term infrastructure plan and the urban regeneration plan have been developed in close consideration of investor and community needs. These plans outline a much-needed foundation for the ASEZCo to generate capital funding applications to the SEZ Fund. We have also commenced with the planning of the infrastructure work in Zone 1 and the national government SEZ Fund application for the funding in respect of the Zone 1 civil works.

Together with the land acquisition agreements and the shareholders' and share subscription agreements, the Memorandum of Incorporation (MOI) was amended, and approved by the Western Cape Government. The land transaction resulted in an innovative outcome as the approach of a municipality becoming a shareholder in a provincial state-owned enterprise is new in South Africa. The

shareholding in respect of the Western Cape Government and the City of Cape Town was finalised and is now recorded in the financial statements of the ASEZCo.

Now that the ASEZCo is scheduled as a provincial business enterprise, the shareholding of the two shareholders formalised and the land under control of the ASEZCo, the entity has the ability to formally transact, which enables the ASEZCo to have its investment promotion campaign formally in place. There is now certainty for investors that the ASEZCo is able to fully enter into valid lease agreements.

There is a last hurdle to cross, i.e. the tax incentives. The SEZ Act was passed and the regulations were promulgated following the adoption of the Policy on the Development of Special Economic Zones ("the SEZ Policy") in South Africa (2012) by the then-Department of Trade and Industry (dti). The SEZ Policy emphasizes the importance of the need for incentive packages for SEZs to succeed in economic development. It refers, for example, to one: "Adequate financial support to enable long-term planning and infrastructure development, as well as worthwhile investment incentive packages are also key features of successful special economic zones development regimes"; and two: "The use of incentive packages is a common international practice in attracting foreign or domestic direct investment". It was in the context of these SEZ policy decisions that Regulation 7 was promulgated, opening the door for tax incentives. More recently, the Minister issued a draft document headed "Special Economic Zones Tax Incentive Guide". It states, "To compliment the Department of Trade and Industry's SEZ strategy, a package of tax incentives will be available to qualifying companies locating in approved SEZs."

This argument will form the basis of our representation to National Treasury to have the tax incentives approved for application by accredited ASEZ investors.

The relationship with the elected ASEZCo Community Stakeholder Network (CSN) is doing well. This elected body is the conduit between the ASEZCo and the interest and participation of the Atlantis community. We have signed the Community Facilitation Agreement with the CSN and the constitution of this all-important body was approved and signed off in this period.

The ASEZCo has built its stakeholder development model strongly on excellent co-operation between the three tiers of government. With the National Government allocating the licence, funding bulk infrastructure and top structures, the City of Cape Town, a shareholder through their land contribution, and the Western Cape Government, a shareholder through providing operational funding, it represents one of the best examples of three tier government co-operation in South Africa.

Good working relations with the community are of paramount importance. Other than the endorsed Atlantis SEZ Community Stakeholder Network (CSN), several skills and enterprise development programmes were initiated and will be expanded

over time. Skills development is prioritised in the Western Cape to ensure labour meets the needs of the businesses located in and around the metropolis. The region's youth are also benefiting from training, mentoring and exposure to Greentech industries. The Atlantis Greentech SEZ encourages participation in the annual Renewable Energy Challenge and a career expo encourages innovation and entrepreneurship. We are fortunate in that there is a large pool of unskilled, semi-skilled, technical, and professional candidates available in Atlantis for enterprises.

**During the reporting period the Integrated Eco-System Division has continued with its remarkable work in the wider Atlantis community. These initiatives included:**

- Food security and incubation program launched for 21 food growers and small-scale farmers in Atlantis February 2022
- Mechanical Fitter accredited training for 12 beneficiaries
- Ten beneficiaries for Early Childhood Development Practitioner training at National Diploma level
- One hundred households benefitting from the solar geyser project in Mamre and Witsand
- Green Dialogue; 17th March 2022 - engagement session for 30 community members in partnership with Cape Nature Reserve
- An outreach to SMMEs and artisans to register on ASEZCo SMME database for construction and civil works anticipated to commence towards the end of 2022
- Assessment of SMME compliance and skills level with the civil works roll out in mind
- Activation of networks to ensure inclusion of women, youth, and people with disabilities to register on database
- SMME roadshow is supported by the four Atlantis Business Chambers.

The success of the Atlantis SEZ will be based on strong partnerships; the most important partnership is the one between the Western Cape Provincial Government, the City of Cape Town, and National Government (particularly the Department of Trade, Industry and Competition), National Treasury, and the South African Revenue Services (SARS).

A number of other important partnerships, such as with the CSIR, are emerging as strong pillars in the success of the Atlantis SEZ. These knowledge partnerships further support investors and businesses in the green technology and renewable energy space.

Putting the all-important building blocks of the Atlantis SEZ Company is but a first step to attracting investment and breaking ground. Other than the tax incentives not being finalised, the required platform is in place.

International SEZs are successful in their quest to offer value and a return on investment, the ASEZCo is no exception. The core success

of any SEZ lies in its ability to attract investors. With this in mind, an attractive investment package is being developed. There are already some extremely attractive propositions on offer, including competitive rentals, proximity to two deep-sea ports, funding for top structures, an emerging Greentech cluster, and a location in a city that is serious about Greentech development and that offers excellent lifestyle choices for companies and employees.

During the period of putting the building blocks in place, we actively pursued links and opportunities in investment promotion. The ASEZCo began exploring a formal agreement with Wesgro as the region's formal tourism, trade, and investment promotion agency. Their ability and reach at a global scale bode well for the ASEZCo's ability to penetrate targeted markets and engage with specific companies with the capabilities to offshore/re-shore their investments into the ASEZ. The ASEZCo has also set out to engage the International Cleantech Network (ICN) through GreenCape on facilitating introductions between cluster organisations and cluster members. This serves two purposes in that the ASEZCo can learn and share from and with best practice regional and international cluster organisations growing and supporting specific green economy activities globally; and also assist in identifying cluster members who have direct interest in expanding their manufacturing base into Africa, in particular, South Africa and the ASEZ located in Cape Town. A mission to the Netherlands and Germany has been organized for early 2022/23 to achieve the above understanding of clustering, as well as to engage specific cluster members with interest in the ASEZ as a location.

The ASEZCo has gained significant traction in the foreign political realm by engaging with several countries' ministries and their respective trade and investment divisions. Belgium, Netherlands, Germany, Finland, United States of America are all displaying interest in understanding the business development activities of the ASEZCo. It is actively using information provided by these delegations to hunt out and pursue opportunities associated with facilities and provisions provided by the respective countries' economic units. These activities promote the ASEZCo to an international audience through the economic departments of these delegations. These partnerships, although informal, contribute to the business development targeting strategies adopted by the business development unit.

We have also sought to better position ourselves within the industrial property market developers and project managers by pursuing solid relationships with multi-national real estate brokers and property developers. By positioning ourselves as an incentivised location for green technology manufacturers to locate themselves in, allows for marketing of the ASEZ to foreign and local businesses by the respective property players seeking tenants for existing and newly developable listings.

The ASEZCo, through its targeting efforts, established a pipeline of investors who have direct interest in locating themselves in the ASEZ. This pipeline represents a good cross-section of green economic activity and is composed of chemical manufacturers, agri-



processing companies, green buildings, and e-mobility solutions. The Board of directors has established an Investment Committee that will assess and accredit investors based on due diligence reports directed at determining sustainability of projects. This will enable the signing of lease agreements with successful investors.

Interest in the ASEZ as a destination to expand or locate new investments is growing, albeit circumspectly. It is encouraging that two investors chose Atlantis as a destination of choice and have thus far committed R171 million of new investments into the ASEZ, with more than twenty-five new jobs created.

Human capital is key in the building of any successful SEZ. A CEO is only as good as the people around him or her. An extensive human resources development process was followed to determine the human resources needs of the ASEZCo, with most key appointments have now been made. A few more appointments will follow once a number of lease agreements have been signed and the attention shifted to the all-important operational management of the Zone. A Zone Management Model for the ASEZCo is already in place.

Recent reports indicate that South Africa is not the most attractive investment destination in Africa. Until a few years ago, it was. In recent times though, countries such as Nigeria, Egypt and Rwanda have overtaken South Africa in its ability to attract investment. Notwithstanding any challenges, we are entirely optimistic about our future success. We are excited and energised by the challenges that lie ahead. We have the right people, a solid foundation of support in our partners, a niche focus on Greentech and a competitive edge that represents a unique selling proposition.

Putting the all-important building blocks of the Atlantis SEZ Company is but a first step to attracting investment and breaking ground. Other than the tax incentives challenges, the required platform is in place.

## General Financial Overview of the Atlantis SEZ Company

**At the end of our second full year of operation, we can report as follows:**

The ASEZCo received R34,5m (2020/21: R27,9m) in grant funding. Total expenditure increased by 23% from the prior year. As anticipated, spending accelerated after the lockdown period, with the skills and enterprise programmes having gained momentum with face-to-face interaction sessions coming back in operation. With the listing as a provincial business enterprise and the direct control over its operating systems (bank account opened March 2022), the trend is expected to increase exponentially. As the listing was only approved in December 2021, Wesgro continued until the end of the 2021/2022 financial year, to effect payments for ASEZCo transactions via the shared services agreement.

Provincial funding of the operational budget has been secured for the 2022/2023 to 2024/2025 fiscal periods. There has been no infrastructure expenditure to date. As the SEZ application for the civil works could only be submitted once the bank account was opened, and it is expected that this funding will be received and rolled out in the 2022/2023 financial year.

## Spending Trends

Spending trends were hampered by a number of factors, including not having our own bank account, COVID-19, and understandable but manageable growth pains encountered in every state entity's first year of operations. To speed up the procurement spending, a number of service provider panels, such as a professional services and marketing specialists panel, were created. These panels were initiated in 2020/2021 and were finalised this current financial year. A legal services panel will be finalised in the 2022/2023 financial year.

## Capacity Constraints

The human resources model is still based on a small, experienced staff using an array of operational panels (professional services, marketing as well as legal) on an ad hoc basis. We will endeavour to keep the model this way and only increase the capacity in the infrastructure roll out and zone management areas of the work.

Since its establishment, the Company has been on a recruitment drive and all the executive positions are filled. The entity has the necessary human and knowledge capital to advance its business plan and strategic objectives. What is required is the financial capital (mainly the national SEZ Fund) and policy (mainly at a national government level) to deliver same. Our position as an agent of Greentech economic development will see strong economic growth and employment for the Western Cape over time. The continuous market feedback informs us that the next phase of the entity must be led from a principle of being an agent of sustainable economic transformation, whereby it is of paramount importance that there is continuous investment in the following areas to create a conducive environment for investment:

- Building on a credible administration, particularly on the supply side of the administration
- Invest in additional infrastructure, equipment, and facilities to support Greentech manufacturing growth
- Invest in different, efficient processes with the role-players paramount to business's enabling environment to ensure they are operational sooner
- Making sure that the community is part of the roll out of the ASEZ
- Against the backdrop of international scepticism investing in South Africa, ensuring a targeted investment promotion approach



## Discontinued key activities: Not applicable.

### New or proposed key activities:

The placement of local Atlantis interns from Westcoast College for a period of 18 months provides workplace opportunities that will equip the National Diploma students with practical work experience and contribute towards graduates' employability. The ASEZCo indirectly supports research and development capabilities of local SMMEs from an Enterprise Development perspective. The ASEZCo's commitment to skills development and empowerment is further strengthened by the partnership with the University of the Western Cape (UWC) to host the first cohort of Social Work and Community Development 4th-year students. The inclusion of social science students provides the required holistic approach to socio-economic development.

## Request for roll over Funds

As the ASEZCo was only listed in December 2021, the entity still operated under a shared services agreement with Wesgro for the 2021/22 financial year. Roll over application supporting commitments as at 31 March 2022 will need to be submitted by Wesgro.

## Supply Chain Management Process and Systems

Supply chain is the core of the administration processes in an entity such as the ASEZCo. The ASEZCo has an established supply chain management unit within its corporate services division. All governance arrangements, including policies, procedures and controls were consistently and effectively implemented during the period under review. The supply chain unit has developed efficient procedures to ensure business units have the tools to deliver efficiently. The approved supply chain management manual that formed part of our business enterprise application to National Treasury in August 2020 was further refined to align to the latest legislative requirements and approved by the Board in August 2021.

As the extent of infrastructure and civil works plans and tenders are operationalised, the supply chain part of the administration of the ASEZCo work will be continuously updated and refined.

The Constitutional Court's judgement in Minister of Finance v Aribusiness NPC [2022] ZACC 4 of 10h00 on 16 February 2022 inhibited the state's supply chain management processes and the ASEZCo, similar to all other organs of state, did steer through these constraints whilst still being able to deliver on its mandate.

## Unsolicited Bids

No unsolicited bids were awarded during the financial period.

### Challenges Experienced and Mechanisms to Resolve these Challenges.

#### As mentioned earlier, certain challenges must still be overcome to enable an internationally competitive investment environment:

- The approval of the tax incentives for the ASEZ accredited investors to have access thereto
- Creating a national and international profile of a credible company specialising in Greentech investment in the manufacturing sector
- Raising the capital for the civil works for zone 2 and zone 3 through the three tiers of government

These challenges are being continuously worked on.

## Audit Report matters of the Previous Year

The ASEZCo received an unqualified audit report (with no other matters to report), for the 2020/2021 financial year and thus had no significant audit report matters to address.

## Outlook and Plans for the Future

It has become clear that the national SEZ Fund will be under increasing strain. Research has been done on a Developer Model, where private property developers build the required top structures and assist in the identification of operators in the Greentech manufacturing sector. The downside is that the ASEZCo may lose out on top structure lease revenue, although such an approach will fast-track development and job creation. The lack of future capital for bulk infrastructure, civil works and top structures forced us to reconsider our roles and our mandates. It has challenged our preferred orthodoxies and tested methodologies. It will yet demand a rearrangement of our priorities, goals, and objectives.

The current and increased emphasis on renewable energy in National Government's Integrated Resource Plan of 2019 (IRP2019) provides the Atlantis SEZ with a major opportunity given our niche position. COVID-19 has also presented us with an opportunity for renewed determination to build a better, more resilient world against the renewable energy backdrop. Against this background, we have chosen to approach the challenge of re-imagining the Atlantis industrial enclave from an apartheid-created industrial area to one that embraces Greentech manufacturing, with abundant opportunities.

Building this sector falls within government's endeavour to become less dependent on one power source; it has become one of the cornerstones of a future South African economy and its prospects to move into a positive growth phase.

## Events after the Reporting Date

The ASEZCo received an outcome to its national government SEZ Fund application prior to the end of the financial year and must still contract with the dtic for these grant funds. This scheduling of the ASEZCo as a provincial business enterprise has shifted to getting the civil works in Zone 1 implemented to create an investment ready SEZ in Zone 1.

## Economic viability of the ASEZCo

The overall concept of a SEZ is not to create an entity that becomes a money-making machine, but rather an entity that is a machine for accelerated economic growth in the manufacturing sector. The objective of the SEZ concept was never to be a profit generating business in its own right. It was always to provide a catalyst through various incentives for a higher rate of employment and contribution to Gross Domestic Product (GDP).

Within the present fiscal constraints at national, provincial, and local government levels, one of the objectives of an SEZ must, of course, be to be entirely commercial in its approach and to reduce dependency on government funding.


The Atlantis SEZ Company has developed a revenue model which was a core part of its business enterprise application to National Treasury. The objective was to include revenue streams that are realistic and achievable. If the Atlantis SEZ Company can establish a positive trend in investment uptake over the next seven years, it is projected that the Atlantis SEZ Company could break even in its seventh year of full operations. The majority shareholder, the Western Cape Government, must also always have extraordinarily strong oversight of the company. The financial dependency on the provincial fiscus will create that fiscal bond and oversight.

Being commercially minded in its approach is an element often absent in SEZs in South Africa. Moving to a point of lesser dependence on the provincial fiscus and moving to a point of increased viability is a non-negotiable objective of the ASEZCo. The land transaction with the City of Cape Town, through their shareholding in the Atlantis SEZ Company, was not only unique in South Africa, but this transaction was also concluded without the Atlantis SEZ Company paying for the 94 hectares acquired. It enables us to "sweat" a land asset through a rental income revenue stream via investor take-up. This transaction is already an extraordinarily strong move towards viability. i.e. an approach of "doing more with less."

Appreciation

Building a credible provincial business enterprise that is nationally and internationally competitive is not an easy task, but some creative progress has been achieved over the 2021/2022 financial year. This overview constitutes a report for our full second year of operation as an unlisted company (with the listing only materialising in December 2021). We have made considerable progress in building a company that is responsive to ever-changing market and funding conditions. There have been encouraging milestones, such as the acquisition of the land, securing the City of Cape Town as a minority shareholder and the scheduling of the entity in December 2021. To achieve these milestones demanded creative thinking and agility. I am appreciative of that agility. At the same time, I must acknowledge the strength, ingenuity, shared commitment, and sense of humour of the many people working with me during what has been a challenging period. They deserve both my acknowledgement and appreciation.

I would like to thank the Board of Directors for its strong and committed leadership. I would also like to thank our shareholder representative, Minister David Maynier, Provincial Minister for Finance and Economic Opportunities, and Alderman James Vos, member of the City of Cape Town Mayoral Committee for their diligent interest, constructive feedback, and support.



**Dr Pierre Voges**  
**Chief Executive Officer**

# Statement of Responsibility and Confirmation of Accuracy for the Annual Report:

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

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2022.

Yours faithfully

  
\_\_\_\_\_  
CEO  
\_\_\_\_\_  
Chairperson

# STRATEGIC OVERVIEW:

## 1. Vision

The place where Africa's green economy grows.

## 2. Mission

Our mission is to “develop a sustainable Greentech SEZ which creates a conducive business environment for the Green economy and integrated economic growth and employment.”

In achieving this mission, the ASEZCo aims to become Africa's leading, globally competitive and export orientated Greentech manufacturing zone and a Living Lab demonstrating the highest standards of good governance, low carbon and resource efficient economic development and social inclusion.

In doing so, the ASEZCo will also contribute to global well-being through commitment to the Sustainable Development Goals (SDGs) and the UNIDO Eco-Industrial Park Principles.

## 3. Values

Core values guide the way that we work and how we do business:

- We are the global and African benchmark in Greentech developments.
- The living lab showcases and curates the future of the circular economy.
- We create a flexible, adaptable, innovative, attractive, and competitive investment environment through a single-minded focus on the investor.
- We ensure economic growth drives sustainable community development through enterprise creation, job creation and skills development.
- We have committed staff who share this vision of the ASEZ and see it as an employer of choice.
- We are a respectful, open, and authentic work environment that prioritises diversity and inclusivity.
- We focus on delivering on the expectations of our stakeholders.

## Legislative Mandate:

### Establishment

The ASEZCo is a state-owned entity as defined in the Companies Act. The shareholders are the Western Cape Government and the City of Cape Town, who hold the shareholding in proportions of 55% and 45% respectively.

ASEZCo is a provincial public entity listed under schedule 3D of the PFMA and is characterised as a government business enterprise.

## 4. Constitutional mandate

Constitution of the Republic of South Africa, 1996 and the Western Cape Provincial Constitution (Act 1 of 1998)

Schedule 4 of the Constitution of the Republic of South Africa lists functional areas of concurrent national and provincial legislative competences. Those areas that are relevant for Economic Development and Tourism are:

- Consumer Protection
- Industrial Promotion
- Tourism
- Trade

## 5. Legislative and policy mandates

### 5.1 Updates to the relevant legislative mandates

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

The B-BBEE Act establishes a legislative framework for the promotion of Black economic empowerment; empowers the Minister to issue codes of good practice, and to publish transformation charters; establishes the Black Economic Empowerment Advisory Council; and provides for matters connected therewith.

The B-BBEE Amendment Act introduced several changes, of which the following are deemed the most significant:

- The establishment of a B-BBEE Commission that provides an oversight and advocacy role
- The definition of “fronting practices” and the criminalisation of such practices

- All organs of state to report on compliance with B-BEEE regulations in their annual reports
- The amendments to the B-BBEE Codes of Good Practice came into effect on 01 May 2015

The Special Economic Zones Act, 2014 (Act 16 of 2014)

The purpose of the Act is to provide for the designation, promotion, development, operation, and management of Special Economic Zones, which includes the establishment of a business enterprise (either provincial or municipal) to manage each SEZ. Furthermore, the Act provides for the establishment and functioning of the national Special Economic Zones Advisory Board and the establishment of the Special Economic Zones Fund. Finally, the Act seeks to regulate the process of applying for and issuing of Special Economic Zones operator permits; and to provide for functions of the Special Economic Zones operator.

Special Economic Development Infrastructure, 2019 (Act 16 of 2019)

The Western Cape Government (WCG) is responsible for driving several special economic development infrastructure projects in the Province to stimulate and promote economic growth and employment creation. This act enables the establishment and management of a juristic person to hold and safeguard the Western Cape Government's interests in these special economic development infrastructure projects.

## 5.2 List of relevant legislative mandates

### Staff matters (in alphabetical order):

- Basic Conditions of Employment Act (Act 75 of 1997)
- Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993)
- Employment Equity Act (Act 55 of 1998)
- Labour Relations Act (Act 66 of 1995)
- Occupational Health and Safety Act (Act 85 of 1993)
- Skills Development Act (Act 97 of 1998)

### Financial matters (in alphabetical order):

- Companies Act (Act 71 of 2008)
- Financial Intelligence Centre Act (Act 38 of 2001)
- Income Tax Act (Act 58 of 1962)
- Municipal Finance Management Act (56 of 2003)
- Preferential Procurement Policy Framework Act (Act 5 of 2000)
- Public Finance Management Act (Act 1 of 1999)

### Other legislative mandates (in alphabetical order):

- Atmospheric Pollution Prevention Act (Act 45 of 1965)
- Broad-Based Black Economic Empowerment Act (Act 53 of 2003)
- Competition Act (Act 89 of 1998 as amended)
- Construction Industry Development Board Act (Act 38 of 2000)

- Construction Regulations (2014)
- Consumer Protection Act (Act 68 of 2008)
- Control of Access to Public Premises and Vehicles Act (Act 53 of 1985)
- Council for the Built Environment Act (Act 43 of 2000)
- Customs and Excise Act (Act 91 of 1964 as amended)
- Promotion of Access to Information Act (Act 2 of 2000)
- Protection of Personal Information Act (Act 4 of 2013)
- Spatial Planning and Land Use Management Act (Act 16 of 2013)
- Special Economic Zones Act (Act 16 of 2014) and Regulations
- Value Added Tax Act (Act 89 of 1991 as amended)
- Western Cape Special Economic Development Infrastructure Company (Western Cape Act 3 of 2019)

## 6. Institutional Policies and Strategies over the five-year planning period

### 6.1 Updates to institutional policies and strategies

Re-imagined Industrial Strategy (Cabinet Lekgotla, 12-14 June 2019)

The document is a refocusing of the Industrial Policy Action Plan to emphasize those elements that will support inclusion and private investment. It notes the fundamental building blocks of sustainable growth include adaptation to climate change and policies which contribute to equity, social stability, and cohesion. The new approach focuses on the following:

1. Five Growth Engines (Industrialisation, Investment and Infrastructure, Innovation, Integration, and Inclusion) fuelled by private sector partnerships, growing productive forces, and entrepreneurial State.
2. Seven Priority Sectors (Industrial, Agriculture and Agro-processing, Mining, Tourism, High Tech/Knowledge-based, Creative sector and Oceans economy).
3. Four Spatial Interventions:
  - a. SEZs;
  - b. Industrial Parks;
  - c. Smart Youth Centres, Business Centres & Incubation Hubs; and
  - d. Township & Village Enterprises.
4. A New Integrated Approach to Implementation.
5. Clear Action Plans, Budgets & Timelines.

At the time, the strategy called for a complete regulatory and legislative process for a new and enlarged support programme for SEZs that includes competitive tax benefits and conditional grants for infrastructure. On the Atlantis SEZ, it specifically mentions an immediate priority to establish the SEZ Company and the development of its infrastructure.



### Medium Term Strategic Framework

The Medium-Term Strategic Framework (MTSF) is the Government's strategic plan for the 2020-2024 electoral term. The MTSF sets out the actions that Government will take and the targets to be achieved. It also provides a framework for the other plans of national, provincial, and local government.

### The South African Economic Reconstruction and Recovery Plan, 2020

#### The key concepts of the plan are:

- A drive for infrastructural investment in collaboration with the private sector to stimulate job creation.
- Achieving energy security by opening up the electricity supply chain to independent power producers.
- Digital push with broad-based spectrum auction progress and a commitment to improve the capacity of the "state."
- A relaxation of the regulatory environment to enhance the ease of doing business and the associated drive to develop small business.
- The introduction of e-visas to enhance tourists.
- A scheme to employ young people to assist teachers in school learning.

This national recovery plan resonates with a number of themes within the jobs theme of the Western Cape Recovery Plan.

### National Development Plan

The National Development Plan (NDP) represents a vision for the South Africa of 2030. It aims to enable faster economic growth, higher investment, and greater labour absorption. The NDP contains detailed plans and interventions across all sectors of the economy to enable the achievement of this vision. The key concepts of the NDP are:

- Uniting South Africans around a common programme.
- Citizens active in their own development.
- Faster and more inclusive economic growth.
- Building capabilities.
- A capable state.
- Leadership and responsibility throughout society.

### Integrated Resource Plan

The Integrated Resource Plan (IRP) is an electricity infrastructure development plan based on least-cost electricity supply and demand balance, considering security of supply and the environment (minimise negative emissions and water usage). At the time of promulgation, it was envisaged that the IRP would be a "living plan" to be revised regularly. The promulgated IRP 2010-2030 identified the preferred generation technology required to meet expected demand growth up to 2030. It incorporated government objectives such as affordable electricity, reduced greenhouse gas (GHG) emissions, reduced water consumption, diversified electricity generation sources, localisation, and regional development.

Aligning the IRP objectives to our methodology of targeting tenants for the ASEZ is a sure-footed way to secure green technology manufacturing. Making sure that the IRP is implemented is of the utmost importance to the success of the ASEZCo's ambitions to promote and facilitate investment into the ASEZ.

### OneCape2040

OneCape2040 is a deliberate attempt to stimulate a transition towards a more inclusive and resilient economic future for the Western Cape region. It is a vision and strategy for society, rather than a plan of government, although all three tiers of government are essential for implementation. It does not replace any existing statutory plans required of either province or municipalities. It is rather intended as a reference point and guide for all stakeholders to:

- Promote fresh thinking and critical engagement on the future;
- Provide a common agenda for private, public, and civil society collaboration;
- Help align government action and investment decisions;
- Facilitate the necessary changes we need to make to adapt to our (rapidly) changing local and global context; and
- Address our development, sustainability, inclusion, and competitiveness imperatives.

### Provincial Strategic Plan

The Provincial Strategic Plan (PSP) is aimed at creating an enabling environment that facilitates opportunities and encourages responsible citizenship. The Provincial Government has developed five Vision Inspired Priorities (VIP). These are:

- **VIP 1** – Safe and cohesive communities
- **VIP 2** – Economy and jobs
- **VIP 3** – Empowering people
- **VIP 4** – Mobility, spatial transformation, and human settlements
- **VIP 5** – Innovation and culture

The Department of Economic Development and Tourism, through its programmes and activities, contributes to the achievement of VIP 2, namely the Economy and jobs. Its impact statement is "Increased employment of the Western Cape Economy," with the apex goal of growing exports by 50%.

#### The identified PSP priorities are:

- Investment
- Infrastructure
- Exports
- Skills
- Resource resilience

Atlantis SEZ contributes to the achievement of VIP 2: Economy and jobs and has developed its 5-year strategy around the creation of an enabling environment that fosters economic growth and job creation.

### State of the Nation Address

The State of the Nation Address (SONA) provides Government's annual priorities.

### State of the Province Address

The State of the Province Address (SOPA) is the speech delivered by the Premier at the start of the year setting out the provincial government's priorities for the year.

### Western Cape Green Economy Strategy Framework

The aim of the framework is to position the Western Cape as the lowest carbon province in South Africa and the leading green economic hub of the African continent.

### Western Cape Recovery Plan

The three focus areas that have been chosen as the pillars of the Western Cape Recovery Plan are jobs, safety and well-being. The jobs focus area recognises that although the private sector is the primary generator of jobs, it is the role of the WCG to create the enabling conditions for the creation and sustaining of jobs and livelihoods.

The safety pillar recognises that WCG is committed to making the province a safer place for all residents and visitors and to address the causes and underlying risk factors that lead to violent and criminal behaviour. This can best succeed through a whole-of-society approach that is built on strong collaboration and partnerships in which each individual, parent, organisation, and institution plays their part in reducing violence.

The WCG has placed well-being as another pillar at the centre of what government does in order to progressively realise the fundamental rights in the Constitution and to affirm the human dignity of all residents of the Western Cape. This aims to address human needs such as education, health, safety, shelter, decent living conditions, and access to economic opportunities.

The jobs theme of the Western Cape Recovery Plan is in alignment with the Provincial Strategic Plan (PSP) and with the immediate interventions. The primary priorities of the ASEZCo parent department (the Department of Economic Development & Tourism), aligned to the jobs theme of the Western Cape Recovery plan, are:

- Ease of doing business
- Investment and exports
- Energy

### The Western Cape Infrastructure Framework

The Western Cape Infrastructure Framework aligns the planning, delivery and management of infrastructure provided by all stakeholders (national government, provincial government, local government, parastatals, and the private sector).

### City of Cape Town Carbon Neutral 2050 Strategy

As part of its C40 membership, in 2017, the City pledged to develop and begin implementing more ambitious climate action plans before the end of 2020 to deliver emissions neutral and climate resilient cities by 2050.

### City of Cape Town Integrated Development Plan

This plan looks at positioning Cape Town as a forward-looking globally competitive business City – a goal that ties in well with the ASEZCo's ambitions. It also talks about a priority to be resource efficient and ensure security of services. It also specifically notes: "The City will continue working with Province, the National Department of Trade and Industry and special-purpose vehicles to make the ASEZCo more attractive as an investment destination, particularly for manufacturing. In this regard, the City supports and believes in the success of the renewable energy independent power producers programme (REIPPP). In advancing this project, the Atlantis Investment Facilitation Office will continue to provide high-quality facilitation services to prospective and existing investors."

## 7. Relevant court rulings

There are no new rulings which are relevant to the Atlantis SEZ SOC, and which may have a significant impact on its operations.

# ORGANISATIONAL STRUCTURE:

## High Level Organisational Structure:

The ASEZCo places great emphasis on its values and its culture, in addition to key skills and expertise that are required within the Entity. It is a small, diverse, and specialised team with key skills and competencies, who demonstrate a strong passion for creating a sustainable future for the Green Economy in South Africa, whilst opening their hearts to the people of Atlantis.

The ASEZCo’s focus on sustainability and the need to be an industry leader in the Green Economy, means that it is looking for like-minded and ‘different’ individuals to join the team, who can transition a variety of disciplines and focus areas, in implementing a holistic development strategy within the ASEZCo environment.

The ASEZCo straddles a diverse context, as the industry focus area is new and innovative, and is choosing to implement an enabling environment for Greentech within the parameters and structures of Public Sector. The Company has many diverse stakeholders and key industry partners and players with whom it works to achieve its mandate.

Given the start-up nature of the Entity, it offers an initial 5 -year fixed term contract to all employees within the ASEZCo’s ‘core’ roles, as included in the approved organogram. As the organization evolves, in an endeavour to optimize organisational performance and to ensure that the right people are in the right positions and all departments adequately staffed, a need to conduct an organisational design review has been identified.

## Executive Management:



Figure 1: Executive Management

## Organisational Structure: Board & Sub Committees

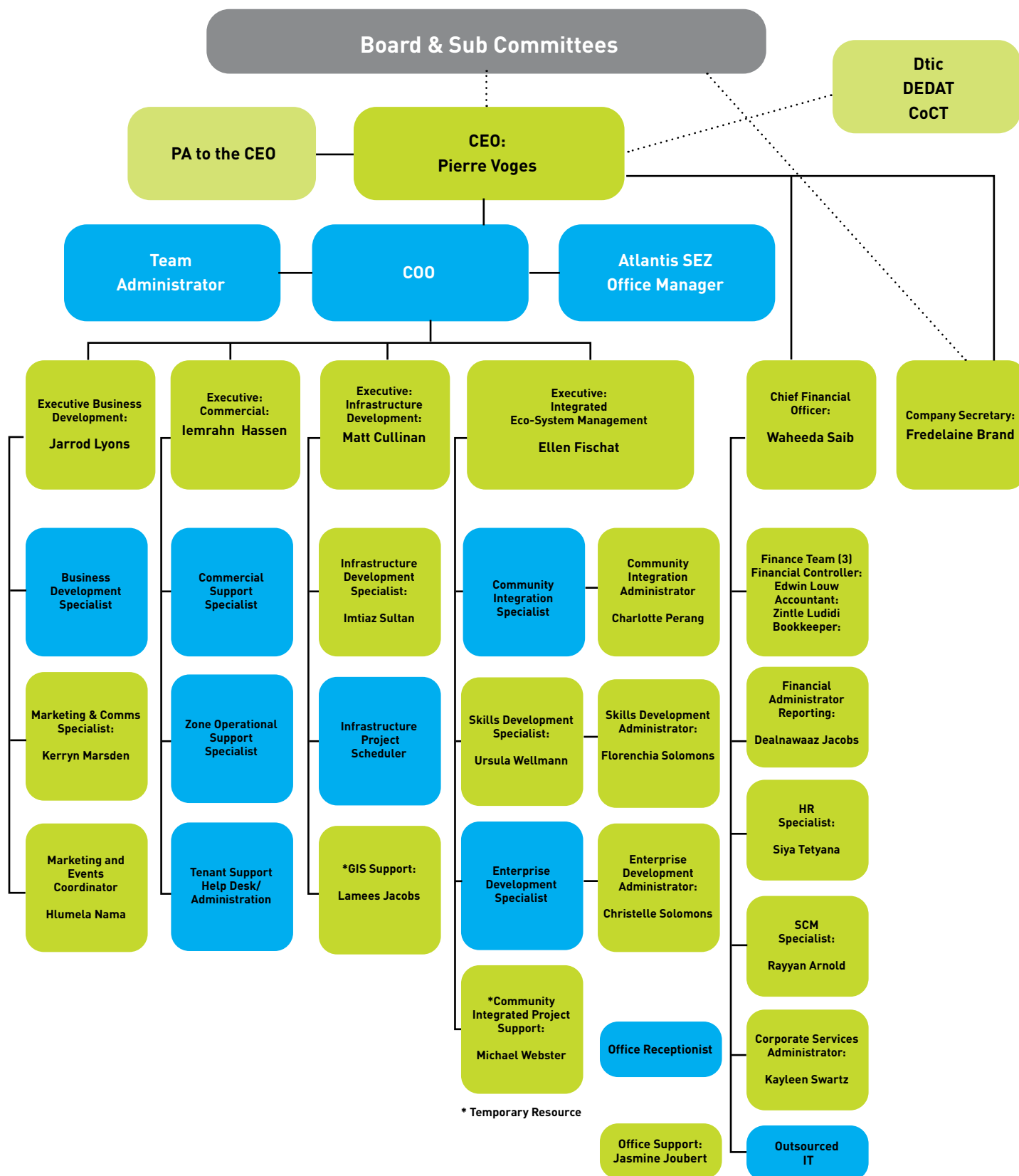
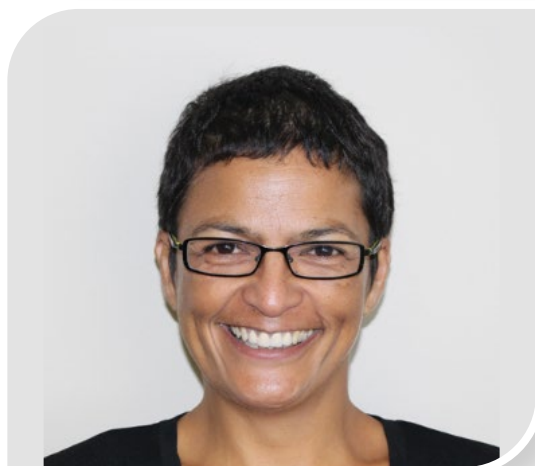


Figure 2: Organisation Structure

# BOARD OF DIRECTORS

## Board Composition:

The ASEZCo Board comprises of representatives from government from the national level, provincial level, and municipal level. The Board also includes a community representative and a labour representative. The appointment of a Greentech director is imminent.



**Jo-Ann Deidre Johnston**

**Board Chairperson**

**Appointed: 25/11/2019**

Ms. Johnston is a graduate of the University of Cape Town, with a Masters in Urban Infrastructure Design and Management (2016), a Postgraduate Diploma in Higher Education (1989) and a Bachelor of Arts degree (1988). Ms. Johnston has nearly 30 years' experience in socio-economic development, with a specialization in investment promotion and sector development. She worked as an investment advisor at the Western Cape Trade and Investment Promotion Agency, Wesgro, and as a general manager at dtic's Trade and Investment South Africa. She was also dtic's senior representative at the South African High Commission in London for 4 years, responsible for promoting investment, trade and economic relations in the United Kingdom and Ireland.

She is currently deputy-director general at the Western Cape Department of Economic Development, and is responsible for economic strategy, the digital economy, the green economy, and catalytic infrastructure projects. Infrastructure projects that fall under her responsibility include the Saldanha Bay IDZ, the Atlantis SEZ and the Cape Town International Convention Centre (a partnership between City of Cape Town and Western Cape Government), as well as smaller community-based initiatives.



**Lance William Greyling**

**Appointed: 25/11/2019**

Lance Greyling graduated from the University of Cape Town in 1996 with an Honours Degree in African Studies, majoring in politics and economics. He also received a Postgraduate Diploma in Sustainable Energy from the University of Stellenbosch in 2009. During the past 20 years, he has held positions in the private sector, civil society, and the national government tiers. He first started out as a partner in a production house called Matchframe Pictures, which produced television commercials and raised funding for video programmes. After an 18-month expedition around Africa he took up the position as regional manager for GLOBE Southern Africa, which empowered parliamentarians on issues of sustainable development.

During 2004 to 2015 Lance Greyling was elected as a Member of Parliament and served on a number of parliamentary committees including education, finance, public enterprises, minerals and energy and environmental affairs. He was also elected chief whip of the Independent Democrats and during the merger with the DA he was appointed in 2011 to the position of shadow minister of energy.

In March 2015 Lance Greyling left the world of parliament to take up the position of director of trade and investment in the Mayor's Office at the City of Cape Town. After the local government elections in August 2016, he became the director of the newly formed Enterprise and Investment Department.

Lance is also a founder board member of the Bulungula Incubator, a rural NGO based in the Eastern Cape, while also serving on a number of other boards related to his position such as Wesgro, Cape Town Tourism, the Atlantis Special Economic Zone Company, and the Cape IT Initiative. Lance is also a fellow of the Africa Leadership Initiative, which is affiliated to the Aspen Global Leadership Network.





### **Zukiswa Kimani**

**Appointed: 25/11/2019**

Zukiswa Kimani is the Chief Director in the Industrial Competitiveness and Growth Branch of the South African Department of Trade, Industry and Competition. She has been working in the industrial policy environment for over 15 years, responsible for managing, evaluating, and developing South Africa's industrial policy, inclusive of the previous Industrial Policy Action Plan (IPAP) and recently Reimagined Industrial Strategy. She is also responsible for the design and development of Marine Manufacturing interventions, as well as oversight of Aerospace and Defence. She is also responsible for overseeing research undertaken by the ICG branch to ensure policy formulation that is evidence-based and industrial policy capacity building programmes such as APORDE. She serves on various panels, boards, and investment adjudication Committees. She holds a master's degree

in International and Development Economics from the Australian National University (ANU).



### **Leon Jonathan Roman**

**Appointed: 26/06/2020**

Leon Roman started off in engineering (1985) as an electronics equipment mechanic at Atlantis Diesel Engines obtaining a National Diploma in Electrical Engineering. He fulfilled roles such as maintenance foreman and maintenance manager. He attended various management programs as well as the Executive Development Programme (USB-ed). Late 1990s his career changed from technical to behavioural - human resource development - and he finished his MBA (CU; 2008) and his Doctorate in Human Resource Development at Canterbury University (UK; 2010). He then served in senior management roles in various organisations. He also served as a non-executive director on the boards of West Coast College (Chairperson) and Foodbev Seta (Beverage Chamber). He changed to an academic route and became a senior lecturer and researcher (Employment Equity in the Wholesale and Retail Sector; B-BBEE in South Africa) at Cape Peninsula University

of Technology (CPUT). His passion for the community he resides in - Atlantis - brought him back to work and operate as pastor of the Baptist Church and to give back to the community he grew up in. His current employer is Swartland Investments (Pty) Ltd - Atlantis, where he is a senior manager in the human resource development department.



### **Kenosi Pearl Louisa Selane**

**Appointed: 25/02/2021**

Ms. Selane is a qualified Chartered Accountant (CA) SA with more than 15 years of post-qualification experience, and she also holds an MBA degree. Ms. Selane brings a wealth of experience and knowledge in strategic financial advisory, core finance and economic regulation, which she gained whilst working locally and in the United Kingdom. She is an accomplished, results-driven investment executive with experience in investments, finance, and operations, which she gained whilst working with start-ups and global organisations.



## Marshall Julian Jullies

**Appointed: 16/09/2021**

Marshall Julian Jullies' qualifications include: a Diploma in Education III (SP), a Higher Diploma in Education IV (SP) and a B TECH (Hons): Education Management from Cape Peninsula University of Technology. He is a member of the South African Council for Educators (SACE).

Marshall got involved in labour matters from a very young age and held the positions of Secretary for the South African Democratic Teachers' Union (SADTU) – Atlantis Branch for three consecutive terms before elected as the Deputy Regional Secretary for SADTU West Coast Region. He also served as Secretary for the COSATU Atlantis Local for two terms. He is also a community activist. He gained a tremendous amount of experience, supported by training in various sections of the South African labour environment with a special interest in the

mediation, conciliation, and arbitration processes in the education sector.

Marshall is an educator with teaching experience in Life Science (Biology), Natural Science and Mathematics for various grades. He is currently the Deputy Principal at Reygersdal Primary School.



## Pierre Voges

**Chief Executive Officer**

**Appointed: 01/01/2022**

Dr Pierre Voges' qualifications include a Bachelor of Commerce in Accountancy and Economics (University of Stellenbosch), Honours in Economics (University of Stellenbosch), Masters of Commerce – Economics – (University of Stellenbosch) and a Doctorate in Urban Planning and Economics (University of Pretoria). He is a Member of the South African Planning Institute (SAPI).

Pierre is the former CEO of the Mandela Bay Development Agency responsible for urban renewal through infrastructure projects in Port Elizabeth. Prior to his present position, Pierre was a director with Grant Thornton International Chartered Accountants and Business Advisors in Cape Town where he worked on infrastructure projects in the Middle East (Oman, United Arab Emirates and Qatar)

and gained extensive experience in managing the finance of infrastructure projects in terms of both public and private sector finance. From 1994 to 1996, Pierre was an advisor (RDP Office) in the office of former South African President Nelson Mandela, where he dealt specifically with development aid finance and public finance and the utilisation of this type of finance in infrastructure development. Prior to this position, he was in the South African Foreign Service, serving inter alia in The Hague, the Netherlands and Berlin, Germany.



## Waheeda Saib

**Chief Financial Officer**

**Appointed: 03/12/2019**

Ms. Saib is a chartered accountant with more than 19 years' experience in the public and private sectors. After completing articles with the Big Four, she joined the Auditor-General of South Africa. Ms. Saib has extensive experience in evaluating risk assessments, assessing internal control systems, financial and asset management systems including financial statement reporting in terms of IFRS and GRAP, as well as the assessment of reported performance by entities in their annual reports. Ms Saib also focused widely on compliance evaluations in respect of the PFMA, MFMA, supply chain management and other public sector legislative requirements.

**Fredelaine Brand****Company Secretary****Appointed: 11/10/2021**

Fredelaine Brand is the company secretary of the ASEZCo. She acquired an LLB degree from the University of the Western Cape in 2014. Ms Brand has experience in the field of corporate law and governance, has provided company secretarial services to both private and JSE listed entities. She was appointed as the company secretary of the ASEZCo in October 2021.



## **PART B:** **PERFORMANCE INFORMATION:**



# PART B:

## PERFORMANCE INFORMATION:

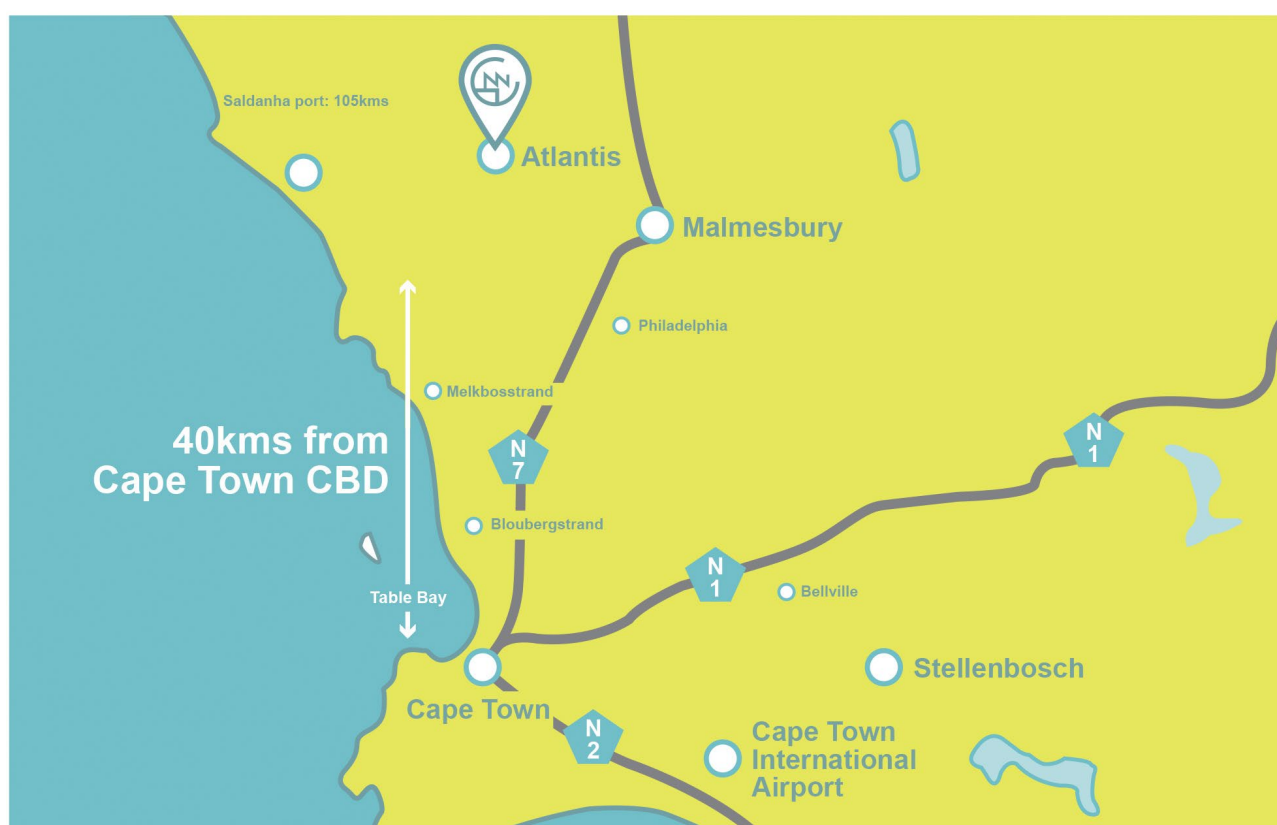
### Auditor's Report: Predetermined Objectives

The AGSA currently performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the auditor's report.

Refer to page 64 of the Report of Auditor-General published in Part E: Financial Information.

### Situational Analysis:

#### Physical Context and Overview:



**Figure 3: Atlantis physical context**

Travelling north along the West Coast Road (R27), the Atlantis Industrial area is 43km from the Port of Cape Town, 18km from Melkbosstrand and 108km south of the Port of Saldanha Bay. Industrial development along the West Coast Corridor is considered as a key initiative to the success of economic development in the Western Cape.

The Western Cape has seen higher than the average GDP growth over the past decade. Within the Cape Metropolitan Area, large pieces of industrially zoned and vacant land, such as those found in the Atlantis Industrial area and SEZ, are limited. This asset, combined with the need for a Greentech industrial cluster to support the renewable energy transition and green industrialisation, provided a key impetus for the designation of the Atlantis SEZ. With world-class infrastructure and two international ports in close proximity, the Atlantis SEZ offers value to the investor in the Greentech manufacturing sector.



The present work done by the ASEZCo to open the freight railway line between Atlantis, an already successful industrial node, and the Port of Cape Town will be a further boost in the quest of the Atlantis SEZ to become an export-based Greentech manufacturing hub.

The Atlantis SEZ capitalises on the province's already booming renewable energy and green technology sector. It supports suppliers and component manufacturers for the renewable energy sector, in particular independent power producers in the government's Renewable Energy Independent Power Producers Programme (REIPPPP).

**Table 1: REIPPPP**

ZONE	OLD ERF NUMBER	NEW ERF NUMBER	SIZE (ha)	Landowner	Private land (size)
1a	Portion Remainder CA1183	Ptn Rem of 171-RE	22.10	CoCT	
	CA1547	61	7.8	GRI	7.8ha
	CA4-93-RE	RE Ptn of 62	0.7	CoCT	
1b	CA4-128	69	2.3	Ahlesa Blankets	2.3ha
	CA4-113	70	4.5	Everflo	4.5ha
	CA4-212	73	5.3	Kaytech	5.3ha
	CA4-120-RE	74-RE	1.2	Kaytech	1.2ha
2	CA1183-4	Ptn of Rem of 277	9.6	CoCT	
	CA1183-45	246	4.0	CoCT	
	CA1183-122	254	3.0	CoCT	
	CA1183-0	Ptn Rem of 171	16.0	CoCT	
	CA1183-72	245	2.8	Swartland Insulation	2.8ha
3	Portion CA1183-4-RE	Ptn of Rem of 277	38.7	CoCT	
4	CA1183-51	179	0.7	iProp	0.7ha
TOTAL HECTARES (All Land)		118.6	Total occupied (Private land)	25.1ha	

As per table 1 above, 14 separate erven form part of the Atlantis SEZ. The greenfield erven are all owned by the City of Cape Town. The individual erven range in size from 0.7ha to 38.7ha totalling 118.6ha for the Atlantis SEZ. The sites are fully serviced with road access and utilities and are zoned "general industrial".



**Figure 4: Atlantis SEZ Zone**

The City of Cape Town established a Greentech manufacturing hub in Atlantis in 2011, in response to the then-Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).

**The hub has already attracted Seven Greentech investors:**

- Gestamp Renewable Industries (GRI, steel wind towers)
- Kaytech Engineered Fabrics expansion (geotextiles for construction industry)
- Ahlesa Blankets (undeveloped)
- Everflo (acquired portions of Ahlesa Blankets' land listings on SEZ land)
- Swartland Insulation (acquired Skyward Windows facility)
- Resolux (disinvested, but property still available and owned by iProp)
- Quantum V3 Holdings t/a Iconic Gases (undeveloped)

These investments were made on approximately 21 hectares of privately owned land, which form part of the designated SEZ (there are 25ha of privately owned land with 4ha undeveloped at this point).

## The Atlantis Journey is depicted in the figure below:

The Atlantis Journey is depicted in the figure below.



**Figure 5: Atlantis Journey**

## Service Delivery Environment:

“Targeting the transition to an inclusive green economy signifies a massive and disruptive shift, commanding a new model of development. Industrial policy is core to this process, notably to ensure a “just transition” and manage a balancing act, consisting of maximising the benefits of the transition and minimising the risks associated of not transitioning; but in line with South Africa’s capabilities to minimise the short-term trade-offs and threats. This requires a careful alignment of South Africa’s industrial policy with the inclusive green economy paradigm to support the country’s green industrial development. Ultimately, this requires the shift from industrial policy to green industrial policy” (Green Economy Policy Review of South Africa’s Industrial Policy Framework. DEFF, DTI&C and DSI. 2020 – Report Prepared by UNEP and TIPS)”.

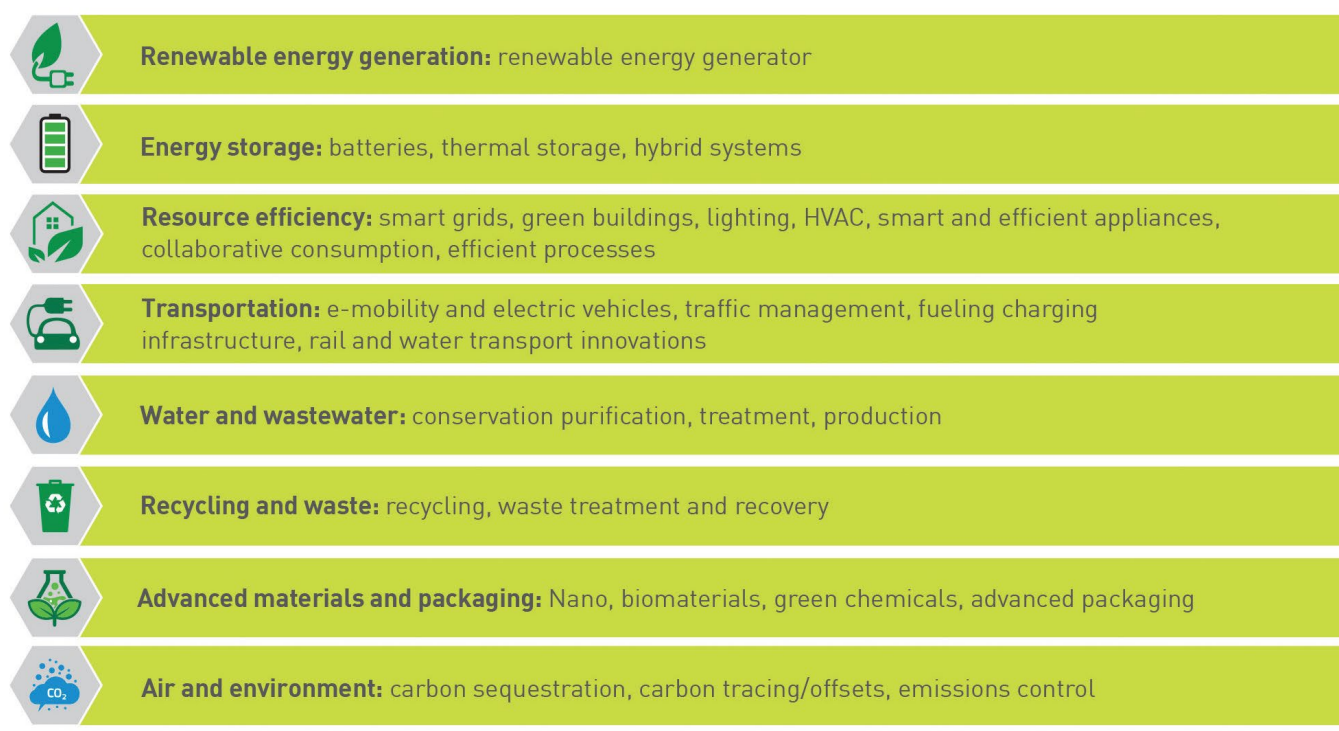
The Atlantis SEZ, designated as a Greentech SEZ, is a key enabler and supporter of this “just transition.” It aims to set the benchmark for green industrialisation and will provide these learnings to inform South Africa’s Green Economy Industrial Strategy going forward.

The concept of Greentech is built from the principles of a green economy that is low carbon (zero carbon), resource efficient and socially inclusive. Greentech can also be defined as technology whose use is intended to mitigate or reverse the effects of human activity on the environment. The Greentech definition includes, but is not limited to, technologies relating to renewable energy, energy storage, energy efficiency, water efficiency and management, greener packaging, recycling, and green chemicals, and e-mobility.

The definition of a resource-efficient, clean producer (RECP) is one that employs processes, products, and services to increase the resource efficiency of production and to reduce pollution and minimise negative impacts on humans and the environment.



## The categories of Greentech utilised by the Atlantis SEZ are:



**Figure 6: Categories of Greentech**

Source: Own analysis-based on Kachan & Co /2012) and Cleantech Scandinavia /2018)

While the ASEZCo will focus on attracting producers of Greentech products and services, resource-efficient manufacturers of products other than Greentech will also be eligible to apply to establish operations in the ASEZ.

All three tiers of government prioritise 'greener' economic growth, the creation of 'green' jobs and the development of this future-focused sector in South Africa. This is demonstrated in:

- Government interventions to promote the uptake of Greentech products and services include incentives such as the section 12L energy efficiency tax regime, the Eskom integrated demand management programme, the independent power producer programmes, green building standards and market-mechanisms such as the proposed carbon tax.
- The DTIC articulated various visions for the growth of green industries in South Africa. The Solar and Wind Energy Strategy (the Dti 2012), the Solar Photovoltaic (PV) Localisation Roadmap (EScience Associates, UrbanEcon Development Economists and Ahlfeldt 2013), the Solar Concentrated Solar Power (CSP) Localisation Roadmap (Ernst & Young and enolcon 2013), the Wind Industry Localisation Roadmap (Urban-Econ Development Economists 2014) and the Electric Vehicle Industry Roadmap (the Dti 2013) are some examples (DEFF, DTI&C, DSI – 2020)

Furthermore, the South African government's commitment to greener economic growth and renewable energy generation is demonstrated in several overarching economic policy frameworks and energy plans, such as the Integrated Energy Plan, Integrated Resource Plan (IRP2019), National Development Plan 2030 and the Industrial Policy Action Plan (2018).

The WCG's Green Economy Strategic Framework prioritises programmes which are aimed at greater diversity of energy supply to the region as well as reducing the energy intensity of products from the region. These programmes are aimed at stimulating the market for green technology, amongst others, through the removal of regulatory impediments to market growth and driving localisation of manufacturing. In addition, the Province plays a key role in coordinating efforts in industry to reduce water requirements, adopt water-saving practices, and explore diversifying and decentralising water supply – in partnership with the City of Cape Town and entities such as GreenCape.

The CoCT's Carbon Neutral 2050 Commitment notes that the following disruptions have made the green transition possible:

- Renewable electricity technologies: These are competitive and in certain circumstances cheaper than fossil fuel technologies.
- Battery storage: The WC province has wind and solar resources among the best in the world; they are variable; so, battery (and other forms) of storage will be required for renewable energy too.

- Electric vehicles: The advent of these vehicles at steadily dropping prices means that our people and goods can be transported using clean, renewable electricity.

As part of its C40 membership, in 2017, the CoCT pledged to develop and begin implementing more ambitious climate action plans by 2020 to deliver emissions neutral and a climate resilient city by 2050. Linked to this, the Sustainable Energy Markets and Environmental Management Departments of the CoCT is developing a Climate Action Plan.

These commitments translate into demand for Greentech from the CoCT, i.e. its Environmental Management Department is seeking approval for a Green Procurement Action Plan (GPAP), which will promote the procurement of greener goods by the City itself – enabling/equipping the City to use its buying power to buy greener.

Also mentioned in the Inclusive Economic Growth Strategy (IEGS) are the Water and Waste Strategies, as well as the importance of procuring from IPPs – all of which will also contribute to an increase in demand for Greentech.

The various initiatives highlight the promising and growing market for Greentech products, providing opportunities to build a Greentech manufacturing hub in Atlantis and through the Atlantis SEZ.

Thus, the ASEZCo seeks to leverage the infrastructure support and incentives available to companies in terms of both the national SEZ policy framework as well as numerous municipal, provincial, national, international, and private sector funds to stimulate investment and job creation in areas of green technology. The ASEZCo covers approximately 118 hectares of land which is estimated to provide growth in the SEZ for at least eight to ten years. There is a fast-growing market for Greentech that is sufficient to support the envisaged local manufacturing base in the ASEZ. While the utility-scale renewable energy market has been under pressure, the recent integrated resources plan, risk mitigation and round 5 of the REIPPPP should provide good stimulus. In addition, the markets for rooftop PV and energy efficiency have seen huge growth in recent years because of the shifting economics of energy in South Africa. The SEZ in Atlantis will create a conducive environment to capture the manufacturing benefits of these markets. Importantly, this represents a near-term opportunity to create manufacturing jobs

## The Living Lab

As the DEFF, DTIC and DSI (2020) Green Policy Review states, *“The integration of sustainability into industrial policy should ultimately lead to greening the programmes which form industrial policy. Support to key industrial value chains should be strategic, time-bound, and conditional to green performance improvements. Measures incompatible with the transition, such as fossil fuel subsidies, should be progressively phased out. Complementarily, policy and regulatory bottlenecks for industries to move towards a sustainable development pathway should be identified and unlocked. Moreover, measures necessary to stimulate and unlock market*

*demand, particularly from the private sector and households, should be prioritised.”*

This review places Greentech and the green economy at the centre of South African industrial policy going forward. However, it also acknowledges that this transition has many parts and that, as South Africans, we have much to learn. It stresses the importance of learning and sharing of lessons.

## The Living Lab in the ASEZ

The goals of the Living Lab are defined as:

- To continually reduce our carbon emissions, improve our resource efficiency and ensure social inclusion.
- To test a policy and practical framework for sustainable industrialisation.
- To share insights and lessons from implementing a green industrial zone (in future all industrial development will be done this way if we are to achieve sustainability, grow the circular economy and tackle the drivers exacerbating the climate crises).
- To actively pursue collaboration and partnerships as a basis for innovation and learning-by-doing.
- To actively seek and work with institutions and agencies who share our vision and to use the zone as an opportunity to explore and test innovative ideas for sustainable industrialisation, social inclusion and advancing the circular economy.

### The following benefits are envisaged:

#### Investors

- Energy and water security
- Reduced service costs (including via industrial symbiosis)
- Green production certification
- Community
- Socio-economic inclusion
- Spillovers from skills and enterprise development

The Atlantis Greentech SEZ is a key enabler and supporter of South Africa’s just transition. It aims to set the bar for green industrialisation and will provide these learnings to inform South Africa’s Green Economy Industrial Strategy going forward. The goal of the Living Lab is to push the boundaries of running and operating a sustainable, green, industrial zone, and to share those lessons.

To give effect to the above, designated SEZ land needed to be transferred from the City of Cape Town as owners, to the ASEZCo, which led to negotiations to transfer land over to ASEZCo. The Memorandum of Incorporation (MOI) was verified and approved by the Western Cape Government. A crucial next step was the listing confirmation of the Entity in Part D of Schedule 3 to the Public Finance Management Act 1 of 1999 (the PMFA), the application was successful with the ASEZCo listing finalised on 15 December 2021 to operate as a provincial business enterprise. This listing delay as a Schedule 3D enterprise meant that the ASEZCo was unable to deliver on many of the sub-programme operational requirements in that it was largely unable to transact in the year under review.



## COVID-19

The COVID-19 pandemic significantly impacted countries and economies with all organisations being negatively affected in terms of revenue and long-term sustainability. There are, however, some key post-COVID opportunities that are becoming clearer globally, which may further enhance the ASEZCo focus and strategy.

The pandemic has emphasised the importance of resilience and of protecting and enhancing our planet's ecological systems. This requires a focus on developing resilient green infrastructure. It will thus continue the trend of global emission reduction as is evidenced by the already 17% reduction in emissions experienced since autumn of 2020. For countries not to miss the opportunity to keep emissions levels down for the future, it is critical to make their economic recovery green and use the momentum to get to a zero-carbon future.

Government fiscal incentive programs all over the world will influence the global emission paths for decades to come. So, in this way, the response to the current pandemic will at the same time also be the response to the climate crisis.

The emergence of the COVID-19 pandemic caused serious disruptions to the current stream of foreign direct investments (FDI), with developing countries being affected on a much larger scale. The impact of the COVID-19 pandemic on the Special Economic Zones is no exception.

The COVID-19 pandemic is said to affect free zones through various channels, ranging from measures implemented to contain the spread of the virus, drop in global demand, continuous disruptions to supply chains, logistics and the drastic deterioration of the economic environments.

Estimations of United Nations Conference of Trade and Development (UNCTAD, 2020), based on the earnings revisions of multinational organisations, indicated that foreign direct investment has the potential to decline by 30-40 percent globally between the 2020-2021 period. These factors, including uncertainties around future developmental opportunities, possible health concerns, and a disruption in the supply chain are all potential concern areas faced by SEZs/free zones following the COVID-19 pandemic.

Given these very real and vast global economic changes, it is vital for the ASEZCo to harness the evident and necessary transitions to greener economies and technologies, to enable us to harness our unique focus.

### Systemic Challenges:

Despite the progress made in the current period, several risks and challenges remain:

- Stakeholder Fatigue - political, community and investors.
- Lack of funds for the capital program and reduced operational funding.

- A possible exhausted National SEZ Fund for prospective infrastructure.
- Securing national tax incentives to offer to accredited investors.

### Organisational Environment:

As the ASEZCo is still in the process of establishment we can be extremely proud of what we have achieved in a tough Covid-19 operating environment over the 2021-22 period.

The progress is attributable to a focused and ever engaged leadership from the CEO, dedicated and tireless building of the organisational framework by the CFO and her team, a small, but passionate, skilled, and highly motivated SEZ delivery team in Atlantis and in Cape Town.

Leadership and teamwork marked every step of this remarkable journey over the 2021/22 financial year. This included daily online team meetings during the early lockdown stages and followed by regular interactions across all the portfolios.

This organisation and the team are poised to deliver, whilst the key stumbling blocks remain, most notably:

Delayed receipt of a listing as a public entity, which lead to delayed ownership of the land.

Uncertainty, as to the extent of funding available until self-sustainability is achieved.

### Policy Developments and Legislative Changes:

The SEZ Act requiring SEZs to be listed as a Business Enterprises (as defined by the PFMA) proved to be the biggest challenge to overcome and highlights the need for urgent revision of the SEZ Act.

The announcement of the fifth and sixth rounds of the REIPPPP by the Department of Mineral Resources and Energy, followed by promising signs for further rounds on the REIPPPP, along with associated localisation requirements bode well for the Atlantis SEZ. Round five of the REIPPPP closed on the 4th of August 2021 and chosen bidders had not yet reached financial close on the bids during the financial year under review. Announcement of round 6, however, further demonstrates a significantly sized renewable energy component market to a global audience. Our efforts of securing investors were hampered by the delay in listing and the associated inability to secure funding to install the civil infrastructure to support new investors. Additionally, reaching financial close on projects bid into round 5 of the REIPPPP is the only sure-footed way for manufacturers to demonstrate a strong order book, bolstering their decision to invest into manufacturing activity which services the created demand on round 5 and future rounds of bidding on the REIPPPP.

In June, amid much celebration, President Cyril Ramaphosa announced that the amendment of Schedule 2 in the Electricity Regulation Act – a clause that has long had both producers and consumers of energy at loggerheads with government – was

imminent. The amendment was officially gazetted on 12th of August 2021. This means that electricity generation projects under 100 MW, whilst still needing to meet requisite grid-code compliance and normal permitting procedures, will not require a generation licence from Nersa. This further means that projects that have historically taken years to complete will now be able to be built much more quickly, thus providing private consumers of energy with power and alleviating South Africa's electricity crisis.

With the above changes all taking place during the year under review, as well as the ASEZCo's ability to fully transact as a government business enterprise owning 94 ha of land, it is envisaged that the ASEZCo is well placed to capitalise on green technology manufacturing associated to a growing demand.

Our ability, however, to pursue tenants who need immediately developable sites is still significantly hampered, but hopefully soon to be addressed through an application to the DTIC SEZ Fund.

## Progress towards Achievement of Institutional Impacts and Outcomes

Any institution that is result-orientated must be able to strive towards well defined Impacts and Outcomes. Such Impacts and Outcomes must be ambitious, progressive, and achievable. The development of a five-year Strategic Plan forms the cornerstone of the Atlantis SEZ five-year Vision, but it is important that this Vision finds its way into the desired Annual Impacts and Outcomes as outlined in annual Corporate Plan.

The strategic outcome-oriented goal of Atlantis SEZ is primarily informed by the SEZ Act. Other than the guidelines in the Act, it is also important for any SEZ to develop an operational approach that is suited for that specific SEZ, the culture and economic dynamics as well the capacity constraints that may exist. The systems and structures built to make an SEZ effective in its delivery mandate must include an administration that is responsible and responsive to the market that it is serving. The implementation of good governance is not negotiable and is the main pillar of the ASEZCo. Without it, any other developmental work, and any creative way in approach, this development mandate will be fruitless.

Sound financial management (that is enabling and not restrictive), a human resource base that is built for purpose and functionality, a strong corporate governance culture with a credible and respected Board of Directors, a supply chain management system that is creative, pro-active, but compliant and an ICT management system that smooths out efficient operations are the cornerstones of such a responsive administration that follows the principles of good governance to the letter, but not forgetting that in the mode of operations, it is important to find solutions to complicated problems, but it must also be based on a sound set of rules.

Talented, committed, and hardworking people are often the main components of any responsive administration and good corporate governance. The manner in which the human resources are put together must ensure an effective equation that is made up with human talent from different sources working towards a common purpose and end in mind.

Thus, the strategic goal of the Atlantis SEZ for 2020/21 -2024/25 in the following table below which provides an indication of the state of achievement in the set Institutional Impacts and Outcomes.

Table 2: ASEZCo Strategic Goals

The strategic goal of Atlantis SEZ for 2020/21 – 2024/25:		
<b>Strategic Outcome Oriented Goal</b>	To contribute to GDP through Greentech-related investment and facilitation of jobs within the Atlantis and surrounding economy.	
<b>Goal Statement</b>	<p>The Atlantis SEZ aims to achieve the following for the period 2020/21-2024/25:</p> <ul style="list-style-type: none"> <li>Recruit and facilitate at least R3 billion in direct investments into the ASEZ with associated job creation and capital investment opportunities.</li> <li>To generate revenue from commercial services of at least 70% towards being independent of the Western Cape Government for Operational budget purposes.</li> <li>To secure funding of at least R180m towards establishment of Greentech infrastructure, facilities, and services guided by UNIDO's Eco-Industrial Park and Living Lab objectives.</li> <li>To facilitate an enabling investment environment for the support of at least 740 people in Atlantis.</li> </ul>	<ul style="list-style-type: none"> <li>The ASEZ and the efforts of the ASEZCo has successfully recruited R171m of new investment into existing facilities in the year under review.</li> <li>Only listed as a public entity in December 2021, unable to transact on the land prior to listing and thus no revenue generated to date.</li> <li>The ASEZ Infrastructure portfolio secured R89 million in funding towards the establishment of Greentech infrastructure. This is for the civils for Zone 1. The civils design and implementation are being done in accordance with green design principles. On-track (50% achieved) to meet the 5 year goal of securing R180m.</li> <li>This past year saw a total of 836 people supported in Atlantis through our Community Integration, Skills, and Enterprise Development Initiatives. 64 people successfully completed SETA accredited courses.</li> </ul>
<b>Baseline</b>	None	
<b>Links</b>	VIP2 of the Western Cape Government Provincial Strategic Plan, 2019-2024	

# INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

## Performance Information:

### Programme 1: Administration

#### Purpose:

The programme is to provide efficient, cost effective, transparent, and responsive administration to the Atlantis SEZ and ensure that principles of good corporate governance are implemented.

#### Programme Structure:

The programme includes the following functions:

- Financial Management
- Human Resource Management
- Corporate Governance
- Legal Management
- Supply Chain Management
- ICT Management

#### Sub-programme 1.1: Financial management

Effective financial management aimed at ensuring legislative compliance. The sub- programme of financial management also ensures that the necessary resources to efficiently run core operations are provided.

#### Sub-programme 1.2: Human resource management

The human resources sub-programme ensures that the Company employs and maintains a skilled and properly remunerated workforce. A priority is to attract, recruit and retain staff by creating a culture and climate conducive to a motivated workforce. The sub-programme ensures compliance to relevant legislation.

#### Sub-programme 1.3: Corporate governance

This sub-programme is responsible for ensuring that effective corporate governance is developed and maintained within the Atlantis SEZ. As a State-Owned Enterprise (SOE), the principles of corporate governance are clearly outlined in legislation as well as King IV. It is the priority of this programme to affect the rules and processes outlined to ensure effective corporate governance.

#### Sub-programme 1.4: ICT management

ICT services for the Atlantis SEZ are still under development during this establishment period. ICT services are provided and supported by Wesgro under a shared services agreement, which allows for achieving cost efficiency while the Company assesses the requirements of its ICT environment. The ICT governance framework incorporating the shared services agreement for Atlantis SEZ is still under development and will be implemented once completed.

**Outcomes, Outputs, Output Indicators, Targets and Actual Achievements:**  
**Table 3: Programme 1 Performance Information**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
Unqualified Audit report with no material findings	Payment to creditors	Number of days taken to process payments made to creditors from date of receipt	-	13	30 days	9,75 days	-	Achieved
	Corporate/ Strategic plans submitted	Corporate/strategic plan submitted by the deadline as legislatively required	-	1	1	1	-	Achieved
	Board meetings	No. of board meetings	-	5	4	7	3	Overachieved – 3 special meetings were held in addition to the quarterly meetings
	BBBEE Plan	BBBEE plan/strategy approved/ updated	-	-	1	1	-	Achieved
	Maintenance of ICT environment	Quarterly reports evidencing maintenance of the Entity's ICT environment	-	4	4	4	-	Achieved
	Management of staff morale	Management of staff morale within the Entity by conducting bi-annual climate surveys	-	1	2	2	-	Achieved.



## Programme 2: Operations

### Purpose:

The purpose of the programme is to ensure the effective operations of Atlantis SEZ.

### 9.2 Programme structure

The Programme includes the following Business Units:

- Business Development
- Commercial Services
- Integrated Ecosystem Development
- Greentech Infrastructure Development

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

#### Sub-programme 2.1: Business development

Business development sub-programme responds to the needs of both investors and the company by serving as a conduit of information flow. Understanding investor requirements coupled to providing a basis to include these requirements into the business of the ASEZCo company serves as a backdrop for developing a competitive value proposition.

- Acts as a catalyst and platform for targeted Greentech investment. The Atlantis SEZ aims to attract local and foreign Greentech investment through the provision of business facilitation services as well as transaction and investor support.
- Attracting Greentech investment to the Atlantis SEZ to encourage property investment to meet the Atlantis SEZ's developmental objectives for economic development, employment creation and social upliftment.
- The Atlantis SEZ has a collaborative approach with respect to business development and undertakes various activities with key stakeholders such as Wesgro, City of Cape Town, GreenCape, and InvestSA for the purpose of enhancing impact and cost efficiency in business promotion.

This sub-programme ensures that there is effective marketing and communications of the Atlantis SEZ to inform stakeholders and manage the brand of Atlantis SEZ for overall brand identity.

A Marketing and communications strategy was developed and adopted by the Board of Directors for implementation over a 24-month period ending FY 2022/23. To deliver thereon, it was agreed that the ASEZCo company would appoint a panel of suitably capacitated experts capable of delivering on marketing, communications, and public relations services on an "as-and-when" required basis. This panel was appointed and is delivering on the terms of reference originally set out.

The development of a published prospectus and the ASEZCo promotional video is one such task we would require the panel to complete.

The approved investment prospectus and other newly developed collateral continue to serve their purpose well in managing expectations of interested investors and promoting a targeting strategy, which has resulted in several applications for accreditation. To date, three applications were approved by the Board Investment Committee and subsequent application for top structure and associated civils were made to the DTIC SEZ Fund in Quarter 1 of the fiscal year. Two applications were made to the DTIC SEZ Fund requesting approval of funding of civil infrastructure and a single top structure to house an accredited investor. Both applications were reviewed and only the application for civil infrastructure (R77,463,798 excl VAT) was approved by the DTIC SEZ Fund. This drawdown will allow for civils to be built in 2022/23 and resultant development ready land that will further contribute to the ASEZCo's product offering to green technology manufacturing investors.

Key activities of the 2021-2022 period have included:

- Implemented the marketing and communications strategy by leveraging channels identified to communicate with investment, government, and community stakeholders. This has contributed significantly to the ASEZCo's "presence" in the marketplace as a destination of choice for manufacturing as a whole
- Appointment of suitable service providers on an approved marketing, communications, and PR panel capable of delivering on adhoc marketing, communications, and PR requirements for the ASEZCo.
- Appointment of Marketing and Communications Specialist who is driving the marketing strategy and communications plan for the ASEZCo through engaging an approved panel of service providers appointed by the ASEZCo for a period of three years.
- A pipeline of investors, both tenants of the ASEZCo, as well as potential suppliers of technology and services is maintained on a continued basis. This pipeline feeds the commercial services sub-programme with application forms, of which one had progressed to the pre/option to lease stage of negotiations.
- Branding of the Atlantis-based offices was concluded and now allows the ASEZCo to put its "best foot forward" as a professional looking and comfortable place to undertake investor meetings. A 3D Model was developed to assist in managing investor expectations around the look and feel of the future ASEZ.
- The business development unit has been, and continues to, work alongside the Western Cape Government's Department of Economic Development and Tourism, Wesgro and GreenCape to develop an investment promotion strategy for the Western Cape as a whole, with a particular focus on the green economy.
- An MOA has been drafted between Wesgro and the ASEZCo aligning investment promotion activities. This document will be signed in the new fiscal year (2022/23) and will contribute to efficiency in the investment promotion activities between both entities.
- Although no Property leases have been signed, 5 applicants remain committed to signing options to lease and are being assisted with identifying suitable finance facilities for the

financing of capital programs and working capital for their projects

- Two new investments have taken place on SEZ designated land. Both investments contributed a total of R171 million worth of new capital investment into the ASEZ. These new investments have resulted in more than 25 new jobs being created.

Leases could not be concluded, as this was dependent on the listing of the ASEZCo as a 3D Government Business Enterprise, which was concluded in Quarter 3 of the fiscal year. Raising capital from the SEZ Fund is also a determining factor for the board-approved investors and this step was concluded in the fourth quarter of the fiscal year.

This being said, however, ASEZCo and the DTIC SEZ Fund have resolved that the submission of applications to the SEZ Fund for these Board-approved applicants continue.

### **Sub-programme 2.2: Commercial services**

The Atlantis SEZ has as its stated objective to provide investors with an ease of doing business experience by providing a cost competitive and reliable commercial property service. The Company must ensure that the Atlantis Economic Zone remains globally competitive and meets investor property needs, as well as decision-making timelines. Thus, policies and processes to evaluate investors are streamlined and proactive to address these needs. In the final establishment phase, a great deal of consultation and development with various role players, formed a significant portion of the work undertaken in this business unit, which has culminated in having all the following key policies and processes finalised:

- Approved Investment Charter
- Investor Accreditation processes including evaluation of Greentech compliance and financial sustainability (due diligence)
- Investor Application Form and Investor Guide
- Establishment of the Board Investment Committee to review accreditation and sanction the term sheet to investors
- Proposed Lease Agreement Term Sheets
- Draft Lease Agreements

The standard operating processes finalised and approved resulted in the Company being able to evaluate and accredit three investors to potentially set up operations in the Atlantis SEZ. A further four investors have submitted applications and it is anticipated that the Investment Committee will adjudicate thereon by the end of quarter 1 in the April 2022 to March 2023 fiscal year. The funding applications for one successful applicant for top structure was submitted to the DTIC SEZ fund in the final quarter of this fiscal year and was rejected. The process is under review and an alternative funding methodology is under consideration to accommodate the investor in the Zone.

The future financial sustainability and independence from grant funding for the Zone operations will be a key success factor for the ASEZCo. The proposed revenue model includes a number of projections for enhancement and identification of additional revenue streams, aimed at reducing reliance on the main shareholder for operating funds within at least seven years from registration. In keeping with this green ethos of reducing the carbon footprint, a feasibility study was completed in the last quarter of fiscal 2021/2022, with a positive recommendation for the implementation of a renewable energy generating system for the Atlantis SEZ with photo-voltaic (solar energy) to supplement energy needs for investors and be a generate revenue to supplement the operating needs of the ASEZCo.

### **Sub-programme 2.3: Integrated Ecosystem Development**

The Integrated Ecosystem Development Unit (IES) was established in support of local community integration within the larger socio-economic objectives and benefits of the ASEZCo. The team applies principles of system thinking to identify and address deeply rooted socio-economic challenges in a complex community environment and to support expansion of community assets and adaptive systems. Simply put, community integration and meaningful economic participation can only occur when community members are adequately skilled for employment opportunities or are supported in the creation of enterprises.

Successful community development is only achievable in a conducive environment that is underpinned by an integrated and holistic approach to its immediate environment. Intentional engagement, dialogue, building trust and partnerships are critical success factors. The past year has focused on further expansion of a working ecosystem, new and diverse partnerships, and innovative approach to improving the overall wellbeing of the greater Atlantis community.

#### **Key Challenges:**

Despite tangible progress made by the IES Atlantis-based team in terms of building positive rapport with the community and reaching 836 community members over a 12-month period, it is critical to note the challenges experienced within the roll out of the IES program.

The national restrictions, as a result of the Covid-19 pandemic, created a substantial delay in the roll out of all our programs. Public spaces were not accessible and the digital infrastructure in Atlantis is almost non-existent. Coupled with low literacy levels and access to digital devices, communication and execution of programs were heavily impacted. The increased unemployment due to job losses during the pandemic resulted in a higher drop out of learners in both primary and secondary schools, children between the ages of 0-6 years being kept out of Early Childhood Development centres, decreased subsidies for NGOs and their ability to render much needed psychosocial support to an already vulnerable community.

Food insecurity expanded throughout the community, impacting the community's physical and mental wellbeing.

The IES team had to find creative ways of reaching the community, continuing socio-economic initiatives. The team set up two permanent digital desks for community usage and hired laptops, provided data to beneficiaries to ensure they could continue with the skills development courses and supported entrepreneurs with mentoring and business coaching on their premises or in public outdoor spaces, always maintaining Covid-19 protocols. The challenges from the past year have informed "new ways of community outreach and support" and informed the program roll out for FY2022. The program is directed at the following three pillars:

### Skills Development

Enabling and equipping Atlantis community with industry relevant (future) skills is the key objective of the Skills Development (SD) workstream. This is done to ensure that Atlantis residents can access Greentech employment opportunities within the ASEZ made possible through its investors, project partners, as well as the global green economy.

Ensuring investors and industry are met with readily available skills locally remains a focal point of the skills development initiatives. This commitment includes training that supports foundational learning, Science, Technology, Engineering, Maths (STEM) focused initiatives, technical training for both unemployed and employed learners to support skills development in the workplace.

Despite the recent year's continued COVID-19 restrictions that negatively impacted in-person training delivery, the SD workstream continued to deliver on its commitment towards the Atlantis community. Leveraging innovative approaches, flexibility and collaborative partnerships has resulted in 334 Atlantis community members benefitting from training in technical and foundational courses, as well as a Career Expo held in partnership with within the 2021/22 financial year. The annual Career Expo solidified a solid partnership with West Coast College, re-ignited the in-person contact with high school learners and saw the introduction of career options with a software development and robotic company. To date, all beneficiaries of these initiatives are from the Greater Atlantis areas, with female representation ranging from 50% to 100%, dependent on the skills initiative and or event.

#### Skills development projects:

- Renewable Energy Workshop Assistant Training (and Work Placement)
- Various Technical Training opportunities
- Early Childhood Development
- Annual Career Expo
- Mechanical Fitting Training
- Ikamva Youth multiyear afterschool tutoring program for Grade 10s to Grade 12s .2021 academic year completed (and ongoing program in 2022 academic year for 110 learners)
- Learner Activation Day

### Enterprise Development

Regional growth and its commensurate socio-economic impact are enshrined in the SEZ Act. This highlights the relevance of the Enterprise Development workstream in achieving these endeavours, to unlock growth opportunities for Atlantis SMMEs and businesses. This work focuses on supporting local businesses with knowledge and capabilities to tap into increased opportunities available in the area. This includes linkages to markets outside the Special Economic Zone and the greater green economy.

The prolonged effects of the COVID-19 pandemic and its restrictions hampered the implementation of some of the enterprise development initiatives. Despite this, continuous engagement with SMMEs was ongoing and increasingly offered as in-person support as restrictions eased. Leveraging support from partners and the Enterprise Development ecosystem also resulted in many local businesses participating in some form of intervention, training programme or knowledge session.

A six-month construction SMME Supplier Development was provided to 13 businesses, which included a diagnostic assessment of business operations and compliance requirements, informing the individual business needs within the mentorship element of the supplier Development program.

Coupled to this, a dedicated programme was initiated to support local small-scale farmers. This is in response to the food security issues the COVID-19 pandemic highlighted and is aligned to the focus on sustainability the ASEZCo pursues and supports. Ready local businesses for increased opportunities includes efforts to align these businesses with the required demands, such as regulatory and compliance aspects, when tendering with large entities or even government. To this end the Enterprise Development workstream is developing a database of available businesses within Atlantis. This is a continuous effort with local businesses' details and documentation being captured and updated to ensure the necessary requirements are in place for local businesses to supply the required goods and services. Ultimately, 186 entrepreneurs benefitted from some intervention form of Enterprise Development support in the last financial year.

#### Enterprise Development Initiatives:

- Construction SMME Supplier Development program
- Business Administration
- Food Security and Incubation program
- SMME support
- Knowledge sessions, including Power Hours

### Community Integration

Social inclusion, an integral element of the green economy, is a key pillar of the ASEZCo's work, one that encourages participation from all community members. This makes strategic stakeholder engagement central to our work with the community of Atlantis. In

support of this the Community Integration workstream broadens communication between various stakeholders, including project partners, and drives community-based initiatives to raise awareness as well as respond to immediate needs. A total of 372 community members were reached in the past financial year.

### Green Dialogue Sessions

The meaning and understanding of the green economy are a relatively abstract concept to most people. It is however constantly evolving. This makes the concept worth explaining to grow a greater understanding of the work the ASEZCo pursues, but also highlight career and income opportunities within the green economy further afield. The Green Dialogue Sessions are regular engagements which encourage community connections, improve awareness on 'green' topics, all within the Atlantis context. One such session saw community members join an interactive visit to the Witzand Aquifer Nature Reserve with a hike into the sand dunes coupled with presentations on biodiversity and the green economy.

### Water and Sanitation Project

The project was initiated in response to the Covid-19 pandemic to support low-income households with the most basic human needs, water supply, and sanitation. Ultimately, this project resulted in 100 households in Pella and Witsand supplied with an innovative solar geyser made from recycled plastic bottles. Through the project, three local youth were trained as technicians to assemble the geysers and install and maintain the solar geysers. These three youth have received employment contracts for a 12-month period.

Completed community integration projects:

- CSN Monthly Feedback to the ASEZCo
- CSN Capacity Building
- Green Dialogue Sessions
- Wider Stakeholder Engagement
- Water & Sanitation Initiative

The Atlantis Change Challenge was still in progress as at 31 March 2022 and it is anticipated that this will be completed in the first quarter of the new financial year.

### Community Stakeholder Network (CSN)

In 2018 the Atlantis Community established the Community Stakeholder Network, a landmark development between industrial zones and local communities. On 17 December 2020, a partnership between the ASEZCo and the CSN was formalised by a Community Facilitation Agreement which outlines the obligations of both parties. The CSN functions as a conduit of information between the ASEZCo and the Atlantis community. The CSN consists of elected members that represent a variety of sectors. This network remains a vital part of the roll out of the ASEZCo. The past year has focused on capacity building activities for the CSN. The objective hereof was to ensure that the CSN was well equipped and supported to become operational and achieve its mandate. The CSN capacity

building objectives focused on business communication, governance and working on implementation of various structured policies and processes. An independent facilitator has been contracted to support the CSN in their governance, skills development, community engagement, and conflict resolution.

### Key milestones.

The CSN provided effective insight and supported the ASEZCo in its approach to curb land invasions in June 2021.

The CSN conducted wider stakeholder engagements with a variety of sectorial constituents with the support of the ASEZCo.

### Sub-programme 2.4: Greentech Infrastructure development

The Greentech and living lab approach provides a guiding framework for the work of the infrastructure portfolio. The focus is on how the principles of the living lab and Greentech can be realized in how the zone is developed.

### Key activities of the 2021-22 period have included:

- Civil Infrastructure and creation of investment ready land: The designation of the ASEZ as a Provincial Business Enterprise in December 2021 paved the way for the application for funding of the civil infrastructure for Zone 1. This funding was approved by the dtic SEZ Fund Committee and the SEZ has embarked on appointing consultants to oversee the design and construction of the civil infrastructure for zone 1. This design is heavily influenced by the Greentech ethos of the ASEZCo.
- Local SMME involvement: Advertised and started the process of developing an Atlantis-based SMME service provider database covering construction and other sectors.
- Net-Zero Carbon: The ASEZ has a strategy which sets out a pathway towards net-zero carbon. Whilst the timeframes are generous (only required to be Carbon Neutral by 2050), the immediate goal is to ensure improved energy security and efficiency through solar PV installation on all facilities, supported by 4 hours of storage (4 hours of installed capacity). Carbon neutrality can be reached prior to 2050 through the implementation and use of biogas and/or green hydrogen.
- The Net-Zero Water: The first phase of this project was funded through a partnership with the GIZ and the DTIC. In 2021-22 this partnership continued with the second phase of work which focuses on how net-zero water can be achieved. This plan will be completed in the 2022-23 financial year, but early indications are that this will be an extremely challenging goal as expected consumption is 13 mega litres of water per day, whilst the actual rainfall on the site is closer to three or four mega litres per day. The strategy and implementation plan will explore how this gap can be reduced, and possibly covered.
- Working with nature: Working closely with the City of Cape Town and benefitting from their Expanded Public Works Programme on Alien Clearing and search and rescue of endangered species, the ASEZ has been able to make a solid start in ensuring that the building of factories has minimal impact on

long-term biodiversity.

- **Sustainable Urban Precinct Green Star Rating:** The ASEZCo is now a member of the Green Building Council of South Africa and has started the process of exploring if and how they could be eligible to have the zone rated as a green star precinct. If this is possible, and green star rating is achieved, it will go some way to providing investors with a credible brand endorsing the fact that their products are produced in an environment that meets certain sustainability goals.
- **Smart zone operational framework:** Work is starting on ensuring the management of the zone can be underpinned by a Smart Zone framework. This envisages use of remote sensing technology in monitoring services and the use of technology to support the living lab and community inclusion. This is at conceptualisation stage and will pick-up focus in the 2022-23 year. First steps will hopefully be put in place with the roll out of the civil infrastructure for Zone 1.
- **Infrastructure Working Group:** A close working relationship continues on the infrastructure side with both the City of Cape Town and the Western Cape Provincial Government.  
**Rail infrastructure and connections to the Port of Cape Town:** Work has been initiated on what steps are required to re-establish the freight rail link between the Port of Cape Town and the Atlantis SEZ. This line was operational up to 2018, when the rail reserve through DuNoon was invaded forcing rail operations to stop. This is a crucial link and finding a workable solution to re-establish this will remain a key focus into 2022-23.
- **Geographic Information Systems (GIS):** The ASEZCo has a solid base of key datasets that can support the planning and work of the SEZ. GIS provides the capability for queries, analysis, and display of information. We are currently utilising a few GIS apps such as Survey 123, StoryMaps, and Web Maps.

Survey123 is used capture data for the IES teams Water and Sanitation Project. The technicians use this form-centric mobile app to collect data on the location and recipient of the solar geysers. We are then able to share and analyse the field data collected.

We utilise StoryMaps to create interesting stories by combining text, interactive maps, and multimedia content. Scan the QR code or visit Atlantis SEZ: A Green and Smart Industrial Park ([arcgis.com](https://arcgis.com)) to read our StoryMap on Green and Smart Industrial Parks.

Web Apps allow us to transform our data into mobile applications that is easily accessible to potential investors and service providers who can interact with the map and data.

### Looking ahead

The year ahead will hopefully see the detailed design and early-stages of construction of the civil infrastructure within Zone 1. It will be at this stage where the principles of the living lab must be further put into practice. It is also at this stage where our membership with the GBCSA will help guide the design and build of the civil infrastructure and top-structure.



**Outcomes, Outputs, Output Indicators, Targets and Actual Achievements:**  
**Table 4: Programme 2 Performance Information**

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
To recruit and facilitate at least R3 billion in direct investments into the ASEZ with associated job creation and capital investment opportunities.	Investment realised	No. of investment projects realised	-	-	2	2	-	Achieved
	Facilitating investment into the SEZ	Quarterly investor pipeline maintained	-	-	4	4	-	Achieved
To generate revenue from commercial services of at least 70% towards being independent of the Western Cape Government for Operational budget purposes	Commercial services initiated	No. of signed leases	-	0	2	0	(2)	Not achieved. Entity listed in December 2021, hence unable to complete leases. Land transfer transaction implemented on 31 March 2022.
To secure funding of at least R180m towards establishment of Greentech infrastructure, facilities and services guided by UNIDO's Eco-Industrial Park and Living Lab objectives.	Living lab: Strategy for water, waste, and energy and associated updates	No. of approved strategies for water, waste, and energy and associated updates.	-	-	2	2	-	Achieved

Outcome	Output	Output Indicator	Audited Actual Performance 2019/2020	Audited Actual Performance 2020/2021	Planned Annual Target 2021/2022	**Actual Achievement 2021/2022	Deviation from planned target to Actual Achievement 2021/2022	Reasons for deviations
	Funding for projects implemented	No. of funded projects initiated	-	0	2	1	(1)	Partially Achieved. Entity only listed in December 2021. Two funding applications were submitted to the dtic, only one application was approved.
To facilitate an enabling investment environment for the support of at least 740 people in Atlantis.	Skills development initiatives supported	No. of skills development initiatives supported	-	6	7	6	(1)	Partially Achieved. Funding disbursement from merSETA impacted programme implementation negatively causing a delay in rolling out programme
	Enterprise development initiatives supported	No. of enterprise development initiatives supported	-	4	6	5	(1)	Partially Achieved. The waste management initiative resulted in a shift in focus requiring communication and consultation with community which impacted on the overall implementation.
	Community empowerment initiatives supported	No. of community empowerment initiatives supported	-	4	5	5	-	Achieved

### Strategy to Overcome areas of underperformance:

The ASEZCo has systems in place to fast-track the execution of projects. It is common cause that Supply Chain management is often a “necessary evil” that is not negotiable, but it can often have a constraining impact on performance. A strategy has been put in place to overcome areas of underperformance. To speed up performance, a number of panels, such as a professional service panel, marketing and communications panel and a legal services panel were initiated to attend to the speed in spending matters. Although these panels were initiated in 2020/2021, the finalisation of these panels only happened in the year thereafter. With these panels in operation in 2021/2022, the lead time in procurement is shortened in an effort to overcome underperformance.

The Integrated Eco-system team took up larger offices at the start of the new financial year at the Atlantis Foundries. This relocation enabled a more consistent roll out of development initiatives in accordance with Covid-19 Regulations.

Reporting on the Institutional Response to the COVID -19 Pandemic:

Although our development initiatives were hampered due to Covid-19 Regulations (organised gatherings and social distancing), the Integrated Eco-System team still managed to leverage its knowledge of, and relationship with, the Atlantis Community and provide critical support in response to the impact of Covid-19.

**Table 5: Institutional Response to the COVID -19**

Programme / Sub-Programme	Intervention	Geographical location	No. of beneficiaries (Where Possible)	Disaggregation of Beneficiaries (Where Possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the APP (where applicable)	Immediate outcomes
Integrated Ecosystem Development	Collaboration with the CSN to provide sandwiches to patients queueing for healthcare and the hosting of a Christmas party and gifts for 55 paediatric patients, as all sponsors withdrew. Supported the DoH with vaccination promotion campaigns in Greater Atlantis.	Atlantis	Not documented numbers. Only photos available and letters from NGO and Wesfleur Hospital		0	0	Atlantis community initiatives	Atlantis community access to sandwiches and juice awaiting healthcare and a Christmas party for the paediatric unit.

## Linking performance with Budget:

**Table 6: Linking performance with Budget**

	2021/2022			2020/2021		
Programme	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	19,808	15,448	4,360	10,365	10,319	46
Operations	19,140	18,456	684	18,796	17,027	1,769
Total	38,948	33,904	5,044	29,161	27,346	1,815

### Revenue Collection:

The ASEZCo's inability to access the land resulted in zero revenue generated through commercial contracts.

### Capital Investment:

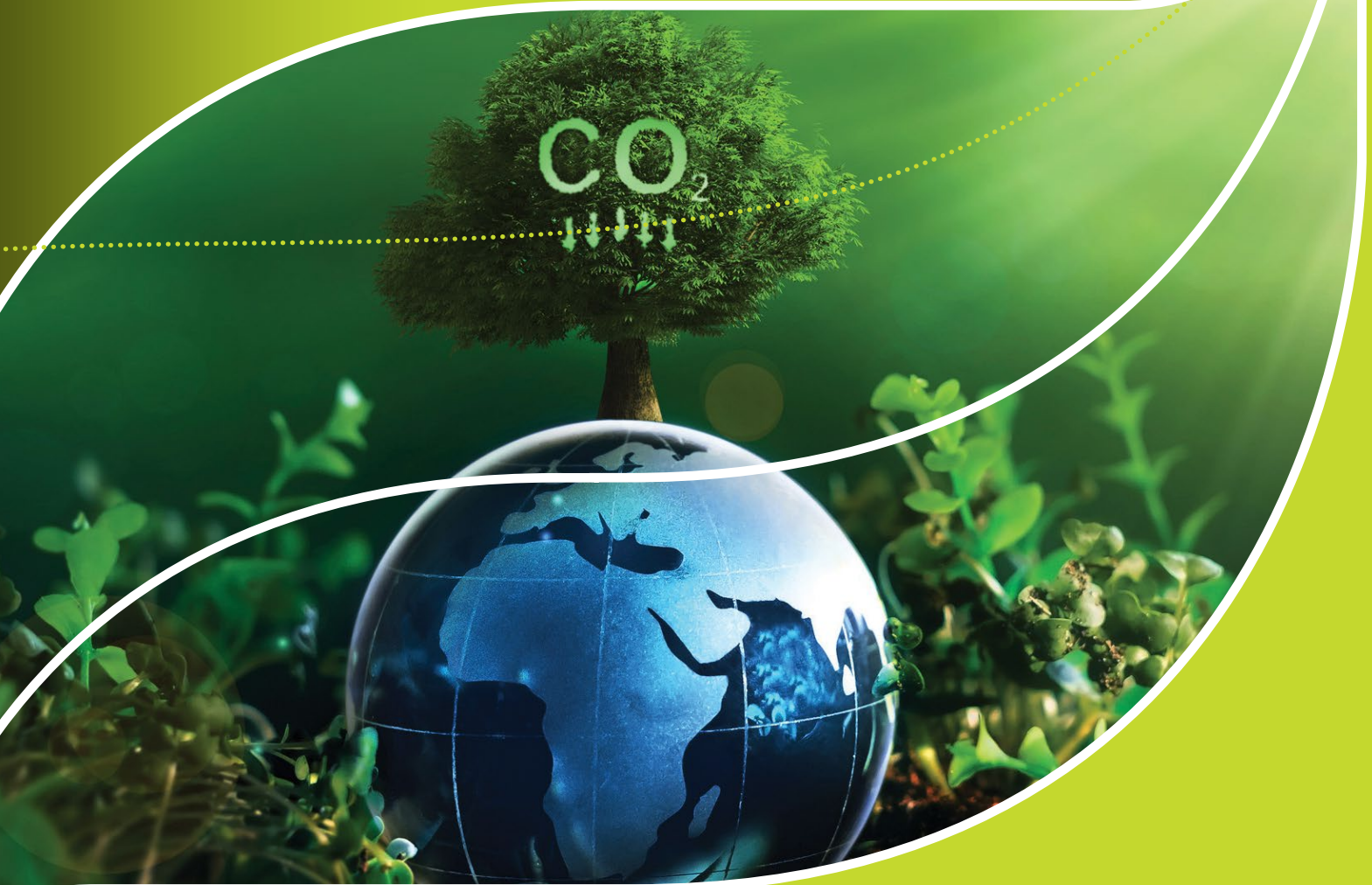
Not applicable at this stage, no infrastructure projects in development or implementation stage as the DTIC SEZ funds are expected in the next financial year.

### The following Infrastructure Projects are still in Progress:

Not applicable at this stage, no infrastructure projects in development or implementation stage.

# **PART C:**

## **CORPORATE GOVERNANCE REPORT:**





# PART C: CORPORATE GOVERNANCE REPORT

## Introduction:

The ASEZCo is a state-owned entity and provincial government business entity, which is governed by the Companies Act and the PFMA. The ASEZCo is committed to upholding the highest standards of corporate governance, through a Shareholder's Compact with the Executive Authority, a Board Charter, and the Charters for each Board Committee. The ASEZCo aligns itself to non-binding rules, codes, and standards such as the King Report and governance protocol.

## Public Finance Management Act

The ASEZCo's Board of Directors is deemed as the Accounting Authority in terms of the Public Finance Management Act (PFMA) and is classified as a Schedule 3D Entity.

The PFMA regulates financial management and governance, as well as the responsibilities of the Accounting Authority. The Entity ensures that its Board of Directors and staff are familiar with the provisions of the PFMA by way of induction and providing regular training.

## Composition of the Accounting Authority (Board of Directors)

The ASEZCo Memorandum of Incorporation has prescribed that the composition of the Board of Directors shall be as follows:

- One member shall be a representative of the City of Cape Town; and has been duly appointed.
- Two members shall be representatives from the Western Cape Department of Economic Development and Tourism; with one representative being duly appointed; and the nomination and appointment of the other representative still underway.
- One member shall be a representative of the Department of Trade, Industry and Competition; and has been duly appointed.
- One member shall be a community member from the Atlantis area who is part of the community stakeholder network and shall be nominated for consideration for appointment by the community stakeholder network in the Atlantis area; and has been duly appointed.
- One member shall be a labour representative and shall be nominated for consideration for appointment by one or more labour organisations from the Atlantis area. The nomination and appointment of the member is underway.
- One member shall be an independent non-executive director who shall be appointed through an open advertised process.
- Two executive directors of the company – the Chief Executive Officer and Chief Financial Officer have been duly appointed in line with King IV principles of corporate governance.
- One member shall be the operator of the company, appointed in terms of section 31 of the SEZ Act, or a representative of such operator, if required.

The powers and duties of the Board of Directors are set out in the Companies Act, which is read together with the Board Charter, determining the procedures for the meetings and decisions of the Board of Directors, appointment to Committees, powers of delegation as well as remuneration.

## Board of Directors:

ASEZCo Board Meeting Attendance

**Table 7: Board Meeting Attendance**

Name	22 April 2021	27 May 2021	16 August 2021	23 September 2021	28 October 2021	17 December 2021 *	22 February 2022
Jo-Ann Johnston (Chairperson WCG)	✓	✓	✓	✓	✓	✓	✓
Lance Greyling (member CoCT)	✓	✓	✓	✓	✓	✓	✓
Zukiswa Kimani (member dtic)	✓	✓	✓	✓	✓	✓	✓
Leon Roman (member Community Appointment: 26 June 2020)	✓	✓	✓	✓	✓	✓	✓
Kenosi Selane (Member Business) Appointment: 04 March 2021	✓	✓	✓	✓	✓	✓	✓
Pierre Voges (Acting CEO)	✓	✓	✓	✓	✓	-	✓
Marshall Jullies (Member Labour) Appointment: 16 September 2021	-	-	-	-	✓	✓	✓
Waheeda Saib (CFO)	✓	✓	✓	✓	✓	-	✓
	*Board meeting of 17 December 2021 was a special board meeting to approve the appointment of the CEO. Therefore, Pierre Voges and Waheeda Saib recused themselves from the meeting.						

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorship	Other Committees	No. of meetings attended
Jo Ann Deidre Johnston	Chairperson (WCG)	25/11/2019	-	Master's in urban Infrastructure Design and Management, Post-Graduate Diploma in Higher Education Bachelor of Arts degree	sector development and investment and trade promotion		Investment Committee & HR & Remco	2
Lance William Greyling	CoCT	25/11/2019	-	Honours in African Studies Post Graduate diploma in Sustainable Energy	Trade and investment		Investment Committee & HR & Remco	3
Zukiswa Kimani	The DTIC	25/11/2019	-	Master's Degree in International and Development Economics Honours Degree in Economics.	Sector strategy development, Industrial policy development, Policy analysis	SANAS	Nomination Committee, Social & Ethics Committee	5
Leon Jonathan Roman	Community Representative	26/06/2020	-	MBA Doctorate in Human Resource Development at Canterbury University MBA (CU) Executive Development Programme (USB-ed). ND in Electrical Engineering .	Human Resource Development		HR & Remco, Social & Ethics Committee	3
Kenosi Selane	Business	25/02/2021	-	BCom Hons, CA(SA), MBA	strategic financial advisory, core finance and economic regulation		Audit, IT & Risk Committee	7
Marshall Julian Jullies	Labour Representative	16/09/2021	-	Diploma in Education III (SP), B Tech (Hons)	Labour representative		Social & Ethics Committee	1

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorship	Other Committees	No. of meetings attended
Pierre Voges	Chief Executive Officer (Acting)	03/12/2019	-	Doctorate in Urban Planning and Economics M Comm (Economics) B Comm, Accountancy and Economics	public and private sector Finance, Infrastructure development, governance	none	Investment, Social & Ethics Committee	2
Waheeda Saib	Chief Financial Officer	03/12/2019	-	BCom Hon, CA(SA)	Public sector financial management, compliance, and governance	none	Investment	1

**Table 8: ASEZCo Committees**

Committee	No. of meetings held	No. of members	Name of members
Audit, IT & Risk Committee	8	3	Kenosi Selane (Chairperson) Ian Bartes - Independent Paul Slack - Independent
Investment Committee	1	6	Lance Greyling (Chairperson) Jo Ann Johnston - member Andre Human - member Fernel Abrahams - member Pierre Voges - member Waheeda Saib - member
Nomination Committee	4	3	Zukiswa Kimani (Chairperson) Gerschwin Williams Bianca Mpahlaza
Human Resources & Remuneration	2	3	Jo-Ann Johnston (Chairperson) Lance Greyling Leon Roman
Social & Ethics Committee	1	4	Marshall Jullies (Chairperson) Zukiswa Kimani Leon Roman Pierre Voges

## Board Committees

### Remuneration of board members:

**Table 9: Board Remuneration**

Name	Board committee fees	Board subcommittee fees	Audit committee fees	Total
Selane, Kenosi	R10,551		R11,883	R22,434
Marshall Jullies	R4,749	R1,080		R5,829
Roman, Leon Jonathan	-R1,542*	R11,121		R9,579
Bartes, Ian			R9,153	R9,153
Slack, Paul			R7,845	R7,845

\*Remuneration for board and committee members are on an accrual basis. Board committee fees provided in the prior year were dependent on the MEC approval of the rates.

### Risk Management:

The Entity adopted and implemented a risk management framework as required by the Public Finance Management Act, 1999 (Act 1 of 1999), King IV and the associated Corporate Governance Codes. A risk assessment was conducted to identify key strategic and emerging risks, which was monitored and updated on a quarterly basis. Mitigation measures, where applicable, were implemented within the Entity's control to manage these risks. The Audit, IT and Risk Committee was established and monitors the effectiveness of the risk management and advises the Entity accordingly.

### Internal Control:

The ASEZCo is a start-up Entity and has established and is implementing internal controls aimed at ensuring the operational effectiveness, efficiency, integrity and reliability of the annual financial statements, performance reporting, compliance monitoring and to safeguard its assets. These internal controls are based on policies and procedures currently being implemented with the required segregation of duties.

### Internal Audit and Audit Committee

The AIRC consists of one independent non-executive director and two independent members. The Audit, IT and Risk Committee (AIRC) is a sub-committee of the Board and operates within its clearly defined and adopted charter. The main purpose of the AIRC is to provide a forum supports and make recommendations to the Board regarding any strategic and operational governance impacting the ASEZCo. The AIRC evaluates and oversees all financial management, internal controls, risk management, information technology issues, regulatory compliance, and the Internal and External Audit functions within the ASEZCo.

### Internal Audit

The ASEZCo internal audit service provider BDO was appointed in quarter 3 of the 2021/22 financial year for a 3-year period. The scope of work performed by Internal Audit was approved by the AIRC at the commencement of quarter 4. The following internal audits were completed relating to the 2021/22 financial year:

- Risk workshop
- Review of the internal audit charter
- Supply chain management
- Audit of performance information
- Review of the AFS



## External Audit

The Auditor-General of South Africa (AGSA) is responsible for performing the annual audit of the ASEZCo.

**Table 10: Audit IT & Risk Committee**

Name	Qualifications	Internal or external	If internal, position in the public entity	Date appointed	Date Resigned	No. of Meetings attended
Kenosi Selane	BCom (Hons), CA(SA), MBA	External		04/03/2021		7
Ian Bartes	BCom, EMBA	External		04/03/2021		8
Paul Slack	BCom (Hons), CA(SA)	External		04/03/2021		7

## Compliance with laws and Regulations

Being a newly established state-owned company, the ASEZCo is committed to adherence with the PFMA the Companies Act, the SEZ Act and its related regulations. A compliance framework was adopted by the Entity. This framework is in the process of being implemented and monitored on a quarterly basis at the AIRC.

Furthermore, the management team attends the provincial forums where the latest legislative amendments and guidance including Supply Chain Management and other key legislative reforms are considered and discussed.

## Fraud and Corruption

The ASEZCO adopted a policy of zero tolerance to fraud and corruption. This policy requires all employees to adhere to existing systems, policies, procedures, rules, and regulations aimed at, preventing, detecting, responding to, and reducing the impact of fraud and corruption. The policy further outlines the mechanisms available to staff and the public for reporting suspected incidents for investigation, whilst maintaining confidentiality and the protection of whistle blowers. All allegations of fraud and corruption must be reported for consideration to the ASEZCo Board through its Audit, IT and Risk Committees.

## Minimizing Conflict of interest

All employees of the Entity are required to complete an annual declaration in respect of conflicts of interest. These declarations are reviewed by executive management.

All Board and committee members are required to complete a declaration of interest prior to the commencement of each meeting. The Entity adopted and implemented a Supply Chain Management policy which incorporates all applicable legislation. Every member of the bid specification committee, bid evaluation and bid adjudication committee is required to declare any interest in any advertised bid. Any potential conflict must be declared, and the respective person is required to recuse herself/himself from the entire process.

Any non-disclosure of interest must be dealt with in terms of the ASEZCo disciplinary policy.

## Code of Conduct

The Entity's Code of Conduct is applicable to all staff members and is guided by the ASEZCo Conditions of Service. These practices are embedded across the human resources policies and procedures, which are based on relevant legislation, including the Basic Conditions of Employment and Labour Relations Acts governing South African labour regulations. The Code of Conduct is the basis for facilitating sound ethics in the Entity and contributes to defining the organisational culture and in governing the effective discipline within the Entity. The ASEZCo Board members are subjected to the approved Board Governance Charter and Code of Conduct. A breach of the Code of Conduct will be dealt with in terms of the ASEZCo disciplinary policy and procedures.

## Health, Safety and Environmental Issues

The ASEZCo adopted an Employee Health and Safety policy which outlines the approach in managing the Health and Safety within the ASEZCo offices. The requirements of Health and Safety within the Zone are managed within the Zone Management protocols, policies and procedures.

## Company Secretary

The Companies Act provides that every state-owned company must appoint a person to serve as a company secretary. The ASEZCo appointed its Company Secretary on 11 October 2021.

The Company Secretary is accountable to the ASEZCo Board in terms of the Companies Act and their duties include the following:

- Providing the Board of Directors with guidance on their duties, responsibilities, and powers.
- Making the directors aware of any law relevant to or affecting the ASEZCo.
- Reporting to the Board of Directors of any failure on the part of the ASEZCo or a director to comply with the memorandum of incorporation of the ASEZCo, the Companies Act or any other applicable legislation.
- Ensuring that the minutes of all shareholders' meetings, board meetings and/or meetings of Board committees are properly recorded in accordance with the Companies Act.

- Certifying in the ASEZCo annual financial statement whether the Company has filed the required returns and notices in terms of the Companies Act and whether all such returns and notices appear to be true, correct and up to date.
- Ensuring that a copy of the ASEZCo annual financial statement is sent to them in accordance with the Companies Act.

In consultation with the Board Chairperson, the Company Secretary ensures that the contents of the agenda of the respective Board meetings are relevant to the of Director's decision-making. The Company Secretary also ensures that information in respective Board meetings is sent to the directors timeously to enable them to acquaint themselves with the information and to consider the information in line with their statutory and fiduciary responsibilities.

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

### Social Responsibility

The concept of an SEZ was always based on the premise that it is a tool to accelerate economic growth and employment opportunities. The approach is applied in the Atlantis SEZ, not only with a strong commercial objective in mind, but also realizing that the Atlantis SEZ must play its role as a social responsibility agent in the Atlantis community. The ASEZCo has elected to provide Corporate Social Responsibility support through educational sessions that focus on sustainability strategies of non-profit organisations. And procuring services from social enterprises that are equipped to render services in the community. This is based on the philosophy that the responsible entities are moving from pure shareholder value to the practice of "shared values." Meaning socio-economic development is driven by for-profit companies with purpose and people as core values.

It does pose a problem from a supply chain management point of view, as the ASEZCo cannot fund individual organisations (e.g., the Rotary Club that is involved in social uplifting) without a transparent procurement process in place. The Atlantis SEZ Company must find ways though to ensure that the Atlantis SEZ fulfils its social responsibility role.

Therefore, by default, the ASEZCo has an overarching corporate social responsibility to promote socio-economic development in the Atlantis region. In addition, green economy practices are about, amongst other things, social inclusion. With the ASEZCo serving as a catalyst for green economic growth in the Western Cape and more specifically, the Atlantis region.

Setting up the Community Stakeholder Network, a voluntary community forum, funding the operations of this community forum and capacitating its members through training, is one way of playing a strong social responsibility role. The CSN are community leaders and are developed to play an even bigger role in the community. This approach of social responsibility is entwined in the fabric of the Entity's ethos. Other than the CSN and its wide operations as a representative community forum, the ASEZCo, in partnership with the Western Cape Government, worked with community leaders from the surrounding community, supporting the promotion of campaigns and community links to increase the uptake of Covid-19 vaccinations, provide supplementary lunch packs to day patients awaiting health care at Wesfleur hospital and supporting Early Childhood Development (ECD) centres with supplies for their curriculum.

In the development of lease agreements with investors, the objective is to make a small percentage of turnover an obligatory contribution towards a Corporate Social Initiative (CSI) Fund. With the ASEZCo already spending a significant budget on the training of community members in the skills and enterprise development areas, this contribution from the respective investors in the ASEZ will create a bigger CSI pool that can "sweat" for increased social empowerment programmes in the wider Atlantis area.

**Audit Committee Report**

Please see page 63.

**B-BBEE Compliance Performance Information****Table 11: B-BBEE Compliance Performance Information**

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 – 8) with regards to the following:		
Criteria	Response Yes / No	Discussion (Include a discussion on your response and indicate what measures have been taken to comply)
Determining qualification criteria for the issuing of licenses, concessions, or other authorisations in respect of economic activity in terms of any law?	No	The ASEZCo does not perform such functions
Developing and implementing a preferential procurement policy?	Yes	Per ASEZCo approved SCM policy
Determining qualification criteria for the sale of state-owned enterprises?	No	The ASEZCo has not been involved in such activities
Developing criteria for entering partnerships with the private sector?	No	The ASEZCo has not been involved in such activities for the 2021/22 financial year
Determining criteria for the awarding of incentives, grants, and investment schemes in support of Broad-Based Black Economic Empowerment?	No	The ASEZCo has not been involved in such activities for the 2021/22 financial year

**SCOPA Resolutions**

There were no SCOPA resolutions for the ASEZCo as the Entity was only listed as a public entity in December 2021.



# **PART D:**

## **HUMAN RESOURCE MANAGEMENT & DEVELOPMENT:**





# PART D: HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

## Introduction

The Human Resources section aspires to provide exemplary support to both management and employees of the ASEZCo.

The role of Human Resources within the ASEZCo context includes Recruitment & Selection, Talent Management & Retention, Employee Wellness, Performance Management and the Remuneration and Benefits function.

Given the start-up nature of the ASEZCo and the need for a small and specialised team, the Entity's employment approach is to offer an initial 5-year fixed term contract to all employees within the ASEZCo's core roles, as included in the approved organogram. As the organisation evolves, in an endeavour to optimize organisational performance and to ensure that the right people are in the right positions and all departments adequately staffed, a need to conduct an organisational design review has been identified.

In line with the Entity's culture, values, and ethos, the ASEZCo focuses on remunerating and rewarding individuals for their value and contribution to the strategic outputs of the Entity, thus demonstrating their passion for a common purpose.

The Company ethos is one of empowerment, which fosters employee growth and development, supported by performance and reward. The remuneration approach is to enable the Company to develop, motivate, maintain, and retain the internal 'people' skills to ensure optimal delivery against its mandate.

The ASEZCo demonstrates a modest remuneration approach, understanding the broad socio-economic issues and challenges that exist and therefore have translated this modesty into our approach to remunerating our employees. Whilst the local environment is important, the ASEZCo also takes the broader context into account, including the broader business and economic environment, as well as the trends in the supply and demand of skills within the Western Cape, South Africa and globally.

Whilst the ASEZCo remained committed to the provincial and national strategy in containing staff costs during the COVID-19 pandemic, to remain an employer of choice, the ASEZCo introduced an employee wellness programme and employee benefits in the form of compulsory Group Life to all qualifying employees, as per the Remuneration and Benefits policy of the Entity.

## Human Resources Oversight Statistics

### Personnel Cost by programme

Table 12: Personnel Cost

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Operations	18,456	11,510	62%	16	719
Administration	15,448	6,313	41%	11	574

## Personnel cost by salary band

**Table 13: Personnel Cost by Salary brand**

Level	Personnel Expenditure	% of personnel exp. to total personnel	No. of employees	Average personnel cost per employee
	(R'000)	cost (R'000)		(R'000)
Top Management	1,929	11%	1	1,929
Senior Management	7,133	40%	5	1,427
Professional qualified	5,184	29%	7	741
Skilled	1,659	9%	4	415
Semi-skilled	1,237	7%	4	309
Unskilled	39	0%	1	39
Temporary contracts	642	4%	5	128
TOTAL*	17,823	100%	27	660

\*excludes directors' fees

## Performance Rewards\*

**Table 14: Performance Rewards**

Programme//activity/objective	Performance Rewards	Personnel Expenditure (R'000)	% Of performance rewards to total personnel cost (R'000)
Top Management	-	1,929	0%
Senior Management	-	7,133	0%
Professional qualified	-	5,184	0%
Skilled	-	1,659	0%
Semi-skilled	-	1,237	0%
Unskilled	-	39	0%
Temporary contracts	-	642	0%
TOTAL	-	17,823	0%

\*no performance rewards were paid for the 2021/22 financial year

## Training Costs

**Table 15: Training Costs**

Programme//activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Average training cost per employee (R'000)
Operations	11,510	22	0%	3	7
Administration	6,313	55	1%	4	14

## Employment and vacancies\*

**Table 16: Employment & Vacancies**

Programme	2021/2022 No. of Employees	2021/2022 Approved Posts	2021/2022 Vacancies
Operations *	12	23	11
Administration	9	11	2

\*excludes the 4 temporary operational contracts

## Vacancies by Level

Table 17: Vacancies by level

	2021/2022 No. of Employees	2021/2022 Approved Posts	2021/2022 Vacancies
Top Management	1	1	0
Senior Management	5	6	1
Professional qualified	6	11	5
Skilled	4	9	5
Semi-skilled	4	6	2
Unskilled	1	1	0
<b>TOTAL</b>	<b>21</b>	<b>34</b>	<b>13</b>

## Employment Changes/Terminations

Table 18: Employment Changes

Salary band	Employment at beginning of period	Appointment	Terminations	Employment at end of period
Top Management	1	0	0	1
Senior Management	5	0	0	5
Professional qualified	6	1	1	6
Skilled	2	2	0	4
Semi-skilled	4	0	0	4
Unskilled	0	1	0	1
Temporary contracts	3	2	1	4
<b>TOTAL</b>	<b>21</b>	<b>6</b>	<b>2</b>	<b>25</b>

## Reasons for staff leaving

Table 19: Reasons for Staff leaving

Reason	Number	% of total no. of staff leaving
Death		
Resignation	1	50%
Dismissal		
Retirement		
Ill health		
Expiry of contract	1	50%
Other		
<b>Total</b>	<b>2</b>	

## Labour Relations: Misconduct and Disciplinary

Table 20: Labour relations

Nature of disciplinary Action	Number
Verbal Warning	1
Written Warning	1
Final Written warning	0
Dismissal	0

## Equity target and employment equity status

Table 21: Employment Equity

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0		0		0		1	
Senior Management	0		1		0		2	
Professional Qualified	0		2		1		0	
Skilled	0		0		0		0	
Semi-Skilled	0		0		0		0	
Unskilled	0		0		0		0	
Temporary Contracts	0		1		0		0	
Total	0		4		1		3	

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	0		0		0		0	
Senior Management	0		1		1		0	
Professional Qualified	2		1		0		1	
Skilled	2		0		0		1	
Semi-Skilled	0		4		0		0	
Unskilled	0		1		0		0	
Temporary Contract	1		3		0		1	
Total	5		9		1		3	

## Report of the Audit Committee

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

### Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act 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, except that we have not reviewed changes in accounting policies and practices.

### The Effectiveness of Internal Control

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

The following internal audit work was completed relating to the year under review:

Supply Chain Management  
Performance information  
Annual financial statements

There were no areas of concern for noting.

### In-Year Management and Monthly/Quarterly Report

As the ASEZCo was only listed as a public entity in December 2021, it has been reporting monthly and quarterly via Wesgro to the Provincial Treasury as is required by the PFMA.

### Evaluation of Financial Statements

We have reviewed the annual financial statements prepared by the public entity.

## Auditor's Report

The Audit Committee concurs and accepts the conclusions of the Auditor-General on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor General.

kenosi selane

**Kenosi Selane**

**Chairperson of the Audit Committee**

Atlantis Special Economic Zone Company SOC Ltd

Date: 29 July 2022



## Report of the auditor-general to the Western Cape Provincial Parliament on the Atlantis Special Economic Zone Company SOC Ltd

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Atlantis Special Economic Zone Company SOC Ltd set out on pages 76 to 124, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Atlantis Special Economic Zone Company SOC Ltd as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

#### Basis for opinion

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

#### Responsibilities of the accounting authority for the financial statements

6. The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

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

8. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the entity's annual performance report for the year ended 31 March 2022:

Programmes	Pages in the annual performance report
Programme 2 – ensure the effective operations of Atlantis SEZ	44 – 45

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

Programme 2 – ensure the effective operations of Atlantis SEZ

### Other matter

15. I draw attention to the matter below.

## Achievement of planned targets

16. Refer to the annual performance report on pages 44 to 45 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

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

## Other information

19. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
20. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.
21. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
22. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.
23. I have nothing to report in this regard.

## Internal control deficiencies

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

*Auditor-General*

Cape Town  
30 July 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# **PART E:**

## **FINANCIAL INFORMATION:**





Atlantis Special Economic Zone Company SOC Ltd (Registration number 2018/587778/30)  
Annual Financial Statements for the year ended 31 March 2022



# GENERAL INFORMATION

<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	State owned company listed as a Schedule 30 entity of the PFMA
<b>Nature of business and principal activities</b>	Development of a sustainable greentech Special Economic Zone in Atlantis, Cape Town
<b>Board Members</b>	Johnston, Jo-Ann Deidre Greyling, Lance William Kimani, Zukiswa Saib, Waheeda Voges, Pierre Roman, Leon Jonathan Selane, Kenosi Pearl Louisa Jullies, Marshall Julian
<b>Registered office</b>	7th Floor SA Reserve Bank Building 60 St George's Mall Cape Town Western Cape 8001
<b>Postal address</b>	7th Floor SA Reserve Bank Building 60 St George's Mall Cape Town Western Cape 8001
<b>Bankers</b>	Nedbank
<b>Auditors</b>	Auditor General South Africa
<b>Secretary</b>	Brand, Fredelaine Elna Cindy

# INDEX

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

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<b>Abbreviations</b>	
GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act
SEZA	Special Economic Zone Act
SA GRAP	South African Standards of Generally Recognised Accounting Practice
ASB	Accounting Standards Board
TR	Treasury Regulations
AGSA	Auditor General South Africa
VAT Act	Value Added Tax Act
DEDAT	Department of Economic Development and Tourism
ASEZCo	Atlantis Special Economic Zone Company
SARB	South African Reserve Bank
UIF	Unemployment Insurance Fund
WESGRO	Western Cape Tourism Trade & Investment Promotion Agency

## ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is 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 accounting authority 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 directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting authority is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

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

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

Although the accounting authority are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 76 to 124, which have been prepared on the going concern basis, were approved by the board of directors on 29 July 2022 and were signed on its behalf by:



**Johnston, Jo-Ann Deidre**  
Chairperson of the Board

## Accounting Authority's Report

The accounting authority submit its report for the year ended 31 March 2022.

### 1. Incorporation

The entity was incorporated on 03 December 2019 and obtained its confirmation as a state-owned company on 6 March 2020. The National Minister of Finance officially listed the ASEZCo as a schedule 3D PFMA public entity on the 15 December 2021.

### 2. Review of activities

Main business and operations

The entity is engaged in development of a sustainable greentech special economic zone in Atlantis, Cape town and operates principally in South Africa.

### 3. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R 6,062,434 and that the entity's total assets exceed its liabilities by R 62,562,534.

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

### 4. Subsequent events

The Department of Trade, Industry and Competition (DTIC) approved the entity's funding application to construct the civil infrastructure in Zone 1 of the Special Economic Zone. As at 31 March the value of the funding under consideration is R 77,000,000 excluding VAT. At the reporting date, the ASEZCo entity had not signed the funding agreement as yet.

### 5. Accounting policies

The financial statements have been prepared in accordance with the prescribed Standards of GRAP issued by the Accounting Standards Board as the prescribed framework by National Treasury. The accounting policies have been applied consistently compared to the prior year.

### 6. Share capital / contributed capital

As a newly established entity, initial share capital was issued to the Western Cape Government at date of inception. This issue was in line with the funding agreement. Subsequently shares were issued to the City of Cape Town in exchange for land. This issue was in line with the valuation agreement, sale agreement and shareholders agreement.

### 7. Distributions to owners

No dividends were declared or paid to owner during the 12 months.

## 8. Accounting Authority

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

Name	Nationality	Appointed
Johnston, Jo-Ann Deidre	South African	25 November 2019
Greyling, Lance William	South African	25 November 2019
Kimani, Zukiswa	South African	25 November 2019
Saib, Waheeda	South African	03 December 2019
Voges, Pierre	South African	03 December 2019
Roman, Leon Jonathan	South African	26 June 2020
Selane, Kenosi Pearl Louisa	South African	04 March 2021
Jullies, Marshall Julian	South African	16 September 2021

## 9. Auditors

The AGSA as the Supreme Audit Institution for our country is constitutionally mandated to fulfil the role of external audit. This will remain the status quo unless the AGSA indicates otherwise (i.e., opt not to perform our audit in terms of section 4(3) of the Public Audit Act).

## 10. COVID-19 Impact

The Covid-19 pandemic presented a challenge to everyone, and the ASEZCo was no exception. Nonetheless, the organization was agile in adapting our systems to cope with the new way of working, and we were particularly mindful and responsive to the impact of Covid in the Atlantis community. Moreover, we are cognizant that our economy has been severely affected by the pandemic, and that it will take special effort to create new catalysts for economic growth. Greentech is one such catalyst and we believe the ASEZ-Co is a valuable tool to leverage the opportunities in the Greentech manufacturing sector. Most staff members have fully returned to work and the situation will be normalized in the 2022/2023 financial year to enable the company to be fully respondent to its clients, mostly the investor and the community. As at the date of the audit report, the entity has not observed any material impact on its financial position and has sufficient cash resources in place to continue in operation for the foreseeable future.

The annual financial statements set out on pages 76 to 124, which have been prepared on the going concern basis, were approved by the accounting authority on 29 July 2022 and were signed on its behalf by:



**Johnston, Jo-Ann Deidre**  
Chairperson of the Board

## Company Secretary's Certification

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

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



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**Brand, Fredelaine Elna Cindy**  
**Company Secretary**



**Statement of Financial Position as at 31 March 2022**

Figures in Rand	Note(s)	2022	2021
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	3	277,334	268,702
Prepayments	4	574,732	354,667
Other financial assets	5	11,077,298	3,283,342
Cash and cash equivalents	6	120,000	—
Other statutory receivables	7	55,218	—
		<b>12,104,582</b>	<b>3,906,711</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	4,831,653	3,534,656
Intangible assets	9	137,097	213,911
Investment property	10	56,500,000	—
		<b>61,468,750</b>	<b>3,748,567</b>
<b>Total Assets</b>		<b>73,573,332</b>	<b>7,655,278</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	9,339,359	2,218,690
Operating lease liability	12	70,608	51,771
Employee benefit obligation	13	984,591	1,012,882
Unspent conditional grants and receipts	14&15	616,240	—
		<b>11,010,798</b>	<b>3,283,343</b>
<b>Total Liabilities</b>		<b>11,010,798</b>	<b>3,283,343</b>
<b>Net Assets</b>		<b>62,562,534</b>	<b>4,371,935</b>
Share capital/ contributed capital	16	56,500,100	100
Accumulated surplus		6,062,434	4,371,835
<b>Total Net Assets</b>		<b>62,562,534</b>	<b>4,371,935</b>

## Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Other revenue	17	374,910	26,000
Interest received	17&18	419,910	—
<b>Total revenue from exchange transactions</b>		<b>794,820</b>	<b>26,000</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	14	34,764,682	27,881,266
Donations	19	34,550	374,240
<b>Total revenue from non-exchange transactions</b>		<b>34,799,232</b>	<b>28,255,506</b>
<b>Total revenue</b>	17	<b>35,594,052</b>	<b>28,281,506</b>
<b>Expenditure</b>			
Loss on disposal of assets and liabilities	8	(32,966)	—
Operating lease rental	20	(968,283)	(774,725)
Employee related costs	21	(17,930,197)	(14,464,022)
Depreciation and amortisation	22	(1,860,989)	(1,134,033)
Debt Impairment	23	(198,408)	—
General Expenses	24	(12,912,610)	(10,973,223)
<b>Total expenditure</b>		<b>(33,903,453)</b>	<b>(27,346,003)</b>
<b>Surplus for the year</b>		<b>1,690,599</b>	<b>935,503</b>

## Statement of Changes in Net Assets

Figures in Rand	Share capital / contributed capital	Accumulated surplus	Total net assets
<b>Balance at 01 April 2020</b>			
Changes in net assets			
Transfers received	—	3,436,332	3,436,332
Net income (losses) recognised directly in net assets	—	3,436,332	3,436,332
Surplus for the year	—	935,503	935,503
Total recognised income and expenses for the year	—	4,371,835	4,371,835
Issue of shares	100	—	100
Total changes	100	4,371,835	4,371,935
<b>Balance at 01 April 2021</b>	<b>100</b>	<b>4,371,835</b>	<b>4,371,935</b>
Changes in net assets			
Surplus for the year	—	1,690,599	1,690,599
Issue of shares	56,500,000	—	56,500,000
Total changes	56,500,000	1,690,599	58,190,599
<b>Balance at 31 March 2022</b>	<b>56,500,100</b>	<b>6,062,434</b>	<b>62,562,534</b>
Note(s)	16		

## Cash Flow Statement

Figures in Rand	Note(s)	2022	2021
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Other income		374,910	26,000
Grants		35,380,921	27,881,266
Interest income		419,910	—
		<u>36,175,741</u>	<u>27,907,266</u>
<b>Payments</b>			
Employee costs		(17,958,488)	(14,055,717)
Suppliers		(7,223,707)	(10,305,869)
Other cash item		(7,793,957)	(1,876,384)
		<u>(32,976,152)</u>	<u>(26,237,970)</u>
<b>Net cash flows from operating activities</b>	25	<b><u>3,199,589</u></b>	<b><u>1,669,296</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(3,049,459)	(1,361,265)
Purchase of other intangible assets	9	(30,130)	(308,031)
<b>Net cash flows from investing activities</b>		<b><u>(3,079,589)</u></b>	<b><u>(1,669,296)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>120,000</b>	<b>—</b>
Cash and cash equivalents at the beginning of the year		—	—
Effect of exchange rate movement on cash balances		—	—
<b>Cash and cash equivalents at the end of the year</b>	6	<b><u>120,000</u></b>	<b><u>—</u></b>

## 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). The entity used Directive 12 determining the relevant financial reporting framework.

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.

### 1.1 Presentation currency

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

### 1.2 Going concern assumption

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

### 1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total income recognised. This materiality is from management's perspective and does not necessarily correlate with the auditor's materiality.

### 1.4 Significant judgements and sources of estimation uncertainty

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

#### Trade receivables and other financial assets

The entity assesses its trade receivables, other financial assets, 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.

The impairment for trade receivables, other financial assets, loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period. Refer to accounting policy 1.5

## 1.4 Significant judgements and sources of estimation uncertainty (continued)

### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including entity specific variables, together with economic factors such as exchange rates inflation interest.

### 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 13 - Employee benefit obligation.

### Useful lives of assets

Management determines the estimated useful lives and residual values for its depreciable assets. These estimates are based on industry norms, management's experience, knowledge and current expectations for the use of the depreciable assets. The annual depreciation charge will be adjusted for any changes in these estimates.

### 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.

## 1.5 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.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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



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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

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

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

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

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- 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.

### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost
Cash	Financial asset measured at amortised cost

## 1.5 Financial instruments (continued)

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial asset measured at amortised 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 fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

## 1.5 Financial instruments (continued)

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### Impairment and uncollectibility of financial assets

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

#### Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR 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 directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

#### Financial assets measured at cost

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

## 1.5 Financial instruments (continued)

### Derecognition

#### Financial assets

The entity derecognises a financial asset only when:

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

#### Financial liabilities

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

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

### Presentation

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

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

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

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

## 1.6 Prepayments

Prepayments are payments that the entity has made at the reporting date for economic benefits or service potential to be received in future periods. Prepayments are made in accordance with contracts between the entity and third parties.

The entity recognises as an asset the extent to which payments made exceed the value of economic benefits or service potential received.

## 1.7 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.

## 1.7 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

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

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

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

Property, plant and equipment transferred as part of the transfer of functions are depreciated over their remaining useful lives.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Leasehold property	Straight-line	Over lease term
Furniture and fixtures	Straight-line	6 to 10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	3 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

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

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

## 1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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



## 1.8 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

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

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

### Intangible assets are derecognised:

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

## 1.9 Impairment of cash-generating assets

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

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

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

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

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

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

### Identification

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

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

### Value in use

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

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

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

### Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, 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.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

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

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

## 1.10 Impairment of non-cash-generating assets

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

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

### Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cash generating. The designation is made on the basis of an entity's objective of using the asset.

The entity designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The entity designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

### 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.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### 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:

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

### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

### Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

### Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, 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.

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

### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

## 1.11 Leases

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

### Operating leases - lessor

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

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

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis. The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis. Income for leases is disclosed under revenue in statement of financial performance.

### Operating leases - lessee

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

## 1.12 Employee benefits

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

### Short-term employee benefits

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

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

## 1.12 Employee benefits (continued)

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

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

## 1.13 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned; the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.



### 1.13 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

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

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

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Share capital/ contributed capital

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

Ordinary shares are classified as equity.

### 1.15 Revenue from exchange transactions

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

## 1.15 Revenue from exchange transactions (continued)

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

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

### Measurement

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

### Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

### Interest

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

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

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

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

## 1.16 Revenue from non-exchange transactions

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

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

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.

### Recognition

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

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

### Measurement

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

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

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

### 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.

### Services in-kind

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

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

## 1.17 Fruitless and wasteful expenditure

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

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

## 1.18 Irregular expenditure

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

- (a)** this Act; or
- (b)** the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c)** any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

The National Treasury further issued instruction note 2 of 2018/19 with the following requirements:

Irregular expenditure incurred by provincial departments and their entities listed in schedule 3C and 3D should be submitted to the Provincial Treasury for condonation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the Provincial 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.

## 1.19 Events after reporting date

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

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

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

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

## 1.20 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

## 1.20 Commitments (continued)

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.

## 1.21 Related parties

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

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

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

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

## 1.22 Comparative figures

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

## 1.23 Segment information

A segment is an activity of an entity:

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

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

### 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.

## 1.23 Segment information (continued)

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

## 1.24 Accounting by principals and agents

### Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

## 1.25 Tax

### Current tax assets and liabilities

No provision for Income Tax is made. The entity is exempted from Income Tax in terms of S10(1) (cA)(ii) of the Income Tax Act (Act. No. 58 of 1962).

## 1.26 Transfer of functions between entities under common control

### Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

### Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

The recognition of assets acquired, and liabilities assumed, is agreed in terms of the binding arrangement.

### Determining what is part of the transfer of functions transaction

The assets acquired and liabilities assumed are set out in the binding arrangement.

## 1.26 Transfer of functions between entities under common control (continued)

### Accounting by the entity as acquirer

#### Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

#### Subsequent measurement

The entity subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The entity makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date.

## 1.27 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably. The entity applied iGRAP 18 in determination of whether to recognise property in instances where legal ownership may not exist but rather a right granted to an entity in a binding arrangement, which enables it to direct access to the land, and to restrict and deny the access of others to the land.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Useful life
Property - land	indefinite

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

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



## 1.28 Statutory receivables

### Identification

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

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

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

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

### Recognition

The entity recognises statutory receivables as follows:

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

### Initial measurement

The entity initially measures statutory receivables at their transaction amount.

### Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

### Impairment losses

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

## 1.28 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

### Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

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

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

## 2. New standards and interpretations

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

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2022 or later periods:

#### GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the Minister of Finance.

## 3. Receivables from exchange transactions

	2022	2021
Deposits	277,172	266,423
Other receivables	62	1,053
Sundry	100	1,226
	<b>277,334</b>	<b>268,702</b>

Deposits relates to office and parking rental of the entity and is refundable upon vacation of the premises. No interest receivable on deposit.

#### Trade and other receivables impaired

As of 31 March 2022, trade and other receivables of R 198,408 (2021: R -) were impaired and provided for.

The amount of the provision was R (198,408) as of 31 March 2022 (2021: R -).

The ageing of these receivables is as follows:

	2022	2021
3 to 6 months	198,408	—
<b>Reconciliation of provision for impairment of trade and other receivables</b>		—
Provision for impairment	198,408	—

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 23). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash

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#### 4. Prepayments

Conveyancing fees	236,809	—
Equipment	—	136,034
Rentals	86,389	81,039
Parking	34,499	21,551
Software	147,235	93,342
Utilities	32,070	22,701
IT support	9,009	—
Subscriptions	28,721	—
	<b>574,732</b>	<b>354,667</b>

Prepayments consist mainly of conveyancing fees, operating leases, software and subscriptions

#### 5. Other financial assets

##### At amortised cost

Wesgro	2,602,298	3,283,341
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The ASEZCo was unable to contract directly with the DEDAT for funding as it had no bank account at the start of the financial year.

In order to receive funding and make any payments, the ASEZCo had signed a Service Level Agreement (SLA) with Wesgro (Western Cape Tourism Trade & Investment Promotion Agency) to use its bank account.

The other financial assets held at Wesgro is limited to the amount of liabilities that exist at the ASEZCo on 31 March 2022 and any funds directly contracted with the ASEZCo. An amount of R130,000 has been contracted directly between NBI and the ASEZCo and has been recognised as income in the current year. An amount of R506,240 has been contracted directly between MerSeta and has been included in the unspent portion of grants in the current year.

VAT payable ringfenced (Wesgro)	8,475,000	—
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As part of the land sale agreement signed with the City of Cape Town, the ASEZCo is required to pay the VAT applicable to the transaction upon request from the conveyance attorney. Bowmans, the conveyance attorney, had issued the ASEZCo with an invoice dated 30 March 2022 which has been processed and included in Trade Payables. This ringfenced amount is also held at Wesgro.

<b>11,077,298</b>	<b>3,283,341</b>
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#### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	120,000	—
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## 7. Other statutory receivables

The entity had the following statutory receivables where the Framework for the Preparation and Presentation of Financial Statements have been applied, for the initial recognition:

VAT	55,218	—
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Entities that are VAT vendors are either obligated to pay or entitled to receive the net VAT on taxable goods and services to/from SARS. The ASEZCo has a VAT receivable that is governed by the VAT Act. As a result, the arrangement is a statutory agreement.

### Statutory receivables general information

#### Transaction(s) arising from statute

#### Determination of transaction amount

The current VAT rate is levied at 15%. The ASEZCo's VAT registration was effective from 31 March 2022. The amount inclusive of VAT charged by other entities was R423,338 resulting in a claim of R55,218. No output VAT was payable for the financial year.

## 8. Property, plant and equipment

	2022			2021		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Leasehold property	2,805,549	(1,667,244)	1,138,305	2,176,469	(621,848)	1,554,621
Furniture and fixtures	1,269,774	(280,058)	989,716	797,872	(89,413)	708,459
Motor vehicles	1,115,426	(76,155)	1,039,271	—	—	—
Office equipment	486,125	(108,509)	377,616	383,192	(29,706)	353,486
IT equipment	1,047,466	(625,381)	422,085	860,405	(298,945)	561,460
Work in progress	864,660	—	864,660	356,630	—	356,630
<b>Total</b>	<b>7,589,000</b>	<b>(2,757,347)</b>	<b>4,831,653</b>	<b>4,574,568</b>	<b>(1,039,912)</b>	<b>3,534,656</b>

### Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Donations	Depreciation	Total
Leasehold property	1,554,621	629,081	—	—	(1,045,397)	1,138,305
Furniture and fixtures	708,459	438,504	(848)	34,550	(190,949)	989,716
Motor vehicles	—	1,115,426	—	—	(76,155)	1,039,271
Office equipment	353,486	102,933	—	—	(78,803)	377,616
IT equipment	561,460	255,485	(32,118)	—	(362,742)	422,085
Work in progress	356,630	508,030	—	—	—	864,660
	<b>3,534,656</b>	<b>3,049,459</b>	<b>(32,966)</b>	<b>34,550</b>	<b>(1,754,046)</b>	<b>4,831,653</b>

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

### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Transfers received	Depreciation	Total
Leasehold property	—	154,106	2,022,363	(621,848)	1,554,621
Furniture and fixtures	—	59,863	738,009	(89,413)	708,459
Office equipment	—	377,895	5,297	(29,706)	353,486
IT equipment	—	412,771	447,634	(298,945)	561,460
Work in progress (leasehold property)	—	356,630	—	—	356,630
	—	1,361,265	3,213,303	(1,039,912)	3,534,656

### Pledged as security

No assets were pledged as security.

### Reconciliation of Work-in-Progress 2022

	Included within Leasehold Property	Included within Other PPE	Total
Opening balance	356,630	—	356,630
Additions/capital expenditure	—	864,660	864,660
Transferred to completed items	(356,630)	—	(356,630)
	—	864,660	864,660

### Reconciliation of Work-in-Progress 2021

	Included within Leasehold Property	Total
Additions/capital expenditure	356,630	356,630

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

General expenses (external suppliers)	11,348	8,501
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Transfers received from WESGRO refer to note 26.

A register containing the information required by Regulation 25(3) of the Companies Regulations 2011 is available for inspection at the registered office of the entity.

## 9. Intangible assets

	2022			2021		
	Cost/ Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated Carrying value amortisation and accumulated impairment	Carrying value
Computer software	338,161	(201,064)	137,097	308,031	(94,120)	213,911

### Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software	213,911	30,130	(106,944)	137,097

### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	—	308,031	(94,120)	213,911

### Pledged as security

No intangible assets were pledged as security.

## 10. Investment property

	2022			2021		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment Property	56,500,000	—	56,500,000	—	—	—



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**Reconciliation of investment property - 2022**

	Opening balance	Asset for shares transaction	Total
Investment property	—	56,500,000	56,500,000

Pledged as security

No investment property has been pledged as security.

**Details of property****Zone 1 (land)**

Portion of remainder Cape Farm 1183 and Remainder Farm 4-93, located on the corner of Dassenberg Street and Charel Uys Street, Atlantis industrial. Zone 1 is 221500m<sup>2</sup>

- Purchase price: 31 March 2022

13,284,790

—

**Zone 2 (land)**

Portion of Cape Farm 1183-4-1 bounded by Gideon Basson Road and Neil Hare Road, Atlantis industrial. Zone 2 is 386 500m<sup>2</sup>

- Purchase price: 31 March 2022

23,180,908

—

**Zone 3 (land)**

Portion of Remainder Erf 171, portion Remainder Erf 277, Erf 254, Erf 246, all located along Neil Hare Road, Atlantis Industrial. Zone 3 is 334 036m<sup>2</sup>

- Purchase price: 31 March 2022

20,034,302

—

The investment properties include land made up of Zone 1, Zone 2 and Zone 3 which were acquired by means an asset for shares transaction between the City of Cape Town municipality and the ASEZCo. The value of the shares was independently determined and agreed by both parties. The value determined was R56,500,000 excl VAT. The ASEZCo is however responsible for the VAT which has been accrued for under Payables from exchange transactions.

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

The investment property was valued at R56,500,000 excl VAT on the date of sale by a professional valuer, Garth Johnson.

**11. Payables from exchange transactions**

Trade payables	8,689,851	949,094
Accruals	649,508	1,269,596
	<b>9,339,359</b>	<b>2,218,690</b>

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Included in Trade payables is an amount of R8,475,000 for the VAT to be paid on the transfer of the land from City of Cape Town to the ASEZCo. As part of the land sale agreement signed with the City of Cape Town, the ASEZCo is required to pay the VAT applicable to the transaction upon request from the conveyance attorney. Bowmans, the conveyance attorney, had issued the ASEZCo with an invoice dated 30 March 2022 which has been processed and included in Trade Payables above.

## 12. Operating lease liability (accrual)

Current liabilities	(70,608)	(51,771)
<b>Operating lease liability</b>		
Opening balance	(51,771)	—
Increase in liability	(5,356)	(51,771)
Decreases in liability	14,282	—
Tenant installation received as a reduction in rental expense	(152,702)	—
Tenant installation recognised over remaining lease term	124,939	—
	<b>(70,608)</b>	<b>(51,771)</b>

The operating lease relates to premises utilised for the entity's offices. The entity entered into an operating lease with the SARB during January 2020. The contract was ceded by WESGRO to ASEZCo as part of the exchange transactions. The agreement is for 3 years and has a fixed annual escalation. SARB duly appointed Ryden International Property Consultants to manage the leases within the SARB. Included in the above rentals are operating lease rentals at straight-lined amounts.

Refer to note 20 - Operating lease rental. Refer to note 27 - Commitments.

## 13. Employee benefit obligations

### Carrying value

Leave pay	(916,205)	(981,742)
Directors and members remuneration	(17,313)	(31,140)
WCA	(51,073)	—
	<b>(984,591)</b>	<b>(1,012,882)</b>

### Reconciliation of employee benefits - March 2022

	Opening balance	Additions	Paid out	Utilised during the year	Total
Leave pay	(981,742)	(532,009)	3,038	594,508	(916,205)
Directors and members remuneration	(31,140)	(54,840)	68,667	—	(17,313)
WCA	—	(51,073)	—	—	(51,073)
	<b>(1,012,882)</b>	<b>(637,922)</b>	<b>71,705</b>	<b>594,508</b>	<b>(984,591)</b>

### Reconciliation of employee benefits - March 2021

	Opening balance	Additions	Transfers received	Utilised during the year	Total
Leave pay	—	(1,250,048)	(405,264)	673,570	(981,742)
Bonus	—	(130,218)	(199,313)	329,531	—
Directors and members remuneration	—	(31,140)	—	—	(31,140)
	<b>—</b>	<b>(1,411,406)</b>	<b>(604,577)</b>	<b>1,003,101</b>	<b>(1,012,882)</b>

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Transfers received from WESGRO refer to note 26

Bonuses was paid out in the prior year as part of the Section 197 transfers from WESGRO. The entity has made no provision for bonuses in this financial year.

The opening balance of leave pay was high due to the lock downs caused by the COVID-19 pandemic. Staff are encouraged to take their leave.

## 14. Government grants and subsidies

### Operating grants

Government grant-DEDAT	34,754,682	27,881,266
WCEDP grant	10,000	—
	<b>34,764,682</b>	<b>27,881,266</b>

### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	35,516,921	27,881,266
Unconditional grants received	—	—
	<b>35,516,921</b>	<b>27,881,266</b>

### Government and other grants received

Current-year receipts	35,380,921	27,881,266
Interest received	419,910	—
Conditions met - transferred to revenue	(35,184,591)	(27,881,266)
	<b>616,240</b>	<b>—</b>

The unspent portion above is included in unspent grants balance. A reconciliation of each grant received is provided below.

### Grant -DEDAT

Current-year receipts	34,754,681	27,881,266
Interest received	419,910	—
Conditions met - transferred to revenue	(35,174,591)	(27,881,266)
	<b>—</b>	<b>—</b>

The Department of DEDAT allocated R44 387 000 including the unspent funds from prior year of R1 699 644 to the entity in the current year exclusively for the utilisation of operating costs, interest amounting to R667 820 was earned on the allocation. An amount of R11 579 873 was unspent at year end. The amount unspent mainly relates to the R8,475,000 not yet paid for the VAT that has been requested by the conveyance attorney for the transfer of the land. The remaining funds are held at WESGRO.

### Grant - MerSeta

Current-year receipts	506,240	—
Conditions met - transferred to revenue	—	—
	<b>506,240</b>	<b>—</b>

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## 14. Government grants and subsidies (continued)

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

The MerSeta grant was only received towards the end of the financial year and is meant to fund vocational programmes for students. The full balance received remain unspent at 31 March 2022.

### Grant-WCEDP

Current-year receipts	120,000	—
Conditions met - transferred to revenue	(10,000)	—
	<b>110,000</b>	<b>—</b>

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

The WCEDP grant has been provided to the ASEZCo to fund research. At 31 March 2022 only R10,000 had been spent on qualifying research.

## 15. Unspent conditional grants and receipts

The ASEZCo received an additional two grants in the current year. The WCEDP grant was provided by the WCEDP to fund research within the ASEZCo. The MerSeta grant was provided by MerSeta for the funding of vocational programmes for students.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
WCEDP grant	110,000	—
MerSeta grant	506,240	—
	<b>616,240</b>	<b>—</b>

### Movement during the year

Additions during the year	626,240	—
Income recognition during the year	(10,000)	—
	<b>616,240</b>	<b>—</b>

See note 14 for reconciliation of grants from Government and other public entities. The main condition on each of the grants is that funds be spent on what they were allocated for. An unspent balance indicates that the spending condition has not been met as yet.

These amounts are invested in a ring-fenced manner until utilised.

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**16. Share capital / contributed capital****Authorised**

1000 No par value shares

— —

**Reconciliation of number of shares issued:**

Reported as at 01 April 2021

100 —

Issue of shares - ordinary shares

83 100

**183 100****Issued**

100 No par value shares held by Western Cape Government by the Department of Economic Development and Tourism

100 100

83 No par value shares held by City of Cape Town municipality

56,500,000 —

**56,500,100 100**

Transfers received from WESGRO refer to note 26.

**17. Revenue**

Other revenue

374,910 26,000

Interest received

419,910 —

Government grants &amp; subsidies

34,764,682 27,881,266

Donations

34,550 374,240

**35,594,052 28,281,506****The amount included in revenue arising from exchanges of goods or services are as follows:**

Other revenue

374,910 26,000

Interest received

419,910 —

**794,820 26,000****The amount included in revenue arising from non-exchange transactions is as follows:****Taxation revenue****Transfer revenue**

Government grants &amp; subsidies

34,764,682 27,881,266

Donations

34,550 374,240

**34,799,232 28,255,506****18. Interest revenue**

Other financial assets

419,910 —

Interest income on the grant received, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R419,910.

Figures in Rand

2022

2021

## 19. Donations

Donation from WESGRO	—	374,240
Donation from SAREBI	34,550	—
	<b>34,550</b>	<b>374,240</b>

Donations in the current year related to assets donated by SAREBI to the office in Atlantis.

GIZ NatuReS contracted AfroDev during the period Nov 2020 - May 2021 to support the development of the Net Zero Water concept and process analysis for the ASEZCo to the value of R291,600 excl VAT which Management assessed as insignificant and that it had no impact on the surplus of deficit of the current year.

Donations in the prior year relate to deposits for SARB lease and Karabo parking.

## 20. Lease rentals on operating lease

### Premises

Contractual amounts	824,409	719,539
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### Equipment

Contractual amounts	143,874	55,186
	<b>968,283</b>	<b>774,725</b>

The entity has an operating lease with Ryden Property for letting of space in the South African Reserve Bank building and with Atlantis Foundries for space in Atlantis. These agreements are 3 years and the lease with Ryden Property has a fixed escalation.

Photocopying machines and telephones are leased for a 3-year period and fixed rentals for the duration of the lease.

Coffee machines and water dispensers are leased for a 1-year period.

## 21. Employee related costs

Basic	17,611,824	13,407,689
Bonus*	—	130,218
Medical aid	25,000	24,000
UIF	44,475	28,041
WCA	52,357	—
Leave pay provision charge	(62,499)	576,478
Provident fund	—	230,156
Cellphone allowance	204,200	36,300
Directors and members remuneration	54,840	31,140
	<b>17,930,197</b>	<b>14,464,022</b>

### Remuneration of Chief Executive Officer

Annual Remuneration	1,911,173	1,810,500
Performance Bonuses	—	91,932
Contributions to UIF, Medical and Pension Funds	2,069	1,785
Cellphone allowance	14,400	2,400
	<b>1,927,642</b>	<b>1,906,617</b>

Figures in Rand	2022	2021
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	1,722,157	1,687,000
Performance Bonuses	—	65,332
Contributions to UIF, Medical and Pension Funds	2,069	1,785
Cellphone allowance	14,400	2,400
	<b>1,738,626</b>	<b>1,756,517</b>

\*Bonuses was paid out in the prior year as part of the Section 197 transfers from WESGRO. The entity has made no provision for bonuses in this financial year.

## 22. Depreciation and amortisation

Property, plant and equipment	1,754,046	1,039,912
Intangible assets	106,943	94,121
	<b>1,860,989</b>	<b>1,134,033</b>

## 23. Debt impairment

Debt impairment	198,408	—
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The impairment relates to a long outstanding invoice for R198 408. Legal action has been taken against the customer.



Figures in Rand

2022

2021

## 24. General expenses

Advertising	1,541,807	968,740
Auditors remuneration	1,485,189	—
Bank charges	2,070	—
Catering	130,743	34,567
Cleaning	80,073	32,895
Community stakeholder network	301,458	310,400
Community skills development	77,082	4,739
Computer expenses	57,058	26,636
Consulting and professional fees	3,447,557	5,684,742
Fuel and oil	18,030	—
Hire	22,700	26,700
IT expenses	603,088	389,807
Insurance	58,673	21,981
Legal fees	351,727	535,903
Parking	336,466	161,625
Placement fees	507,469	115,068
Postage and courier	1,640	761
Printing and stationery	65,765	74,215
Repairs and maintenance	11,348	8,501
Shared services	626,609	530,713
Staff welfare	166,345	5,529
Subscriptions and membership fees	60,805	19,690
Supplier development programme	2,442,555	1,334,488
Telephone and fax	62,993	302,979
Travel - local	61,046	85,639
Travel - overseas	70,557	—
Utilities	321,757	296,905
	<b>12,912,610</b>	<b>10,973,223</b>

Consulting and professional fees - Consultants fees reduced as the internal team is maturing.

Audit fees include work that was done on the prior year financial statements which was not provided for in the prior year as the work was only performed in the current financial year.

Software expenses increased as functions were insourced namely CaseWare.

The supplier development programme costs also increased from prior year as departments were able to roll out programmes more effectively with the relaxation of lockdown restrictions.

Community stakeholder network expenditure includes costs for the facilitation of a network of members duly represented by individuals of the community that represent different sectors including stipends for each of the members.

Community skills development includes expenditure for skills development programmes aimed at addressing the skills shortages identified in the community.

Supplier development programme includes expenditure for programmes aimed at developing the skills of small medium enterprises in the community.

Figures in Rand

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**25. Cash generated from operations**

Surplus		1,690,599	935,503
<b>Adjustments for:</b>			
Depreciation and amortisation	22	1,860,989	1,134,033
Loss on disposal of assets and liabilities	8	32,966	—
Debt impairment	23	198,408	—
Movements in operating lease assets and accruals	12	18,837	51,771
Movements in employee benefits obligation	13	(28,291)	1,012,882
Non-cash additions on PPE (donations)	19	(34,550)	—
Employee benefits obligation - transfer of function	26	—	(604,577)
Payables from exchange transaction - transfer of function	26	—	(590,043)
Receivables from exchange transactions - transfer of function	26	—	10,695
<b>Changes in working capital:</b>			
Receivables from exchange transactions	3	(405,448)	(268,602)
Debt impairment provision	23	198,408	—
Statutory receivables	7	(55,218)	—
Prepayments	4	(220,065)	(354,667)
Payables from exchange transactions	11	7,120,672	2,218,685
Unspent conditional grants and receipts	15	616,240	—
Movement in Other financial asset	5	(7,793,958)	(3,283,339)
Transfer of functions between entities under common control	26	—	1,406,955
		<b>3,199,589</b>	<b>1,669,296</b>

**26. Transfer of functions between entities under common control****Transfer of functions between entities under common control occurring during the current reporting period**

The ASEZCo development is a collaboration between the Department of Trade and Industry and Competition (DTIC) and Western Cape Government (WCG)'s Department of Economic Development and Tourism (DEDAT), Wesgro, and the City of Cape Town (CoCT) to facilitate the development of the SEZ in Atlantis. The SEZ was launched in December 2018, when the licence was handed over to the Western Cape Minister of Economic Development and Tourism. The ASEZCo was incubated under WESGRO until the Atlantis SEZ entity was formally established.

Entities involved in the transfer of functions were:

WESGRO and the ASEZCo

The following functions were transferred:

Establishment of SEZ

The transfer was due to the establishment of SEZ.

The transfer of function took place during the 2021 financial year.

The transfer was effective on 01 April 2020.

Figures in Rand

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## 26. Transfer of functions between entities under common control (continued)

### Value of the assets acquired and liabilities assumed

#### Assets acquired

Property, plant and equipment	—	3,213,302
Receivables from exchange transactions	—	10,695
Other financial assets	—	1,406,955
	—	<b>4,630,952</b>

#### Liabilities assumed

Trade debtors	—	604,577
Trade creditors	—	590,043
	—	<b>1,194,620</b>
	—	<b>3,436,332</b>

### Difference between net assets and the consideration paid

#### Net cash inflow (outflow) on transfer of function

Cash acquired	—	1,406,955
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The residual interest (assets acquired and liabilities assumed) of R 3 436 332 (2021) in respect of the accumulated surplus towards the establishment of the ASEZCo.

## 27. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

• Property, plant and equipment	3,042,419	942,386
---------------------------------	-----------	---------

The current year capital commitments include open orders for the design work and supervision of the civil infrastructure that is to be constructed in Atlantis in the following financial year to the value of R2 733 605. The funding for this has already been approved by the DTIC. Capital commitments have also been made towards the completion of the physical 3D model of the ASEZCo and towards a billboard that is to be erected.

#### Total capital commitments

Already contracted for but not provided for	3,042,419	942,386
---	-----------	---------

#### Total commitments

#### Total commitments

Authorised capital expenditure	3,042,419	942,386
--------------------------------	-----------	---------

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

#### Minimum lease payments due

- within one year	911,057	1,173,388
- in second to fifth year inclusive	235,935	1,344,094
	<b>1,146,992</b>	<b>2,517,482</b>

Figures in Rand

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Operating lease payments represent rentals payable by the entity for its office properties, printers, phones, coffee machines and water dispensers. Leases are negotiated for an average term of 3 years and rentals are fixed for the duration of the lease term. No contingent rent is payable.

## 28. Contingencies Contingent liabilities

### Contingent Liabilities

No contingent liabilities identified.

### Contingent assets

No contingent assets were identified.

## 29. Related parties

### Relationships

Shareholder with significant influence

Shareholder with insignificant influence

Other Related Parties

Non-executive directors

Department of Economic Development and Tourism

City of Cape Town municipality

WESGRO

Johnston, Jo-Ann Deidre,

Greyling, Lance William

Kimani, Zukiswa

Roman, Leon Jonathan

Selane, Kenosi Pearl Louisa,

Jullies Marshall Julian

Members of key management

Voges, Pierre

Saib, Waheeda

Brand, Fredelaine Elna Cindy

The detail of the remuneration of the members of key management and non-executive directors is included in note 21 and 30 to the financial statements.

### Related party balances

#### Loan accounts - Owing (to) by related parties

WESGRO

11,077,298

3,283,341

### Related party transactions

#### Shared services

WESGRO

626,609

530,713

#### Grants received

DEDAT

(34,754,681)

(27,881,266)

#### Interest received

DEDAT

(419,910)

—

Figures in Rand

2022

2021

### 30. Directors and members remuneration

#### Board meeting fees (fees for attending board meetings)

##### March 2022

	Members' fees	Total
Roman, Leon Jonathan	(1,542)	(1,542)
Selane, Kenosi Pearl Louisa	10,551	10,551
Jullies, Marshall Julian	4,749	4,749
	<b>13,758</b>	<b>13,758</b>

##### March 2021

	Members' fees	Total
Roman, Leon Jonathan	21,585	21,585
Selane, Kenosi Pearl Louisa	—	—
	<b>21,585</b>	<b>21,585</b>

The remaining non-executive directors are employees of National, Provincial and Local Government or Institutions, Agencies and Entities of Government serving as office-bearers on Public Entities/Institutions are not entitled to additional remuneration.

A portion of the member fees for the current year were not paid but provided for. Member fees in the prior year were not paid but provided for. Refer to note 13 - Employee benefit obligation.

#### Subcommittees fees (fees for attending subcommittees of board)

##### 2022

	Members' fees	Total
Selane, Kenosi Pearl Louisa	11,883	11,883
Bartes, Ian	9,153	9,153
Slack, Paul	7,845	7,845
Roman, Leon Jonathan	11,121	11,121
Jullies, Marshall Julian	1,080	1,080
	<b>41,082</b>	<b>41,082</b>

##### 2021

	Members' fees	Total
Selane, Kenosi Pearl Louisa	4,317	4,317
Bartes, Ian	2,619	2,619
Slack, Paul	2,619	2,619
	<b>9,555</b>	<b>9,555</b>

A portion of the member fees for the current year were not paid but provided for. Member fees in the prior year were not paid but provided for. Refer to note 13 - Employee benefit obligation.

### 31. Financial instruments

#### Categories of financial instruments

##### 2022

#### Financial assets

		At amortised cost	Total
Other financial assets	5	11,077,298	11,077,298
Trade and other receivables from exchange transactions	3	277,334	277,334
Cash and cash equivalents	6	120,000	120,000
		<b>11,474,632</b>	<b>11,474,632</b>

Figures in Rand

2022

2021

**31. Financial instruments (continued)****Financial liabilities**

		At amortised cost	Total
Trade and other payables from exchange transactions	11	9,339,361	9,339,361

**2021****Financial assets**

		At amortised cost	Total
Other financial assets		3,283,341	3,283,341
Trade and other receivables from exchange transactions		268,702	268,702
		<b>3,552,043</b>	<b>3,552,043</b>

**Financial liabilities**

		At amortised cost	Total
Trade and other payables from exchange transactions		2,218,689	2,218,689

**32. Operating surplus**

Operating surplus for the year is stated after accounting for the following:

**Operating lease charges**

## Premises

• Contractual amounts	Equipment	824,409	719,539
• Contractual amounts		143,874	55,186
		<b>968,283</b>	<b>774,725</b>

Loss on sale of property, plant and equipment	(32,966)	—
Amortisation on intangible assets	106,943	94,121
Depreciation on property, plant and equipment	1,754,046	1,039,912
Employee costs	17,930,197	14,464,022

**33. Auditors' remuneration**

Fees	1,485,189	—
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Audit fees include work that was done on the prior year financial statements which was not provided for in the prior year as the work was only performed in the current financial year.

**34. 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.

Figures in Rand

2022

2021

### 34. Risk management (continued)

#### Liquidity risk

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

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

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

<b>At 31 March 2022</b>	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year
Trade and other payables	629,446	234,911	8,475,000
<b>At 31 March 2021</b>	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year
Trade and other payables	949,089	97,538	1,172,062

#### Credit risk

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

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:

	2022	2021
Financial instrument		
Other financial assets	11,077,298	3,283,342
Receivables from exchange transactions	277,334	268,702

#### Interest rate risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.



Figures in Rand

2022

2021

### 35. Going concern

We draw attention to the fact that at 31 March 2022, the entity had an accumulated surplus of R 6,062,434 and that the entity's total liabilities exceed its assets by R 62,562,534.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. At the reporting date, the ASEZCo's application for funding from the DTIC had been approved to fund the civil infrastructure works at Zone 1. The investment is expected to catalyse further investment into the area.

### 36. Segment information

#### General information

##### Identification of segments

The entity is organised and reports to management on the basis of two major functional areas: Administration and Operational. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

The Operating function includes the following functions:

- Business Development
- Commercial
- Infrastructure
- Integrated Eco-system

The Administration function includes the following function:

- Corporate services

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

The entity operates throughout the Western Cape. Segments were aggregated on the basis of management functions.

#### Segment surplus or deficit

2022

	Administration	Operations	Total
<b>Revenue</b>			
Grant funding	16,308,924	18,455,758	34,764,682
Other revenue	374,910	—	374,910
Donations	34,550	—	34,550
Interest income	419,910	—	419,910
<b>Total segment revenue</b>	<b>17,138,294</b>	<b>18,455,758</b>	<b>35,594,052</b>
<b>Entity's revenue</b>	<b>—</b>	<b>—</b>	<b>35,594,052</b>

Figures in Rand

2022

2021

### 36. Segment information (continued)

#### Expenditure

Employee related cost	6,420,260	11,509,937	17,930,197
Depreciation	1,860,990	—	1,860,990
Debt impairment	198,408	—	198,408
Loss on disposal of assets & liabilities	32,966	—	32,966
Operating lease rental	968,283	—	968,283
General expenses	5,966,789	6,945,820	12,912,609
<b>Total segment expenditure</b>	<b>15,447,696</b>	<b>18,455,757</b>	<b>33,903,453</b>

#### Total segmental surplus

—	—	<b>1,690,599</b>
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#### 2021

	Administration	Operations	Total
Revenue			
Grant funding	10,364,714	17,516,552	27,881,266
Other revenue	26,000	—	26,000
Donations	374,240	—	374,240
<b>Total segment revenue</b>	<b>10,764,954</b>	<b>17,516,552</b>	<b>28,281,506</b>
<b>Entity's revenue</b>	<b>—</b>	<b>—</b>	<b>28,281,506</b>

#### Expenditure

Employee related cost	4,972,497	9,491,525	14,464,022
Depreciation	1,134,033	—	1,134,033
Operating lease rental	774,725	—	774,725
General expenses	3,437,828	7,535,395	10,973,223
<b>Total segment expenditure</b>	<b>10,319,083</b>	<b>17,026,920</b>	<b>27,346,003</b>
<b>Total segmental surplus/(deficit)</b>	<b>—</b>	<b>—</b>	<b>935,503</b>

### 37. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s)

Parties to this arrangement is ASEZ (principal) and WESGRO (agent).

#### Entity as principal

#### Resources (including assets and liabilities) of the entity under the custodianship of the agent

The ASEZCo Board had applied via the Western Cape Department of Economic Development and Tourism (DEDAT) and Provincial Treasury to National Treasury to be listed as a public entity. The entity was officially listed on 15 December 2021 as a Provincial Government Business Enterprise by the National Minister of Finance. The entity has since opened a bank account. However before this, the entity was unable to obtain a bank account in the name of the ASEZCo. In order to receive funding and make any payments, the ASEZCo had signed a Service Level Agreement (SLA) with Wesgro (Western Cape Tourism Trade & Investment Promotion Agency) to use its bank account. The ASEZCo paid Wesgro 1% of the funds received for this service.

Figures in Rand	2022	2021
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**Fee paid**

WESGRO receives 1% of amount received for overhead costs associated with receiving and managing funds on behalf of the ASEZ-Co. Refer to note 24 General expenses - Shared services

**38. BBBEE Performance**

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.



where green  
tech grows



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