FREEPORT SALDANHA

INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT

2023 / 24

Saldanha Bay IDZ
Licencing Company SOC Ltd
t/a Freeport Saldanha

www.freeportsaldanha.com
+27 (0)87 095 0261


N
IDZ North
INNOVATION CAMPUS
IDZ Central
IDZ South-West
IDZ South-East
Ship Recycling facility (500mx200m)
Project Leasing Facility
Reclamation
Paving (390mx250m)
Mobile Hoist
Reclamation
Lay-by Jetty (240mx30m)
250mx150m
250mx40m
Ship-lift (240mx40m)
SW Jetty
OSB
8m
23.7m
MPT
Legend
SEZ Designation
Customs Controlled Area (CCA)
Internal Roads
IDZ North (90ha)
IDZ South-East (35ha)
IDZ South-West (20ha)
Access Complex (5ha)
Project Leasing Facility (10ha)
Innovation Campus
SME Co-Lab Centre
Offshore Supply Base (OSB) (23.5ha)
Multi-Purpose Terminal (MPT)
Shipyard Development
Reclamation

CONTENTS

PART A: GENERAL INFORMATION 8

1 **Public Entity's General Information** 8

2 **List of Abbreviations & Acronyms** 9

3 **Foreword by the Chairperson** 11

4 **Chief Executive Officer's Overview** 14

5 **Statement of Responsibility and Confirmation of Accuracy** 17

6 **Strategic Overview** 18

6.1 Vision 18

6.2 Mission 18

6.3 Values 18

7 **Legislative and Other Mandates** 18

7.1 Constitutional Mandate 18

7.2 Legislative and Policy Mandates 18

7.2.1 National Legislative Mandates 18

7.2.2 Provincial Legislative Mandates 19

7.2.3 National Policy Context 20

7.2.4 Overarching Policy Environment 20

7.2.5 Leading Economic Policy 21

7.2.6 Industrial Policy 22

7.2.7 Provincial Policy Context 22

7.3 Institutional Policies and Strategies over the five-year planning period 23

7.3.1 Policies 23

7.3.2 Strategies 26

7.4 Relevant Court Rulings 28

8 **Organisational Structure** 29

9 **Board of Directors** 31

PART B: PERFORMANCE INFORMATION 38

1 Auditor's Report: Predetermined Objectives **38**

2 Situational Analysis **38**

2.1 Service Delivery Environment 38

2.2 Organisational Environment 40

2.3 Key Policy Developments and Legislative Changes 40

2.4 Progress Towards Achievement of Institutional Impacts and Outcomes 40

3 Performance Information **42**

3.1 Programme 1: Administration 42

3.2 Programme 2: Operations 44

PART C: CORPORATE GOVERNANCE REPORT 56

1 Introduction **56**

2 The Accounting Authority (Board of Directors) **56**

2.1 Introduction 56

2.2 Composition of the Board of Directors 56

2.3 Board Committees 59

PART D: HUMAN RESOURCE MANAGEMENT & DEVELOPMENT 66

1 Introduction **66**

2 Human Resource Oversight Statistics **66**

PART E: FINANCIAL INFORMATION 72

Index **72**

Accounting Authority's Responsibilities and Approval **73**

Audit, IT and Risk Committee Report **74**

Report of the Auditor-General to the Western Cape Provincial Parliament on Saldanha Bay IDZ Licencing Company SOC Limited **75**

Annexure – Auditor-General's Responsibility for the Audit **79**

Accounting Authority's Report **81**

Company Secretary's Certification **84**

Annual Financial Statements **85**

LIST OF FIGURES

Figure 1: Executive Management 29

Figure 2: Company Organogram 30

Figure 3: Company Funding Model 42

Figure 4: Integrated Freeport Saldanha Stakeholder Management Approach 48

LIST OF TABLES

Table 1: Planned Targets as per the Original Tabled 2023/24 Corporate Plan 41

Table 2: Programme 1 Outcome, Output Indicators, Targets and Actual Achievements 43

Table 3: Programme 2 Outcome, Output Indicators, Targets and Actual Achievements 50

Table 4: Linking Performance with Budget 51

Table 5: Revenue Collections 51

Table 6: Capital Investment 51

Table 7: Projects Still in Progress 52

Table 8: Board Members 57

Table 8 (continued): Board Members 58

Table 9: Board Committees 59

Table 10: Board Member Remuneration 60

Table 11: Audit, IT and Risk Committee 61

Table 12: B-BBEE Compliance Performance Information 63

Table 13: Personnel Cost by Programme 66

Table 14: Personnel Cost by Salary Band 66

Table 15: Performance Rewards 67

Table 16: Training Costs 67

Table 17: Employment and Vacancies, by Programme 67

Table 18: Employment and Vacancies, by Level 67

Table 19: Employment Changes 68

Table 20: Reasons for Staff Leaving 68

Table 21: Equity Target and Employment Equity Status (Male) 69

Table 22: Equity Target and Employment Equity Status (Female) 69

GENERAL INFORMATION

A

1 PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME	Saldanha Bay IDZ Licencing Company SOC Ltd t/a Freeport Saldanha
REGISTRATION NUMBER	2012 / 035625 / 30
PHYSICAL ADDRESS	24 Main Road Saldanha Bay 7395
TELEPHONE NUMBER/S	+27 22 714 0206 +27 87 095 0261
EMAIL ADDRESS	info@freeportsaldanha.com
WEBSITE ADDRESS	www.freeportsaldanha.com
EXTERNAL AUDITORS	Auditor-General of South Africa No.19 Park Lane Building Park Lane Century City
BANKERS	Nedbank 5th Floor, Nedbank Building Silo District V&A Waterfront Cape Town 8001
COMPANY SECRETARY	Sollie Marthinus Legal Advisor

2 LIST OF ABBREVIATIONS & ACRONYMS

AGSA	Auditor-General of South Africa
CCA	Customs Control Area
CCAE	Customs Control Area Enterprise
CHIETA	Chemical Industries Education and Training Authority
CSIR	Council for Scientific and Industrial Research
DDM	District Development Model
DEA&DP	Department of Environmental Affairs and Development Planning
DEDAT	Department of Economic Development and Tourism
DLG	Department of Local Government
DOE	Department of Energy
DST	Department of Science and Technology
dtic	Department of Trade, Industry and Competition
EIA	Environmental Impact Assessment
EIR	Environmental Impact Report
EoDB	Ease of Doing Business
ESSA	Employment Services System of South Africa
GCIS	Government Communication and Information System
GDP	Gross Domestic Product
GGP	Gross Geographic Product
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
IMO	International Maritime Organization
ISPS	International Ship and Port Security
KPI	Key Performance Indicator
MDA	Manufacturing Development Act
MEC	Member of Executive Council
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding

MTEF	Medium Term Expenditure Framework
NDA	Non-Disclosure Agreement
O&G	Oil & Gas
OECD	Organisation for Economic Cooperation and Development
OSSB	Offshore Supply Base
PASA	Petroleum Agency South Africa
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PT	Provincial Treasury
RIIS	Research Institute for Innovation and Sustainability
RoFR	Right of First Refusal
RPL	Recognition of Prior Learning
SAIMI	South African International Maritime Institute
SAMREF	South African Marine Research and Exploration Forum
SAOGA	South African Oil and Gas Alliance
SAPS	South African Police Service
SARS	South African Revenue Services
SBIC	Saldanha Bay Innovation Campus
SBIDZ	Saldanha Bay Industrial Development Zone
SBM	Saldanha Bay Municipality
SCM	Supply Chain Management
SEZ	Special Economic Zone
SIP5	Strategic Integrated Project 5: Saldanha-Northern Cape Development Corridor
SOC	State Owned Company
TCP	Transnet Capital Projects
TNPA	Transnet National Ports Authority
TPT	Transnet Ports Terminal
UNCTAD	United Nations Conference on Trade and Development
WCDM	West Coast District Municipality
WCG	World Investment Report
WoSA	Whole of Society Approach

3 FOREWORD BY THE CHAIRPERSON

Introduction

The 2023/24 financial year is the penultimate year in the Company's Five-year Strategic Plan for the period 2020/21 to 2024/25. Key to ensuring that the company delivers on its Strategic Plan was attaining financial self-sustainability by 1 April 2023. Noting the importance of financial self-sustainability and that the target was not achieved as planned, the Board and management worked tirelessly during the year under review on realising Freeport Saldanha's vision to be Africa's premier maritime, energy and logistics freeport, with a specific focus on the new dynamic energy market, being green hydrogen. Freeport Saldanha is recognised as having immense green hydrogen potential. It is well positioned to explore opportunities in the hydrogen space. As such, a lot of focus was put into signing a lease agreement with Freeport Saldanha's first green hydrogen investor, who will develop and construct a green hydrogen facility in the IDZ.

Good progress was also made in advancing another project focused on building a refined fuel storage facility in the IDZ. Towards the end of the year under review, efforts to unblock the challenges hampering the investor from reaching financial close were well underway. These investments will unlock employment and economic growth, increase revenue, and position the company towards the market opportunities we see.

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

Despite the challenges the company experienced during the year under review, the outlook for the company is very positive. The Board believes that the company can become financially sustainable during the 2025/26 financial year.

Our pipeline continues to reflect a diverse commercial offering developing within the Zone, varying from long-term leases to office complexes for commercial rental. As mentioned in my introduction, the company has concluded contracts with two major investors in the green hydrogen and refined fuel spaces. The green hydrogen investment and the refined fuel investments are in line with the company's strategic focus and vision over the medium- to long-term period.

Finding a long-term, mutually beneficial land arrangement with Transnet and its operating division TNPA remains a key strategic focus area for the Board. Transnet and TNPA are critically important to the future of Saldanha Bay's economy and Freeport Saldanha for port infrastructure; logistics and trade; industrial development; job creation and economic growth; and the attraction of investment.

All targets set out in the 2023/24 Corporate Plan were achieved during the year under review. During our five-year strategic planning for the period 2020/21 to 2024/25, the Board committed to good governance. The commitment to good governance has yet again yielded a clean audit for Freeport Saldanha.

Strategic relationships

It is vital to the success of Freeport Saldanha that it partners with the right stakeholders and maintains those relationships, and that it is positioned correctly to take advantage of the opportunities that exist. As raised in previous reports Freeport Saldanha has over the years formed strategic and operational partnerships with several stakeholders, such as Saldanha Bay Municipality; the Department of Economic Development and Tourism (DEDAT); the Department of Environmental Affairs and Development Planning of the Western Cape Government; the Western Cape Investment and Trade Promotion Agency (Wesgro); the Department of Trade, Industry and Competition; Transnet National Ports Authority (TNPA); local businesses and the community; financial institutions; industry associations; and potential investors / tenants within the IDZ itself.

Saldanha Bay remains a key area for green hydrogen. The Management team regularly engages with the aforesaid Western Cape Government departments around the development and implementation of the Western Cape Government's Green Hydrogen Strategy and the unlocking of land earmarked for development.

Saldanha Bay Municipality remains a critical stakeholder, as the area will be the first beneficiary of a successful freeport. They are mandated to deliver many key municipal services to the investors of Freeport Saldanha. As such we need the Saldanha Bay Municipality to assist in making investment in the Zone as seamless as possible and to ensure that investors get all the help they need. Freeport Saldanha and the Saldanha Bay Municipality regularly engage on various platforms to ensure that the strategies and plans of Freeport Saldanha are understood and supported.

The relationship with TNPA is of critical importance. It is important to strengthen that relationship to unlock funding / resources necessary to enable the development of catalytic infrastructure at the Port of Saldanha.

Challenges faced by the Board

As mentioned last year, the greatest challenge facing the Board and the company is the inability to convert the investor pipeline into reality. Although we are starting to see some measure of success, the pace of investment and tenanting into the Zone is still not at an acceptable level. We are seeing some investors moving towards reaching financial close on their projects, however it will still be a while before we see this translating into feet on the ground.

The second-biggest challenge facing the Board and the company is addressing the immediate financial needs of the company, ensuring that it can continue its vital operations without disruption. Here the Board and Management are looking at securing bridging finance which is aimed at safeguarding the company's financial stability over the short-term. Beyond the short-term measures, the Board is also focused on the long-term financial sustainability of the company.

The Board and the company also experienced an exodus of key senior employees. Over the last year and a half the company lost its Executive: Ease of Doing Business; Executive: Transaction and Investor Support; and Executive: Stakeholder Management. In December 2023 the Board and staff had to say goodbye to the CEO, Mrs Kaashifah Beukes. The current COO of the company, Mr Douglas Southgate, is also due to retire in September 2024. The loss of the combined human capital has hit the company hard and as with other organisations, bouncing back from such a loss is challenging.

The strategic focus over the medium- to long-term period

Our vision is to be Africa's premier maritime, energy and logistics freeport, offering a world-class integrated shipyard, engineering, fabrication, logistics and services freeport environment to Zone users and tenants. To realise such an inspirational but doable vision the company has prioritised the new business opportunities in green hydrogen in line with the Western Cape Government's Growth for Jobs (G4J) Strategy and newly developed Green Hydrogen Strategy. The company's recently approved 2024/25 Corporate Plan focuses on green hydrogen as both a looming challenge and an opportunity. Saldanha Bay is currently the best-placed region in South Africa to take up the production challenge of servicing the growing global demand for decarbonised green products in the hard-to-abate sectors of ship bunkering and the steel industry, amongst others.

Freeport Saldanha is recognised as having immense green hydrogen potential and is well positioned to explore opportunities in the green hydrogen market and be a catalyst for green hydrogen. Given the partnership with the Western Cape Government and the private sector Freeport Saldanha must play a greater role in unlocking the green hydrogen market.

The company continuously scans the market and the fiscal and socio-economic environment for opportunities and as such has taken a strategic decision to focus more on investor support, to make the conversion of the investor pipeline easier. The focus is on having a pipeline that is ready to do business.

Acknowledgements / Appreciation

I wish to thank my fellow Directors and the independent members serving on the various committees of the Board for your insights and advice, and the Executive Management team and the Freeport Saldanha staff for achieving the targets set for the 2023/24 financial year despite challenging economic times. I specifically want to thank our former CEO, Mrs Kaashifah Beukes, who led Freeport Saldanha until 31 December 2023, for her commitment to driving our mission to foster responsible investment, creating shared prosperity for Saldanha Bay as a sustainable pioneer in the region. A special thank you also to Mr Doug Southgate, who took over as acting CEO when Mrs Beukes left and will be at the helm until the Board appoints a new CEO. Your efforts are highly appreciated.

The Board's sincere appreciation goes to Minister Mireille Wenger, our Shareholder Representative, who with her probing questions and valuable input made us think and adjust the Company's business model. Similarly, we want to thank the Director-General of the Western Cape Government, Dr Harry Malila, and DEDAT of the Western Cape Government, represented by the former Head of Department, Mr Velile Dube, Ms Jo-Anne Johnston and Mr Herman Jonker, for your guidance and unwavering support.

We acknowledge and thank the Executive Mayor of the Saldanha Bay Municipality, Councillor Andre Truter, and the Municipal Manager Mr Heinrich Mettler and his team for their continued support. We also wish to thank the dtic for its continued support during the past financial year, as well as Transnet and TNPA, with whom we continue to work to ensure an integrated approach to developing the IDZ and the Port of Saldanha.

Conclusion

Freeport Saldanha has many key stakeholders who each have a role to play in the company achieving its goals. The Board firmly believes that if Freeport Saldanha has the buy-in of these stakeholders, the company and the SBIDZ will attain success and achieve the outcomes and impact outlined in its five-year Strategic Plan. On behalf of the Board, I reaffirm our commitment to steer the company and set the strategic direction, provide ethical and effective leadership and oversight, and ensure accountability.

Irvin Esau
Board Chairperson (Acting)
30 August 2024

4 CHIEF EXECUTIVE OFFICER'S OVERVIEW

The Saldanha Bay Freeport is operated by the Saldanha Bay IDZ Licencing Company SOC Ltd, in line with the IDZ regulations designated in Government Gazette No. 36988 of 2013. It is jointly funded and supported by the National Department of Trade, Industry and Competition (dtic) and the Western Cape Provincial Department of Economic Development and Tourism.

The company was formally awarded the Operator's Licence on 31 October 2013.

This marked the formal beginning of implementing a long-term initiative to utilise the Special Economic Zone, enabling legislation to create an environment to promote sustainable economic growth and job creation in the West Coast.

As a green fields project, after ten years, albeit with a disruption of almost two years because of COVID, it is considered appropriate to reflect upon what significant milestones have been attained to date;

- The successful negotiation and purchase of the Northern Innovation Campus precincts.
- The installation of internal infrastructure on the Northern Precinct.
- Heads of Agreement in respect of the rental of land owned by the Transnet National Port Authority in the Port of Saldanha.
- Heads of Agreement with the Saldanha Bay Municipality in respect of bulk services and the provision of certain services to investors.
- Scheduling of the company as a "3D business enterprise" by the National Treasury.
- Installation of Infrastructure on 55 hectares of the Port land.
- Provision of 20 hectares of land with internal infrastructure, to Saldehco, a Port operator.
- Building and ongoing tenanting of the Access Complex.
- Negotiation and set up of the freeport operations, with the assistance of the Government Technical Advisory Centre (GTAC), which is an arm of the National Treasury.
- Building the bridge over the R224 to create one contiguous Zone between the Northern Precinct, our Campus Precinct, and the Port.
- Creation of the Saldanha Bay Innovation Campus.
- Setting up of streamlined investor procedures.
- Building of facilities within the Northern Precinct.
- Up-skilling of labour and preparation of qualified suppliers through partnerships with National and Provincial Governments, including the SETAs.

Investor interest, more specifically in the energy sector, remains robust, particularly in the green hydrogen arena. The West Coast is currently the best placed region in SA to take up the production challenge for the growing global demand for decarbonised green products. While there are great things envisaged for the Northern Cape and specifically Boegoebaai, this infrastructure will at best take some time to come to fruition, whereas the West Coast has a number of infrastructural assets that can be immediately utilised. This, however does not come without major challenges, possibly the greatest being unclear grid capacity and availability, and that the area is water-scarce. We, along with the Port and the Municipality, can become a major catalyst, to unlock these challenges in order to ensure that the investors are able to make best use of the region.

A joint shared vision with Transnet National Port Authority (TNPA) will result in a strong focus towards dedicated infrastructure development in the marine industries and will result in significant private sector infrastructure investment within the Port and Zone. In order to satisfy the requirements of marine investors, as well as coming to terms with the Port in relation to port land, which is also designated as a part of the Zone, we have embarked on a two-pronged approach.

Firstly, negotiation with the TNPA to come to a fairer leasing arrangement in respect to the port land, whereby there is a shared risk and reward approach to an agreement in respect of tenants / investors within the Port precinct. Secondly, a partnership approach along with the Port, Infrastructure SA, and the Industrial Development Corporation (IDC), whereby we jointly strive to put together the best private-sector-financed and operated solution to the provision and operation of new port infrastructure.

General financial review

We recorded a deficit of R39.32 million compared to a deficit of R67.21 million for the 2022/23 financial period.

The revenue from non-exchange transactions, specifically grant revenue related to capital expenditure which increased from R59.56 million to R63.59 million.

The revenue from exchange transactions, specifically rental income , was less than expected due to the lack of access to Port infrastructure and the slow delivery of Port waterside infrastructure, which is adversely affecting any investment within the Port.

Additionally, an asset transfer worth R11.7 million to the Department of Infrastructure was made during the fiscal year.

For the year under review, we received R179 million (PY23: R42.8 million) in conditional grant funding. The total grant revenue recognised for the year was R63.59 million (PY23: R59.56 million), 72.6% relates to the dtic's SEZ Fund, 12.85% to DEDAT and the rest is recognised from various special project grants. Rental revenue decreased from R2.59 million in 2023 to R2.51 million in 2024.

Our total assets were R1.06 billion (PY23: R960.3 million) at the end of the 2024 financial year. The increase is mainly due to the increase in current assets, from R147.55 million to R261.72 million. This is attributable to the conditional grants received during the fiscal year, which are still held in the bank and cash reserves at year-end.

Our investment property book value was R292.43 million (PY23: R261.66 million) and property, plant and equipment book value were R510.39 million (PY23: R550.16 million) and represented 47.9% (PY23: 57,3%) of total assets.

Spending trends

Total expenditure decreased by 18.85%. This was primarily due to a decrease in lease rentals and operating lease expenses. Employee-related costs, lease rentals on operating leases and general expenses reduced by R28.31 million compared to 2023, in the tight investment environment experienced during the year under review.

Risk

Risk is managed via an overarching framework that covers all strategic and operational risks. Major risks are proactively identified and continuously monitored and managed.

Acknowledgements

Sincere gratitude and appreciation are extended to all partners, with specific acknowledgement of support to our local partners namely; the Port of Saldanha, the Saldanha Bay Municipality and the Saldanha Bay community.

We continue to engage with the leadership of the Executive Authority, the Western Cape Government's Office of the Director-General, and the dtic on key intergovernmental matters with Transnet, the Port Authority, and others, in the pursuit of securing functional compacts regarding a common, accountable, and mutually beneficial destination for the Port and the Freeport

I would like to thank our former CEO, Ms Kaashifah Beukes, for her dedication and leadership over the last five years; our Acting Board Chairperson, Mr Irvin Esau, for his contribution during the year; and the rest of the Board of Directors for their direction and support.

Finally, to our staff, who under particularly trying circumstances have been committed, and made unique contributions, and without whom our performance and success would not have been possible. Thank you.

Doug Southgate
Chief Executive Officer (Acting)
30 August 2024

5 STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

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

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

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

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

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

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made 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, performance information, human resources information and financial affairs of the public Company for the financial year ended 31 March 2024.

Yours faithfully,

Doug Southgate
Chief Executive Officer (Acting)
30 August 2024

Irvin Esau
Chairperson of the Board (Acting)
30 August 2024

6 Strategic Overview

6.1 Vision

Vision for the Zone

Our vision is to be Africa's premier maritime, energy and logistics freeport, offering a world-class integrated shipyard, engineering, fabrication, logistics, and services Freeport environment to Zone users and tenants.

Vision for the Organisation

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

Vision for the Board

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

Vision for Partnerships

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

6.2 Mission

We strive to foster responsible investment, creating shared prosperity for Saldanha Bay as a sustainable pioneer in the region.

6.3 Values

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

Partnership-focused: We work together. We grow together. We show mutual respect.

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

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

7 Legislative and Other Mandates

In terms of the Public Finance Management Act (PFMA) Saldanha Bay IDZ Licencing Company SOC Ltd is a schedule 3D Company.

7.1 Constitutional Mandate

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

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

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

7.2 Legislative and Policy Mandates

7.2.1 National Legislative Mandates

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

The purpose of the Special Economic Zones Act, 2014 (Act 16 of 2014) (SEZ Act) is to provide for the designation, promotion, development, operation and management of Special Economic Zones, which includes the establishment of a provincial government business enterprise to manage the SEZ. The SEZ Act also provides for the functions of the Special Economic Zone operators. The Saldanha Bay IDZ Licencing Company SOC Ltd t/a Freeport Saldanha is one such company, established to manage the SEZ in Saldanha Bay.

In terms of the SEZ Act, Freeport Saldanha is an economic development tool to promote national economic growth and export by using support measures in order to attract targeted foreign and domestic investments and technology. The purpose of the Freeport includes:

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

Freeport Saldanha, as per its initial designation, is intended to be an oil and gas, marine repair, engineering and logistics services complex, serving the needs of the upstream exploration and production service companies operating in the oil and gas fields in Sub-Saharan Africa. The IDZ will include logistics, repairs and maintenance, as well as fabrication activities. The IDZ designation affords Freeport Saldanha the ability to offer a contiguous customs-free area. Freeport Saldanha is the implementing vehicle of the IDZ and will be responsible for the provision of infrastructure, promotion, management and marketing of the IDZ.

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 Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) (B-BBEE Act) establishes a legislative framework for the promotion of black economic empowerment. Our vision is to promote sustainable economic growth and job creation within the broader Saldanha Bay Municipality (SBM). Freeport Saldanha has embraced the principles and objectives as set out in the B-BBEE Act and Codes of Good Practice through the implementation of various enterprise, skills and supplier development interventions / programmes.

The regulatory framework for the IDZ Programme is informed by the relevant provisions of the following legislation:

- Relevant provisions of the Income Tax Act, 1962 (Act 58 of 1962).
- Section 21A of the Customs and Excise Act, 1964 (Act 91 of 1964).
- Relevant provisions of the Value Added Tax Act, 1991 (Act 89 of 1991).
- Relevant provisions of the Customs Duty Act, 2014 (Act 30 of 2014).
- Relevant provisions of the Customs Control Act, 2014 (Act 31 of 2014).
- Report No. 14 promulgated by the International Trade Administration Commission in accordance with the Customs and Excise Act.
- Employment Tax Incentive Act, 2013 (Act 26 of 2013).

7.2.2 Provincial Legislative Mandates

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

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

(a) promoting, managing, and marketing the IDZ;

(b) providing internal infrastructure in the IDZ area;

(c) facilitating the ease of doing business in the IDZ area; and

(d) acquiring and leasing land incidental to the Company's business.

Western Cape Investment and Trade Promotion Agency Law, 1996 (Act 3 of 1996) as amended by the Western Cape Investment and Trade Promotion Agency Amendment Act, 2013 (Act 6 of 2013)

The Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro) was established as a trade and promotion agency under the provincial Department of Economic Development and Tourism (DEDAT) to promote and support economic growth and related activities within the Western Cape, thus facilitating job creation by creating and keeping more businesses in the Western Cape as well as helping local companies to export to the rest of the African continent and the world. In line with the national InvestSA Initiative, the DEDAT, through Wesgro, has established the Cape Investor Centre. In light of the sector-specific competencies of Wesgro and Freeport Saldanha, both parties' desire to be contributing agencies in providing services to the Cape Investor Centre, Wesgro and Freeport Saldanha have agreed to collaborate and cooperate in providing services at the Cape Investor Centre to create an enabling investor environment.

7.2.3 National Policy Context

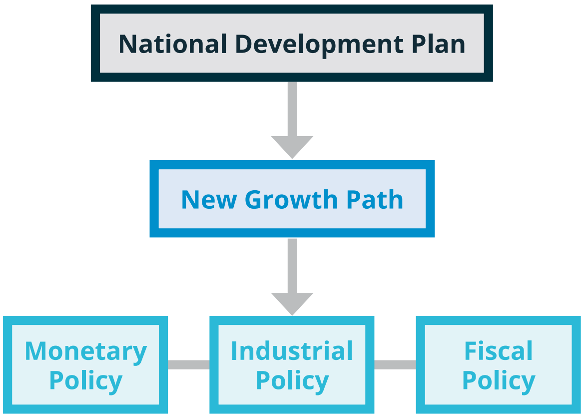
In addition to the legislative mandates, Freeport Saldanha is linked to broader national strategies and policies, including:

- The National Development Plan;
- The South African Economic Reconstruction and Recovery Plan;
- The National Infrastructure Plan 2050 (Phase 1 and Phase 2 [draft]);
- The Reimagined Industrial Strategy;
- The Presidential Infrastructure Coordinating Commission (PICC) Rollout Programme;
- The Industrial Policy Action Plan;
- Operation Phakisa Oceans Economy; and
- The Comprehensive Maritime Transport Policy (CMTP).

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

Freeport Saldanha in the National Policy Context

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



7.2.4 Overarching Policy Environment

National Development Plan: Vision 2030

The guiding principle of the National Development Plan: Vision 2030 (NDP) issued in 2012, as stated, is to "eliminate poverty and to sharply reduce inequality" with a focus on inclusivity in the economy. The Freeport directly addresses three of the top four policy proposals (of nine listed) in the NDP, namely:

- "create jobs and livelihoods";
- "expand infrastructure"; and
- "transform urban and rural spaces".

The NDP sets out a long-term vision for the country and provides the programme for South Africa to advance radical economic transformation through development planning. The Medium-Term Strategic Framework (MTSF) 2019-2024 outlines the priorities to be implemented by the sixth democratic administration. It also outlines priorities and interventions across South Africa's national development pillars. The MTSF notes that the most pressing problem facing South Africa today is the lack of faster and sustained inclusive economic growth, which is the prerequisite for addressing the triple challenge of poverty, inequality and unemployment. As 'economic transformation and job creation' is listed as a priority area in the MTSF, Freeport Saldanha is actively contributing to achievement in this priority area through its strategies, plans and operations.

7.2.5 Leading Economic Policy

The South African Economic Reconstruction and Recovery Plan

On 15 October 2020 President Ramaphosa tabled the Economic Reconstruction and Recovery Plan (ERRP) at a joint sitting of Parliament. The ERRP is the culmination of work between government, business, labour and the community at the National Economic Development and Labour Council (NEDLAC) and includes key commitments from each stakeholder to achieve its objectives.

The Plan includes measures to:

- achieve a sufficient, secure and reliable energy supply within two years;.
- create mass employment;
- increase infrastructure investment;
- reduce data costs; and
- increased localisation for reindustrialisation and growth.

The National Infrastructure Plan 2050 (Phase 1 and Phase 2 [draft])

Infrastructure development is critical to attaining South Africa's long-term economic and social goals. The NIP 2050 will ensure that the foundations for achieving the NDP vision for inclusive growth are supported. The NIP 2050 offers a strategic vision and plan that links top NDP objectives to actionable steps and intermediate outcomes. The aim is to promote dynamism in infrastructure delivery and address institutional blockages and weaknesses that hinder success over the longer term. Additionally, the NIP 2050 will guide the way to building stronger institutions that can deliver on infrastructure related aspirations of the NDP.

During August 2021, the Department of Public Works and Infrastructure (DPWI) gazetted the draft NIP 2050 phase 1 for public comment. The NIP 2050 phase 1 was prepared by the Infrastructure South Africa (ISA) team over a period of six months working closely with sector specialists and other stakeholders. The National Infrastructure Plan 2050 (NIP 2050) Phase 1, published on 11 March 2022 for implementation, details the South African Government's broad vision for infrastructure development in the country. The NIP 2050 seeks to create a foundation to give effect to the NDP, setting out actionable steps and intermediate outcomes intended to lead to inclusive growth and promote job-creation and transformation in South Africa. This first phase of NIP 2050 focuses on four strategic sectors: energy, water, digital infrastructure, and freight transport.

The draft NIP 2050 Phase 2 was gazetted for public comment on 21 October 2022. The NIP 2050 Phase 2 attempts to offer a strategic vision and plan to deliver high-priority distributed infrastructure networks by 2050. It focuses on distributed infrastructure that links more closely to businesses and communities. Building on the bulk infrastructure sectors prioritised in NIP 2050 Phase 1, this iteration also offers a strategic vision and plan that links NDP objectives to practical steps and intermediate outcomes. To this end, the NIP 2050 Phase 2 focuses mainly on six (6) distributed infrastructure sectors which are: human settlements, municipal trading services, passenger transport, road infrastructure and social infrastructure related to education and health.

Comprehensive Maritime Transport Policy (CMTP)

The adoption of the Comprehensive Maritime Transport Policy (CMTP) by the Cabinet on 10 May 2017 created a historic opportunity to invigorate the maritime transport sector. The CMTP Implementation Plan 2030 was subsequently developed and is the preferred path to maritime sector transformation and development as envisaged by the CMTP. One of the aims of the CMTP Implementation Plan 2030 is to establish the fundamental pillars on which to base the implementation of the CMTP, culminating in South Africa becoming an International Maritime Centre by 2030.

Freeport Saldanha participated in the 2022 Hybrid Mid-term Maritime Policy Conference hosted by the National Department of Transport

(DOT) in April 2022. The conference took place five years after the adoption by the Cabinet of the CMTP and sought to review progress on its implementation. Conference delegates agreed that the full value of the CMTP had yet to be realised. With this in mind, the DOT established six industry-championed maritime task forces to accelerate the implementation of the CMTP. Freeport Saldanha's strategy and work align closely with the CMTP's key strategic objectives and the company has continued to contribute as a valued and active stakeholder to the CMTP by nominating representatives to serve on and participate in the work of the CMTP maritime task forces.

New Growth Path (NGP)

The New Growth Path (NGP) aims to combat poverty and inequality in an inclusive economy. Of the four areas of "drivers" it identifies to achieve this aim, the creation of employment is the number one driver. Similar to the NDP, the NGP highlights infrastructure as a key priority and references the sectors prioritised in the Industrial Policy Action Plan (IPAP).

7.2.6 Industrial Policy

Reimagined Industrial Strategy

The Department of Trade Industry and Competition (dtic) did not develop a new annual IPAP due to the shift in industrial policy initiated by the Department. This shift in industrial policy is articulated in the new Reimagined Industrial Strategy (RIS).

The sixth South African democratic administration, led by President Ramaphosa, has stressed the importance of policy implementation as a central feature over the next five years. The Cabinet endorsed the RIS in June 2019. The RIS underlines the role of the state in changing the growth trajectory of the South African economy through supporting improved industrial performance, dynamism and competitiveness. A key pillar of the RIS is the development of master plans, and central to these master plans is a strong social compact between the government, industry, and organised labour, wherein each social partner commits to implement concrete interventions to transform and build the economy.

Each of the master plans currently at various stages of development is led by an identified national government department. The theme of transformation is to be entrenched in each master plan, with an emphasis on driving industry transformation by supporting new and emerging entrants to the market, particularly black industrialists, the youth, and women. The process of developing a master plan includes:

- a comprehensive review of the South African value chain's present position and policies;
- completing an industry SWOT and drawing lessons from international successes;
- developing policy and regulatory recommendations for the government;
- proposing programmes for collective action (industry, government and labour);
- devising development targets for industry; and
- establishing an institutional structure to drive implementation.

Once developed, Executive Oversight Committees (EOCs) and Industry Reference Groups (IRGs) will be set up to monitor the implementation of the commitments reflected in each master plan. The dtic is currently responsible for the development and execution of master plans for the following sectors:

- car manufacturing;
- clothing, textile, leather and footwear;
- poultry;
- sugar;
- steel and furniture; and
- chemicals and plastics.

The Oceans Economy Master Plan (OEMP) is currently in development, led by the Department of Forestry, Fishing and the Environment (DFFE). The purpose of the OEMP is to advance the stabilisation, revival and growth of the sub-sectors within the oceans economy to ensure its increased contribution to job creation, GDP, economic recovery and potential growth.

7.2.7 Provincial Policy Context

Since the DEDAT is the overseeing governing body, Freeport Saldanha is linked to broader provincial strategies and policies, including the Western

Cape Provincial Strategic Plan (PSP) 2019–2024, the Western Cape Recovery Plan, the Western Cape Provincial Spatial Development Framework (PSDF), the Western Cape Infrastructure Framework (WCIF) and the Western Cape Growth Potential of Towns Study (GPS). Specifically, Freeport Saldanha falls under Provincial Strategic Goal VIP2 of the PSP, focusing on exports, employment and GDP. Freeport Saldanha also aligns with the SBM's Local Economic Development Strategy. These provincial strategies and policies are further expanded upon below.

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

7.3.1 Policies

Western Cape Provincial Strategic Plan, 2019–2024

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

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

Due to its mandate and nature of work, Freeport Saldanha contributes primarily, but not exclusively, to "VIP 2: Economy and Jobs". This is mainly achieved by focusing on attracting direct investment, increasing employment, and contributing to the Western Cape GDP by increasing value-added production and generating new and innovative economic activities within the oil, gas and marine services industries.

The PSP recognises the oil, gas and marine services sectors as priority sectors based on their potential to create jobs and unlock further economic opportunities and comparative advantages. Consequently, the PSP has identified Freeport Saldanha as playing a catalytic role in unlocking the industrial and economic potential of the West Coast.

Western Cape Growth for Jobs Strategy

The Growth for Jobs (G4J) Strategy for the Western Cape is premised on a recognition that the private sector creates jobs and that the State must stimulate market growth and create an enabling environment in which people and businesses can create and exploit opportunities. Taking into consideration South Africa's profound socio-political challenges, the strategy was developed through sound research and analysis, including a detailed growth diagnostic commissioned by the WCG.

The G4J Strategy reflects a bold vision for the economy of the province; that is, "A provincial economy that achieves break-out economic growth, resulting in sufficient employment and opportunity and an economy that is sustainable, resilient, diverse and thriving – generating confidence, hope and prosperity for all".

To achieve this, the WCG's goal is that the Western Cape will be a R1 trillion inclusive economy by 2035, growing at between 4% and 6% per annum, which will stimulate sufficient employment and opportunities to improve lives. This will be achieved through enabling a competitive business environment in which growth is driven through businesses exploiting opportunities. To guide the WCG's approach towards achieving this vision and goal, the Strategy relies on several key pillars of growth acting as beacons to inform choices, decisions and actions.

Freeport Saldanha's alignment with the contribution to the G4J Strategy is evidenced by the company's investment promotion mandate, the investment pipeline established, and the infrastructure developed, where investments are already realised and in operation in the Zone.

The four strategic priorities of the company, taken together, will create a conducive, enabling business environment in and around the Zone, and will facilitate positive, value-adding outcomes and impacts in the local and provincial economy and communities.

Spatial Development Framework

The Western Cape Provincial Spatial Development Framework (PSDF), adopted in 2014, addresses the province's spatial agenda. It is not a blueprint that can be implemented in the short term, but rather a framework within which:

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

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

Western Cape Infrastructure Framework

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

It should be noted that the Western Cape Provincial Department of Transport and Public Works (DTPW) is currently leading a process to revise and update the WCIF. Freeport Saldanha is participating in this process as a key stakeholder.

West Coast District: Joint District and Metro Approach Plan

The WCG has adopted the Joint District and Metro Approach (JDMA) in response and alignment with the national government's District Development Model (DDM). The objectives of the DDM are to:

- Coordinate a government response to the challenges of poverty, unemployment and inequality, particularly among women, youth and people living with disabilities;
- Ensure inclusivity by gender budgeting, based on the needs and aspirations of our people and communities at a local level;
- Narrow the distance between people and government by strengthening the coordination role and capacity at the District and City municipal levels;
- Foster a practical intergovernmental relations mechanism to jointly plan, budget and implement, in order to provide coherent government to the people in the Republic (solve silos, duplication and fragmentation), maximise impact and align plans and available resources through the development of "One District, One Plan and One Budget";
- Build government capacity to support municipalities;
- Strengthen monitoring and evaluation at district and local levels;
- Implement a balanced approach to development between urban and rural areas;
- Exercise accountable and transparent oversight over budgets and projects; and
- Coordinated by the WCG's Department of Local Government (DLG), a holistic JDMA plan has been developed for municipalities within the West Coast District. This plan has been approved by all municipalities in the district, the WCG and the national government

through the Department of Cooperative Governance and Traditional Affairs (COGTA). The IDZ has been included in the economic section of this plan as a strategic project of the West Coast District area.

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

The Saldanha Bay Municipality 4th Generation Integrated Development Plan 2017-2022 2nd Amendment is the Municipality's principal five-year strategic plan that guides decision-making and deals with the most critical development needs of the municipal area as well as the most critical governance needs of the organisation. The IDP is adopted by the municipal council within one year after a municipal election and whilst it remains in force for the council's elected term (a period of five years), it is reviewed annually in consultation with the local community as well as interested organs of state and other role-players. The IDP should guide and inform all planning and development that the Municipality undertakes within the municipal area towards the fulfilment of the Municipality's constitutional, legislative and developmental mandate.

Freeport Saldanha will create opportunities for economic growth and employment for the people living in the SBM municipal area and beyond, either through direct employment in the Zone or through small local businesses doing business with Zone tenants and users. The Municipality believes that the IDZ will change the lives of Saldanha Bay citizens for generations to come. This conviction is underscored by the economic projections of the jointly conducted economic research study, the Saldanha Bay Municipality Socio-Economic Futures (SBM SEF), which identified and reaffirmed the IDZ's potential importance to the local economy. The SBM SEF report will inform both the municipality and the Freeport's strategic planning.

It is with this in mind that the SBM placed Freeport Saldanha and its development at the core of its long-term development strategy in its Strategic Objective 1, which aims "to diversify the economic base of the municipality through industrialisation, deregulation, investment facilitation and tourism development while at the same time nurturing traditional economic sectors". Thus, clear linkages exist between this strategic objective and several of Freeport Saldanha's stated purposes, including:

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

Saldanha Bay Municipality Spatial Development Framework (SBM SDF)

The Saldanha Bay Municipal Spatial Development Framework (MSDF) was reviewed and adopted in 2019 and is reviewed annually as part of the Municipality's integrated development planning process. It is a core component of the IDP and thus the Municipality's economic, sectoral, spatial, social, institutional and environmental vision. It is the principal tool the SBM uses to achieve its desired spatial form. The MSDF identifies the Freeport as one of several development initiatives that influenced industrial development and contributed to the broadening of the economic base of the municipal area.

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

Economic Recovery Plan 2020

The pandemic dealt a heavy blow to economic growth, causing a significant decline in the vibrancy of the economy which resulted in massive job losses. Following engagement at multiple levels, the SBM crafted a Municipal Economic Recovery Plan (MERP) with the following objectives:

- Maintaining a very high level of energy and water supply and municipal services;
- Investment retention and promotion;
- Supporting local businesses;

- Creating business opportunities via localisation; and,
- Direct job creation through the EPWP and CWP.

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

As the most important single development occurring in the SBM area over the next 10 to 20 years, Freeport Saldanha is a catalytic and critical short-, medium- and long-term recovery mechanism contributing to each of these action areas through its construction programme, the positive spill-over benefits between businesses in and outside the Zone, job creation and the long-term wholesale restructuring of the local economy towards a deep and solid industrial base.

Saldanha Bay Municipal Infrastructure

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

COGTA Integrated Urban Development Framework (IUDF)

The NDP indicates that South Africa should achieve meaningful and measurable progress in creating more functionally integrated, balanced and vibrant urban settlements by 2030. To attain this goal, the Department of Cooperative Governance and Traditional Affairs (COGTA) has worked with stakeholders and partners to develop the Integrated Urban Development Framework (IUDF) to transform and restructure South Africa's urban spaces. The IUDF is the South African government's policy to guide the future growth and management of urban areas. The IUDF is intended to foster a shared understanding across government and society about how to best manage urbanisation to create resilient and inclusive cities and towns. Ultimately, in relation to the mandate of Freeport Saldanha, the IUDF calls for government and society to adopt a more resolute, holistic and coordinated approach when deciding on the most appropriate locations for business and industrial developments in towns such as Saldanha and Vredenburg.

7.3.2 Strategies

Dtic SEZ Strategic Framework 2020–2030: Draft

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

The framework notes the following:

"Provision of relevant and high-quality infrastructure, and competitive incentives, at a desirable location, is no longer sufficient for the South African SEZ programme to succeed... the probability of success is significantly increased when the SEZ implementation and delivery process is viewed as a portfolio or an ecosystem of linked and mutually dependent implementation actions, occurring in a dynamic environment. It is the effectiveness of these elements that are, as noted above, fast becoming an important deciding factor in terms of locational investment decisions."

The framework has set the following draft vision:

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

Its enabling mission is as follows:

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

Seven strategies have been identified and proposed to fulfil the framework's mission and move towards the determined vision. These are:

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

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

7.3.2.1 Western Cape Climate Change Response Strategy

The WCG has identified the need to act locally – on a transversal, bold and unprecedented scale – to reduce society's collective Greenhouse Gas (GHG) emissions and adapt to global climate change.

Building on the 2008 Western Cape Climate Change Response Strategy and Action Plan, the 2014 Climate Change Response Strategy (CCRS) is aligned with the National Climate Change Response Policy and geared to strategically direct and mainstream climate change actions and related issues throughout relevant provincial transversal agendas. In line with the National Climate Change Response Policy, the Strategy takes a two-pronged approach (adaptation and mitigation) to address climate change:

- **Adaptation:** To reduce the climate vulnerability and develop the adaptive capacity of the Western Cape's economy, people, ecosystems and critical infrastructure in a manner that simultaneously addresses the province's socio-economic and environmental goals.
- **Mitigation:** To contribute to national and global efforts to significantly reduce GHG and build a sustainable low-carbon economy which simultaneously addresses the need for economic growth, job creation and improving socio-economic conditions.

To attract and retain key investors in the gas, energy and related servicing industries, Freeport Saldanha has to understand, align and leverage the focus areas of the CCRS, which include:

- energy efficiency and demand-side management;
- renewable energy development;
- the built environment;
- sustainable transport;
- water security and efficiency;
- biodiversity and ecosystem goods and services;
- coastal and estuary management; and,
- food security and healthy communities.

Western Cape Growth Potential Study of Towns 2018

The Western Cape Growth Potential Study of Towns 2018 (GPS 18) serves as a five-year information update of the Growth Potential Study (GPS) that was drafted in 2013 and released in 2014. The GPS is one of the crucial instruments needed to develop capabilities for effective spatial decision-making and implementation. Although the study was originally conducted to inform the Western Cape PSDF, which it still does, GPS 18 has wider applications, serving as a support tool to inform strategic objectives, policy-making and spatially targeted investments. It also strengthens allocative decisions for integrated management, service delivery and spatial alignment within the provincial and municipal spheres of government in the Western Cape.

The GPS 18 classifies the SBM as a municipality that has “high” development potential due in large part to the existence and development of one of the most important export harbours in the country, located in the Town of Saldanha. The harbour is of great importance to the economy of the Western Cape and the country, as it is South Africa’s largest natural deep-water port. The bay is partly protected by a 3.1 km-long artificial breakwater. Given these features, Saldanha Bay is ideally positioned as a centre for industrial development, with Freeport Saldanha acting as a catalyst to expand the industrial potential of the harbour and attract international investment.

Saldanha Bay Municipality Local Economic Development Strategy

The SBM LED Strategy seeks to provide an overarching long-term plan for the economy of Saldanha Bay to ensure that all stakeholders’ efforts are prioritised and aligned to optimally benefit the SBM economy.

The SBM LED strategy identifies and focuses on seven economic sectors that are key to economic growth within the municipal area. Four of these are directly linked to the Freeport:

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

This theme of close alignment with Freeport Saldanha extends within the LED document to the actual strategies that the Municipality will seek to employ towards achieving its economic objectives. These are:

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

A significant part of Saldanha Bay Municipality’s current economic strategy is closely aligned to the mandate and work of Freeport Saldanha. It should also be noted that the SBM has recently appointed a service provider to draft its new economic development strategy, with Freeport Saldanha set to participate in the process as a key informant and stakeholder.

7.4 Relevant Court Rulings

There are no court rulings which are relevant to Freeport Saldanha or may have a significant impact on its operations.

8 Organisational Structure

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

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

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

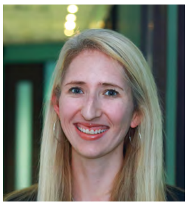
Figure 1: Executive Management

Kaashifah Beukes
Chief Executive Officer
Resigned:
31 December 2023

Doug Southgate
Chief Operating Officer
Chief Executive Officer
(Acting)

Herman Boneschans
Chief Financial Officer

Benedicta Durcan
Ease of Doing Business
Resigned:
31 August 2023



Adinda Preller
Transaction & Investor Support
Resigned: 26 July 2023

Patrick Lakabane
Development Programmes
Resigned:
24 May 2024

Kgethi Molemane
Infrastructure & Environment

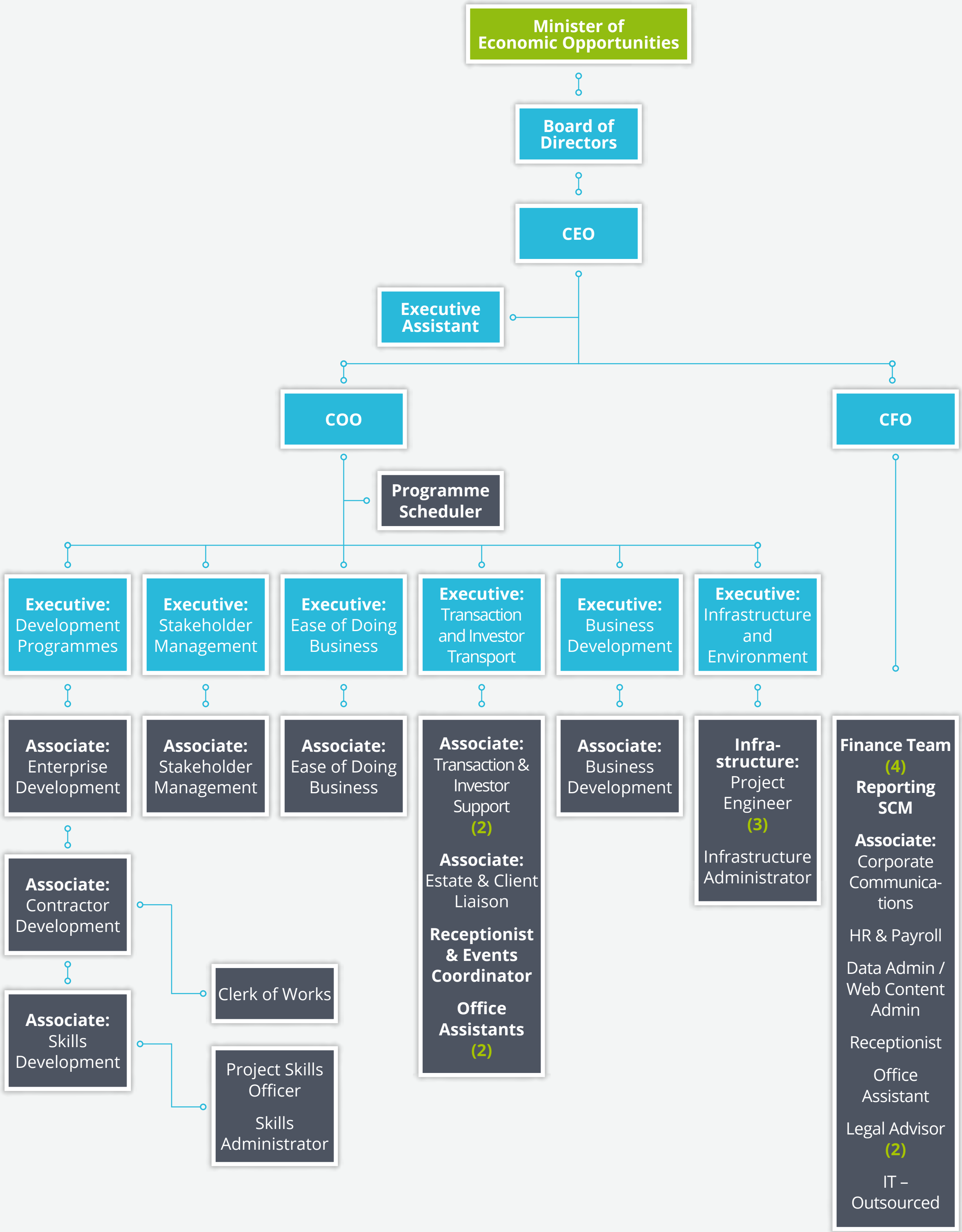
Danielle Manuel
Stakeholder Management
Resigned:
31 July 2023

Gareth Geldenhuys
Transaction & Investor Support

Conray Joseph
Stakeholder Management

Shanon Neuman
Ease of Doing Business (Acting)

Figure 2: Company Organogram



9 Board of Directors

The Board is composed of representatives of the founding partners of the three spheres of government, namely the Saldanha Bay Municipality, Provincial and National Government, as well as representatives from the broader Saldanha Bay social and economic community and those from private sector with requisite expertise and experience.

Irvin Esau
Board Chairperson (Acting)
Reappointed: April 2022

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

Edwin Obiri
Reappointed: April 2022

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

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

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

Stieneke Jensma
Appointed: January 2023

Ms Stieneke Jensma is currently the Chief Operations Officer at the Special Economic Zones Project Management Unit at the Industrial Development Corporation. She has extensive experience in regional industrial development, infrastructure delivery and development finance spanning over 20 years, incorporating work in the private sector, government and non-governmental organisations. Ms Jensma serves as a Commissioner to the Commission for Employment Equity.

She holds a Master of Business Administration degree (MBA) from the University of Pretoria, a Bachelor of Commerce Degree (BCom) from the University of Swaziland, an Executive Leadership Certificate and, is a Certified Associate to the Institute of Bankers CAIB (SA).

John Smelcer
Resigned: April 2024

Mr John Smelcer has more than 15 years' experience working in the Energy and Infrastructure sectors with a focus on gas projects where he has been involved in some of the largest LNG projects in emerging economies across Africa as well as working on gas-fired power projects and other gas transportation and downstream utilisation projects. He holds a Juris Doctor of Law degree from the University of Washington and an undergraduate degree from the Woodrow Wilson School for Public Administration and International Affairs at Princeton University. He is a member of the New York bar. Having previously worked for law firms Webber Wentzel and Latham & Watkins as an independent commercial consultant, Mr Smelcer now leads the development of the Temane gas-fired power projects for Globeleq in Mozambique and plays a leadership role in growing Globeleq's African gas business. In addition to his Globeleq role, Mr Smelcer regularly leads training seminars with senior government officials and other stakeholders related to energy and oil and gas developments and financing. Mr Smelcer is also an LNG expert for the US Departments of State and Commerce and provides technical assistance with respect to LNG projects to governments around the world with a focus on new LNG buyers.

Sandiso Gcwabe
Appointed: 30 April 2024

Sandiso Gcwabe is a Chartered Accountant [CA(SA)] and is currently the CFO at Wesgro. Prior to that he was the CFO at the Western Cape Liquor Authority and a Financial Manager at the Saldanha Bay Municipality. He completed his articles at the Auditor-General of South Africa. Sandiso is also the Non-executive Director of the Accounting Standards Board (ASB), the Desmond and Leah Tutu Legacy Foundation and is a trustee of the Khayelitsha Youth & Community Centre Trust.

He has a track record of excellence in leadership in the public sector and is the 2021 and 2022 Association for Advancement of Black Accountants of Southern Africa (ABASA) Public Sector CFO of the Year award winner. Sandiso also served as the Deputy Chairperson of the South African Institute of Chartered Accountants (SAICA) Southern Region Public Sector Committee.

Sandiso is passionate about the public sector and appreciates its importance for the realisation of the South Africa as envisaged in the Constitution. *"The career choices I have made were informed by a passion for acquiring skills and utilising them to serve organisations whose objectives are primarily focused on improving lives and livelihoods of others",* he says.

Doug Southgate
Chief Executive Officer (Acting) (Executive Director)
Appointed: January 2024

Doug has worked with Saldanha Bay Industrial Development Zone Licencing Company SOC Ltd, trading as Freeport Saldanha, since December 2009, first as the Project Executive and then as the Chief Operating Officer. He is a chartered accountant and was previously a chairperson of the Nelson Mandela University foundations. He also served on the Auditor-General's special committee which investigated corruption in government, ultimately leading to the Alexander Commission.

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

Mr Herman Boneschans qualified as a professional accountant in 2003, after completing his articles at Ernst & Young. Shortly thereafter, he joined the DEDAT, where he gained extensive public sector finance experience. In 2007, he was appointed as the Chief Financial Officer for the Western Cape Tourism Authority, Cape Town Routes Unlimited (CTRU). Mr Boneschans has extensive experience in organisational governance, compliance and policy development. Under his leadership, the organisations he has worked for have achieved clean audits over the past 15 years. He was appointed as Chief Financial Officer of Freeport Saldanha in 2014.

Heinrich Mettler
Board Chairperson (Acting)
Resigned: November 2023

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

Jacqueline Gooch
Deputy Chairperson
Resigned: September 2023

Ms Jacqueline Gooch obtained her Bachelor of Science in Civil Engineering from the University of Cape Town in 1998 and her MEng (Civil), focusing on traffic and transportation, from the University of Stellenbosch in 2003. In 2015, she graduated from UCT's Graduate School of Business with a Master of Business Administration in Executive Management. Ms Gooch has worked in both the private and public sectors, starting her career with GIBB Consulting Engineers. In 2005, she was appointed as the Director: Strategic Support in the Western Cape Department of Transport and Public Works, followed by her 2009 appointment as the Deputy Director-General responsible for Strategy, Planning and Co-ordination. She was appointed as the Head of Department for the Department of Transport and Public Works in the Western Cape from November 2013 and has since been deployed as the Head of Department of Infrastructure in the Western Cape from 1 April 2023. On 10 May 2023 Ms Gooch was accepted as a Fellow into the Institution of Civil Engineers (UK).

Harris Talmakkies
Resigned: November 2023

During Mr Harris Talmakkies' employment at Sea Harvest Corporation (Pty) Ltd (1976-1994; 1996- 2014) he held positions as Group Human Resources Manager, Operations Director and Site Services Manager.

In these positions Mr Talmakkies gained extensive and invaluable executive management experience in Human Resources, Operations, Cold Storage and Logistics, Procurement and Project Management, Budget Management, Efficiency improvements and Targeted Cost reduction Projects.

Mr Talmakkies has more than 15 years experience in Human Resources with the primary focus on Industrial Relations, in particular wage negotiations and labour matters. Talent identification and development as part of succession planning was a focus of training and development.

Mr Talmakkies obtained BCom (1994) and Hons BCom (1996) degrees in Business Management through Unisa.

He retired in 2014 and serves as a Trustee of The West Coast Community Trust.

Kaashifah Beukes
Chief Executive Officer (Executive Director)
Resigned: December 2023

Ms Kaashifah Beukes was the Chief Executive Officer of the Saldanha Bay IDZ Licencing Company SOC Ltd and was responsible and accountable to the Board of Directors for the management of the Company and the delivery of Freeport Saldanha's mandate and operationalisation strategy. Ms Beukes had been with Freeport Saldanha since its start-up in 2014. She has 18 years' experience of leading people and teams through complexity and risk, and just under a decade of experience in design, construction and project management of civil engineering infrastructure. She is passionate about making a sustainable, transformative impact, especially at the community level. Ms Beukes holds a BSc in Civil Engineering and a MBA from the University of Cape Town.

Sollie Marthinus
Company Secretary

Mr Sollie Marthinus acquired BProc and LLB degrees from the University of the Western Cape in 1999. He was admitted as an Attorney of the High Court of South Africa in 2001. Mr Marthinus has experience in the field of municipal governance, municipal and provincial legislative processes, constitutional law, administrative law and corporate law and governance. He has worked in both the local and provincial spheres of government. Mr Marthinus was appointed as the Company Secretary of Freeport Saldanha on 24 August 2016.

PERFORMANCE INFORMATION

B

PART B: PERFORMANCE INFORMATION

1 Auditor's Report: Predetermined Objectives

The AGSA auditor 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 75 for the Report of the Auditor-General, published in Part E: Financial Information.

2 Situational Analysis

2.1 Service Delivery Environment

The macroeconomic context summarised below is sourced and adapted, where required, from the 2023/24 Provincial Economic Review and Outlook released in September 2023 (PERO 2023) and the 2023/24 Municipal Economic Review and Outlook (West Coast District) which was released in November 2023 (MERO 2023), both issued by the Provincial Treasury. The PERO and MERO employ a variety of data sources to provide a detailed analysis of the socio-economic trends displayed across the municipal areas within the Western Cape. National economic and employment data are sourced from Statistics South Africa (Stats SA), while the Western Cape gross domestic product per region (GDP-R) and employment data are obtained from Quantec Research.

The Western Cape's economy is predominantly service-oriented, with a significant contribution from the finance sector, which constitutes 32.1% of the province's GDP compared to 26.1% nationally. The region also benefits from its robust tourism and wine industries, contributing to its overall economic growth. In 2022, the province's GDP grew by 2.6%, driven mainly by the finance, trade, and transport sectors. This growth followed a recovery from the COVID-19 lockdowns, which had previously stifled economic activity. Despite this, the real GDP per capita has declined over the past decade due to population growth outpacing economic expansion, potentially lowering the standard of living for some residents.

Employment in the Western Cape has seen a strong recovery post-pandemic, particularly in the finance, personal services, manufacturing, and trade sectors. The finance sector remains dominant across most districts, except in regions like the West Coast and Central Karoo, where agriculture and personal services lead. Cape Town

International Airport surpassed pre-pandemic tourist arrival levels in 2022, underscoring the region's appeal, while domestic tourism also saw significant gains. However, challenges such as declining wine exports and structural energy and logistical constraints, particularly at the Port of Cape Town, hinder the region's potential for accelerated growth. Efforts to address these constraints are essential for unlocking the Western Cape's full economic potential.[1]

The future of the Western Cape District (WCD) is promising, characterised by a strong agricultural foundation and emerging manufacturing opportunities. Agriculture, including grape and citrus farming, rooibos production, and coastal fishing, is central to the economy, contributing 21.5% of output and 44% of formal jobs. However, manufacturing is gaining momentum, with food and beverage production, as well as metals and minerals, becoming increasingly important. The Saldanha Bay IDZ and infrastructure investments, particularly in roads and electricity, are expected to further unlock the district's growth potential.

The District is a vibrant region with a diverse economy rooted in agriculture, forestry, and fishing, contributing R38 billion to the province's GDP. Key towns like Malmesbury, Vredenburg, and Langebaan thrive on commerce, while areas like Saldanha Bay and Swartland excel in marine fishing and meat / dairy processing. Despite challenges such as load-shedding and rising costs, the WCD demonstrated resilience, rebounding strongly in 2021 with rising employment. Tourism is also a vital sector, attracting nature lovers to its national parks and coastal towns. Looking ahead, the District can be optimistic about future growth, driven by agriculture, construction, manufacturing and strategic infrastructure investments. Key priorities include diversifying agriculture, enhancing workforce skills, improving energy and water infrastructure, and promoting SMMEs, all while aligning growth with sustainability to ensure a prosperous future.[2]

Saldanha Bay, the economic hub of the West Coast District, is a region rich in natural beauty, industry, and vibrant communities. It features the deepest natural harbour in Southern Africa, attracting maritime activity and fostering significant industrial growth through the Saldanha Bay Industrial Development Zone (IDZ). The region's economy, which contributed R12.4 billion in 2021, thrives on agriculture, manufacturing, and maritime activities, particularly fishing, which provides a substantial number of jobs despite the volatility of fishing quotas. The area is also home to key towns like Vredenburg, a commercial centre, and Langebaan, a popular tourist destination known for water sports and scenic beauty.

While the Saldanha Bay IDZ and the Port of Saldanha are central to the region's economic activity, challenges such as load-shedding, rising costs, and the underutilisation of local ports pose significant hurdles. The area relies heavily on the export of iron ore and steel processing, with companies like Duferco Steel Processing playing a key role. However, the region's dependence on these industries, coupled with an unstable energy supply and logistical issues at South African ports, threatens future growth. The potential reopening of the Saldanha Steel mill by ArcelorMittal could bolster the local economy, but these developments must be supported by infrastructure improvements and skills development initiatives.

Despite these challenges, Saldanha Bay has shown resilience, with a high labour force participation rate and rising job opportunities. However, unemployment remains above the district average, partly due to the region's attractiveness to job-seekers. The area faces a delicate balance between capitalising on its industrial strengths and addressing the vulnerabilities in its economy, such as the shrinking fishing grounds and the slow recovery of the tourism and construction sectors post-pandemic. Moving forward, public-private partnerships focused on skills development and strategic investments in infrastructure will be crucial for Saldanha Bay to unlock its full economic potential and sustain long-term growth[3].

Given the current socio-economic conditions and service delivery landscape, Freeport Saldanha plays a vital role in advancing the nation's reconstruction and recovery strategies. It achieves this by driving investment and trade, particularly in the maritime and energy sectors, through focused value propositions.

1 PERO 2023
2 MERO 2023
3 Ibid.

2.2 Organisational Environment

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

By using the vehicle of an IDZ to facilitate sustainable economic growth in the Saldanha Bay Area, Freeport Saldanha will enable the required level of infrastructure development and support to capitalise on the unique value proposition of a maritime and energy, fabrication, logistics and related servicing cluster to support the African continent, thus ensuring sustainable economic development not only for the area, but for a sizeable contribution to the national GDP of the country.

The Freeport designated areas include a component of the TNPA land for direct access and usage, governed by an MOU between Freeport Saldanha and TNPA, which will enable the creation of the first Freeport within South Africa.

2.3 Key Policy Developments and Legislative Changes

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

2.4 Progress Towards Achievement of Institutional Impacts and Outcomes

Impact

Inclusive and sustainable economic growth and job creation in an enabling business environment through the pioneering development and implementation of Freeport Saldanha's special economic zone.

Outcome

For the Western Cape, it is estimated that the Zone would contribute R6.3bn to direct regional Gross Domestic Product (GDP-R) and for the country, R7.8bn to total GDP-R. On average, 1 485 direct jobs would be sustained annually, with a further 3 000 indirect and induced jobs, and over the period, 7 800 total jobs would be sustained in the province.

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

- Facilitating a cumulative contribution to the National GDP by investment within the Zone of R11.87 billion by the end of the financial year 2024/25;
- Facilitating a cumulative contribution to the Western Cape GGP by investment within the Zone of R10.62 billion by the end of the financial year 2024/25; and
- Facilitating the creation of 12 000 direct, indirect and induced jobs throughout South Africa by the end of the financial year 2024/25.

Table 1: Planned Targets as per the Original Tabled 2023/24 Corporate Plan

Outcome	Output	Output Indicator	Audited Actual Performance		Planned Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Reason for Deviation
			2021/22	2022/23	2023/24	2023/24	2023/24	
To promote inclusive and sustainable economic growth and job creation	GDP	A cumulative contribution to the National GDP by investment within the Zone by the end of the financial year 2024/25.	R0.756b	R0.594b	R1.221b	R0.575b	-R0.646b	Delayed and deferred private sector investment in response to heightened economic political or policy risk.
	GGP	A cumulative contribution to the Western Cape GGP by investment within the Zone by the end of the financial year 2024/25.	R0.611b	R0.482b	R0.979b	R0.467b	-R0.512b	Delayed and deferred private sector investment in response to heightened economic political or policy risk.
	Jobs	The creation of direct, indirect and induced jobs throughout South Africa by the end of the financial year 2024/25.	1 288	940	1 850	853	-997	Delayed and deferred private sector investment in response to heightened economic political or policy risk.
	Investment	Rand value of infrastructure and direct investment.	-	-	R0.675	R0.456b	-R0.219b	Delayed and deferred private sector investment in response to heightened economic political or policy risk.

3 Performance Information

3.1 Programme 1: Administration

Purpose

Administration has the overarching objective of implementing best practice governance in support of the operations. The programme has a complex role due to its need to balance the business needs and requirements of the operations, while at the same time undertaking a crucial governance function within the Company. As a state-owned company, Administration provides a treasury function to ensure optimal spending and utilisation of financial resources.

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

Programme Structure

The programme includes the following functions:

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

Funding

Operations are funded by the Western Cape Government, while infrastructure is funded by the National Government by way of the SEZ Fund. Western Cape Government also funded the purchase of the Saldok land from the IDC. Development programmes are funded from various sources as this does not form part of the formal funding programme.

Figure 3: Company Funding Model

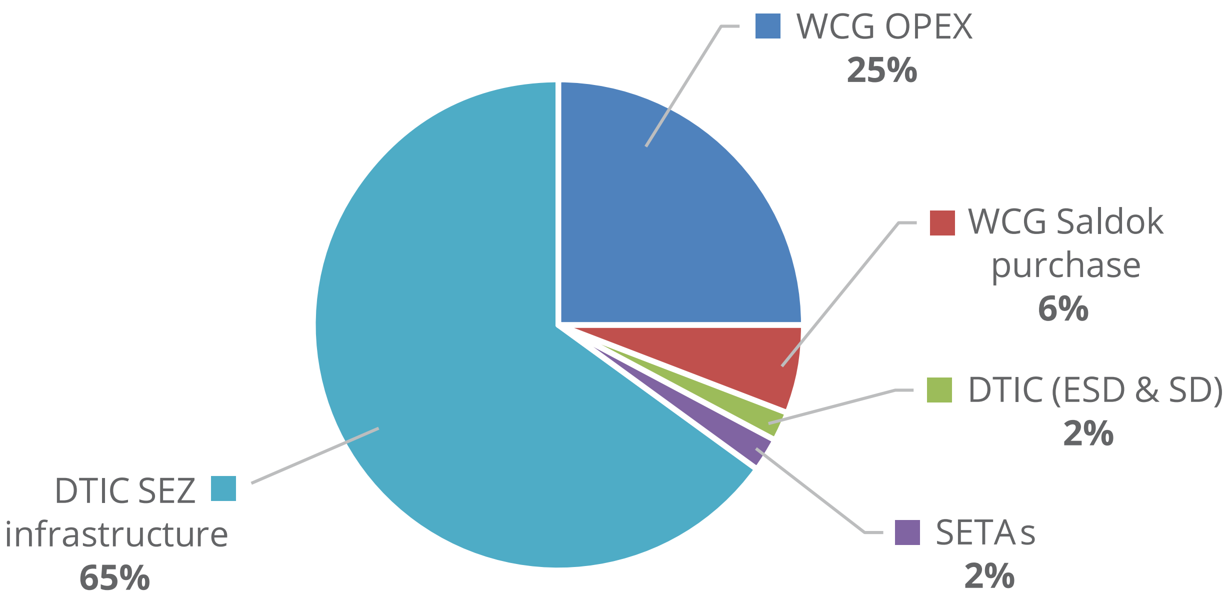


Table 2: Programme 1 Outcome, Output Indicators, Targets and Actual Achievements

Programme 1: Administration								
Outcome	Output	Output Indicator	Audited Actual Performance		Planned Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Reason for Deviation
			2021/22	2022/23	2023/24	2023/24	2023/24	
To promote inclusive and sustainable economic growth and job creation	Unqualified Audit Opinion	Unqualified Audit Report	Unqualified Audit Report	Unqualified Audit Report	Unqualified Audit Report	Unqualified Audit Report	-	
	Institutional agreements monitored	Number of institutional agreements reviewed	3	3	2	2	-	
	Number of frameworks created and/ or reviewed to monitor and manage tenant lease agreements	Number of frameworks reviewed	4	5	3	3	-	
	Website performance	Number of page views on Freeport Saldanha's website	21 204	13 228	20 000	35 548	15 548	The SEO project yielded positive results
	Communications performance	Number of communication plans implemented / influenced	-	-	4	4	-	

Strategy to overcome underperformance

None required.

Changes required to planned targets

None required.

3.2 Programme 2: Operations

Purpose

Operations has the overarching objective of attracting, servicing, and maintaining tenants and investors to the Zone.

The programme must lead proactively to ensure a business-friendly environment that addresses the needs of the industry and all its role-players and stakeholders of the Company.

Programme Structure

The programme includes the following business units:

- Ease of Doing Business
- Business Development
- Transaction and Investor Support
  - Innovation Campus
  - Access Complex
  - Project Leasing Facility
- Infrastructure Development
- Stakeholder Management
- Development Programmes
  - Skills Development
  - Enterprise Development
  - Contractor Development

The main focus areas of each business unit are described below.

Ease of Doing Business

The Ease of Doing Business (EoDB) philosophy is to provide proactive solutions that are customer-centric for investors and service providers in the Zone. The function has to be continually adaptive to the changes in the marketplace and address the pain points for the investors in order to keep the service offering relevant.

Voice of the Customer

The Ease of Doing Business Model was developed from an intensive study concluded in 2016 having garnered the market sentiment for what would make Saldanha Bay the port of call for all service requirements of the upstream oil & gas and related maritime services, engineering and logistics.

With the broadening of the sector focus to energy and maritime and the call to action by global markets to service green hydrogen developments, the Voice of the Customer has become an imperative against which we must evaluate whether the current offerings are in line with what is expected for companies and projects to flourish in this new sector. The EoDB unit will therefore embark on a Voice of the Customer series of intelligence reports to update the current model and seek bespoke solutions and red tape reduction efforts for the post-pandemic and energy crisis environment we now find ourselves in.

Ease of Doing Business "One-Stop-Shop" Centre

Work is well underway to establish the EoDB OSS Centre, that will be launched during the FY 2023/24, which is a co-working space located within the Access and Security Complex. This space has been designed to extend the services already offered by the EoDB Unit into a physical location where investors can consult with the government officials and private service providers co-located in the building and available by appointment.

The EoDB OSS Centre offers the following services:

- Advisory services that supply the detailed, in-depth knowledge across several requirements (e.g., registration, licenses, permits, inspections) that businesses need to successfully start and maintain their operations.
- Co-located services that provide a single location to access government assistance. These services are not integrated – they are delivered by different people working for different government departments, agencies or ministries and using different systems.
- Client-centric services that offer a personalised service based on your business life cycle events (business setup and continued operations). These services address all formalities required to operate in the sectors we service. The EoDB Centre has enlisted independent private consultants who offer services that are complementary to the

legislative requirements and advisory services from the public sector officials to provide additional personalised assistance with licensing, permits and application processes.

Business Development

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

The Company has established a robust and growing tenant pipeline and will continue to drive its diversification for resilience of the pipeline and the market positioning of the Zone. With a targeted investor engagement strategy, based on market developments and the market demand analysis, and the value within the Western Cape ports and the SEZ, the Business Development team focus on the maritime and energy sectors. In partnership with Wesgro, the Atlantis SEZ and the Department of Economic Development and Tourism, a shared investor pipeline portal within the investment ecosystem has been developed.

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

An emerging trend is the development of a green hydrogen sector, underpinned by national, regional and provincial strategies. The Business Development unit will prioritise facilitation of green hydrogen private sector investment and work closely with public sector stakeholders to accelerate and ease investment into the region. The green hydrogen sector is complementary to Freeport Saldanha's position as an Energy hub. Saldanha Bay and Saldanha Port have strategic advantages which make them attractive for green hydrogen catalytic and pilot projects alike.

A range of international studies has already identified Saldanha as a high-potential location for the future of GH2. Some of the main locational advantages of Saldanha include (but are not limited to):

- Closely located to large areas with high potential renewable energy generation (incl. onshore and offshore wind and solar).
- Well-established and potentially highly suitable port infrastructure able to serve as an export channel and a green bunker fuel location for the shipping industry.
- Local hydrogen demand – specifically the nearby steel plant, ArcelorMittal, having declared their intentions in the media to produce green steel.
- Robust engineering value chains and an already operational SEZ which are integrated into the Port of Saldanha offer major opportunities for manufacturing components for GH2 production (and a range of related manufacturing and services markets).
- Proximity to Saldanha - Northern Cape and Saldanha - Cape Town Logistical Corridors.

In order to capture and capitalise on the Green Hydrogen opportunity, the following proposed solutions are presented:

- **Freeport Saldanha and WCG to prioritise the role of GH2 sector to decarbonisation and socio-economic objectives.** GH2 presents an opportunity for global carbon reduction efforts, a pathway for energy resilience, a just energy transition and a commercial opportunity for South African industry at large, supported by local and international market interest, particularly in Saldanha as first-mover.
- **Saldanha to be prioritised as the first mover green hydrogen region for the Western Cape province.** This will allow Saldanha and the province to capitalise on the advantages of a green hydrogen hub. This is a strategic fit for the objectives of Freeport Saldanha. Freeport Saldanha is South Africa's first and only Special Economic Zone (SEZ) located within a port, and is a

new, open 356ha space catering specifically to the energy, maritime fabrication, marine repair, logistics and related support services. Freeport Saldanha aims over the next 25 years to create a vibrant hub of opportunity, job creation and sustainable growth utilising the special economic zone (SEZ) legislation as a catalyst. Hence Freeport Saldanha is ideally positioned to play a significant role in enabling the GH2 economy in Saldanha, the Western Cape and the broader Northern / Eastern Cape region.

- **Establishment of the Saldanha Bay GH2 Cluster in the national GH2 and ISA programme.** The Saldanha Bay green hydrogen cluster will recognise the commercial interests of industry, the current complementary assets and creating a further enabling environment for the industry in the area. The support of ISA and the national GH2 programme will assist both projects to bring much-needed socio-economic opportunities to the region.
- **Establishment of the Atlantic GH2 Corridor in the national GH2 and ISA programme.** The Atlantic GH2 corridor will join the Saldanha Bay GH2 and Boegoebaai GH2 clusters, recognising that the two clusters can support a synergistic phased development of the national GH2 economy. The support of ISA and the national GH2 programme will assist both projects to bring much-needed socio-economic opportunities to the region.
- **Establishment of the GH2 Project Steering Committee (PSC)**, led by Freeport Saldanha. Given the large interest situated in Saldanha Bay and the opportunity detailed above, it is recommended that a PSC be established to undertake project development required to realise the green hydrogen opportunity and accelerate the development of the green hydrogen sector. The PSC will consist of members across industry, public sector, academia and the community.

Transaction and Investor Support

Transaction and Investor Support (T&IS) fulfils a vital role in realising the commercial, operational and innovation interests of the business investor and the Company.

Commercial activities include but are not limited to targeted lead generation, leasing of various commercial property assets such as the Access Complex, Project Leasing Facility, SME Co-lab Project Facility and Manufacturing facilities, as well as investor project facilitation, account management, investor retention and aftercare.

Operational activities include estate, facilities and office management and entails fit-out, repair and maintenance activities as well as procurement of vital services such as ICT, Security, Cleaning and Grubbing. The Estate endeavours to provide a world-class experience while remaining cost effective and efficient in its operations.

Saldanha Bay Innovation Campus

The Saldanha Bay Innovation Campus ("the Campus") has been established to address an important market failure in the research, development, and innovation part of the maritime and energy value chain. Closely associated with Freeport Saldanha naturally, it acts as a complement and multiplier to the broader strategic mission of the Freeport as part of the SEZ Programme to establish a world-class maritime and energy hub in the region. Doing so will not only help support industrial investment and development of the local sector, but also drive socio-economic development in the region. The purpose of the Campus is to prepare Saldanha to be a world-class maritime and energy industrial centre; at the forefront of substantive, different, thought-leading research, development and innovation that enables Saldanha to respond to the global, future-focused pressing concerns and needs of the manufacturing and engineering industries.

The Saldanha Bay Innovation Campus platform was launched in 2020, dedicated to fostering collaboration and innovation in the Maritime and Energy sectors. The Innovation Campus consists of 4 programmes to date – the Schools, Drone Technology, Energy Transition and Maritime Programmes. Each of these programmes address the following six priority areas, engaging with academia, industry, the public sector, and the Saldanha Bay community:

- Clustering & Collaboration
- RDI Activities
- STEAM School Programme
- RDI facilities
- Advocacy
- Tech-Entrepreneur Support

Infrastructure & Environment Development

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

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

The unit works with many public sector role-players such as the local authority, the district municipality, the provincial government, Eskom, Transnet and TNPA, as well as private sector developers and landowners in executing its responsibilities. It also has a close operational interface with T&IS and Business Development to support the planning, scoping and delivery of tenant facilities as quickly and reliably as possible.

A priority for the year ahead will be the bankable feasibility and Marine EIA in support of the new port infrastructure in support of the establishment of marine manufacturing industries, due to the consistent demand for additional quaysides and floating dry docks for ship repair and manufacturing, and associated activities. The niche value of Freeport Saldanha in partnership with the Transnet Ports Authority offers a unique value proposition. The project is registered with Infrastructure South Africa and has passed the early business case gateway with the Transport Technical Working Group. The project is also registered with the Industrial Development Corporation. This depends highly on the continued accessibility to the SEZ Fund for this capital programme in the near term, while alternative financial avenues are sourced, in particular the successful raising of financing for the port infrastructure to conclude the bankable feasibility study, the marine EIA and possible capital financing in future.

Stakeholder Management

Effective coordination among various stakeholders, ministries, government agencies, private sector representatives, and more, is increasingly recognised as crucial for addressing complex societal issues (OECD, 2015). Evidence from both OECD and non-OECD countries indicates that there is no universal solution, and enhancing both vertical and horizontal coordination remains challenging (OECD, 2016). The realisation that no single stakeholder can manage these issues alone drives the need for improved coordination.

The Stakeholder Management business unit plays a pivotal role in engaging with key stakeholders and strategically supporting various business units in stakeholder management. Freeport Saldanha's goal of establishing a thriving, inclusive economic hub for the energy and maritime industries requires adept navigation and management of diverse stakeholder relationships.

In South Africa, there's a growing consensus that the "state-led" approach to economic development has not succeeded in addressing high unemployment and stagnant economic growth. A new framework is needed, one that reflects the interconnectedness and critical dependencies between the public sector, private sector, organised labour, and civil society. This approach will require stronger coordination to:

- Foster greater understanding and collaboration, building mutual trust and confidence through policy alignment and joint planning.

- Ensure government infrastructure, service delivery, and regulatory changes are organised to positively impact the business environment for investment decisions.

- Identify and exploit opportunities for private investment and public-private partnerships to enhance traditional public service delivery, including economic infrastructure development (roads, rail, ports).

The Western Cape Government's G4J Strategy underscores the need for *"Private-public sector and public-public coalitions, partnerships & ecosystems"* and *"Overarching institutional coordination between government and the private sector."* Freeport Saldanha, as a special purpose vehicle, must nurture private-public, public-public, and even private-to-private partnerships (e.g., Sasol / AMSA) to catalyse Zone growth. The Stakeholder Management unit has developed models for integrated stakeholder coordination, leveraging private and public sector collaboration. Freeport Saldanha thus serves as a testing ground for policy reforms aimed at generating transformative and sustainable socio-economic development. The Freeport is well-positioned to assist the WCG in developing these transversal themes to implement the seven Priority Focus Areas (PFAs).

Given the SEZ programme's nature and the substantial investment in the Zone, the company must ensure readiness for development. This involves:

- Conducting necessary feasibility studies;
- Securing required market offtakes;
- Obtaining necessary permits and approvals;
- Building new infrastructure; and
- Developing and maintaining robust corporate structures, processes, and systems.

Throughout this development process, the Stakeholder Management unit will continue to lead efforts in building and maintaining relationships with stakeholders who:

- Serve as custodians of legislative requirements critical for unlocking development;
- Drive economic development through contemporary national policies and strategies;
- Have a vested interest in the holistic socio-economic development of the Greater Saldanha Bay area; and
- Seek to balance economic development and environmental sustainability.

Figure 4:
Integrated Freeport Saldanha Stakeholder Management Approach

Source: Freeport Saldanha Stakeholder Cohorts

Development Programmes

The Development Programmes business unit aims to maximise local economic development and empowerment, through increased participation and development of citizens and businesses in Saldanha Bay. The three central pillars of its focus are skills development, enterprise development and contractor development, in a demand-driven context and informed by the opportunities that emerge from the global maritime and energy sectors and value chains: the business unit aims to ready the workforce and business community appropriately to deliver world-class services to these global markets.

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

The Smart Skills Centre, an initiate between the Freeport and the Chemical Seta (Chieta) launched on 25th October 2022 by the Minister of Higher Education, Science and Innovation in Saldanha Bay. The centre, which will focus on basic digital skills, is aimed at addressing the digital skills divide in the district and at helping surrounding businesses and rural community members to learn technology-related skills. This project is part of a bigger plan to revolutionise digital skills development in South Africa. The Centre's services are free and include access to data plus training courses aimed job seekers, business start-ups, and SMMEs that wish to grow their operations.

Skills Development

- Build strategic human capital development partnerships with relevant industry stakeholders and government;
- Develop a new Investor specific occupational training strategy and implementation plan; and
- Close the digital skills divide through the newly established Chieta Smart Skills Centre.

Enterprise Development

- Build demand-driven local Energy and Maritime SME capabilities; and
- Expand Freeport Saldanha's SME Co-Lab Centre service offering.

Contractor Development

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

Table 3: Programme 2 Outcome, Output Indicators, Targets and Actual Achievements

Programme 2: Operations								
Outcome	Output	Output Indicator	Audited Actual Performance		Planned Annual Target	Actual Achievement	Deviation from Planned Target to Actual Achievement	Reason for Deviation
			2021/22	2022/23	2023/24	2023/24	2023/24	
To promote inclusive and sustainable economic growth and job creation	Support development of growth opportunities in identified markets	Number of growth opportunities supported	-	-	2	2	-	
	Develop strategic partnerships for development programmes, initiatives and SBIC	Number of partnership agreements established	10	8	6	13	7	Additional skills opportunities
	Operationalisation of the Zone Labour Charter with trade unions, tenants and operators	Number of partnerships realised and maintained with trade unions in support of the Saldanha economic ecosystem	1	3	3	3	-	
	Support local economic development	Number of businesses supported through economic interventions	-	-	700	902	202	Various businesses required more than one intervention
	Support access to economic opportunities and/ or employability opportunities	Number of people with improved access to economic opportunities and/or employability	-	-	100	303	203	More people required access than anticipated
Promote sustainable commercial business	Operationalisation of the Access Complex, Project and Leasing Facility	Percentage available space tenanted	26%	35%	30%	61.8%	29.2%	The demand for rental space was higher than anticipated
	Tenant and operator leases signed	Number of signed tenant and operator lease agreements	15	12	8	11	3	The demand for rental space was higher than anticipated
	Maintain and improve the outcomes of the EoDB SLA with SBM	Turnaround time on building plans	No demand for the service	No demand for the service	21 days	2 days	19 days	Ongoing engagements with the SBM to improve turnaround times on building plans are in progress
	Voice of the Customer enhanced	Number of economic and market intelligence reports produced	-	-	1	1		
	Operationalisation of the Customs Control Area regime with key partners, such as the TNPA, SARS, DOL & DHA	Number of standard operating protocols in place	2	3	2	4	2	The Threat & Risk Assessment approval required additional SOPs to be in place
	Maintain contractor and professional panels	Number of contractor and professional panels maintained	2	2	3	3	-	

Strategy to overcome underperformance

None required.

Changes required to planned targets

None required.

Table 4: Linking Performance with Budget

Programme	2022/23			2023/24		
	Budget R	Actual Expenditure (incl. capital) R	(Over) / Under Expenditure R	Budget R	Actual Expenditure (incl. capital) R	(Over) / Under Expenditure R
Administration	22,675,000	20,519,623	2,155,377	21,620,063	20,691,329	928,734
Operations	69,544,604	67,149,232	2,395,372	72,443,487	64,869,234	7,574,253
Total	**92,219,604**	**87,668,855**	**4,550,749**	**94,063,550**	**85,560,563**	**8,502,987**

Table 5: Revenue Collections

Total Revenue	2022/23			2023/24		
	Estimate R	Actual Amount Collected (cash) R	(Over) / Under Collection R	Estimate R	Actual Amount Collected (cash) R	(Over) / Under Collection R
Total	**2,150,000**	**1,963,004**	**186,996**	**1,882,967**	**1,771,538**	**111,429**

Table 6: Capital Investment

Capital Investment	2022/23			2023/24		
	Budget R	Actual Expenditure (cash) R	(Over) / Under Expenditure R	Budget R	Actual Expenditure (cash) R	(Over) / Under Expenditure R
Total	**19,350,000**	**18,681,570**	**668,430**	**41,097,256**	**37,382,163**	**3,715,093**

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

The following infrastructure projects are still in progress:

Table 7: Projects Still in Progress

Projects	Estimated Completion Deadline
SEZ4 facility: Design and construction of a 1150m2 bespoke investor warehouse facility	**End March 2024**
SEZ5 facility: Design and construction of a 1150m2 bespoke investor warehouse facility	**End June 2024**
Design and construction of foundations for the fuel storage facility. Phase 1 is a 7,5ha ground improvement and foundation development.	**End June 2025**
Small warehouses: Design and construction of a 3000m2 bespoke shared warehouse facility	**End December 2024**

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


LH2
Liquid Hydrogen
Hydrogen-powered

CORPORATE GOVERNANCE REPORT

C

PART C: CORPORATE GOVERNANCE REPORT

1 Introduction

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

The Directors of Freeport Saldanha support the principles of the King IV Report on Corporate Governance for South Africa, and where applicable and practical, implement these principles. Responsible corporate citizenship and sound governance practices will remain a top priority of the Board, its committees and management.

2 The Accounting Authority (Board of Directors)

2.1 Introduction

It was agreed by both the Provincial and National Government that the structure of Freeport Saldanha's Board should be representative of the founding partners from the three spheres of government as well as industry experts, to professionally and expertly manage the next phases of the IDZ project. Industry experts were appointed to Freeport Saldanha's Board to help with the next phase of the IDZ project.

2.2 Composition of the Board of Directors

In response to the Board's new focus, the Board was reconstituted as follows:

- Five institutional representatives (officials), one each from the dtic, IDC, TNPA, SBM and WCG, representing the public sector interest;
- One person from the Saldanha Social and Labour community;
- One person from the Saldanha Economic community;
- One nominated representative from the South African Oil and Gas Alliance (SAOGA) Board of Directors, with the requisite sector-specific expertise;
- Two proven accomplished broader business practitioners with relevant expertise; and
- Two executive directors, one the Chief Executive Officer, and the other the Chief Financial Officer of the Company in line with King IV, to improve collective accountability.

At the end of March 2024, four positions on the Board remained vacant, namely the SAOGA, TNPA, WCG and the Saldanha Social and Labour community representatives. The WCG representative had subsequently been appointed on 17 May 2024.

The powers and duties of the Board are detailed in the Companies Act, read together with the Board Charter. It details the meetings and decisions of the Board, the establishment and appointments to committees, powers of delegation as well as remuneration.

Table 8: Board Members

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorship (List Entities)	Other Committees	No. of Meetings attended
Irvin Esau	Saldanha Economic Representative	10/4/2022		BCom	Accountant, Property developer	None	HR&R and S&E Audit, IT & Risk Nominations Board Management Investment	4 4 3 5 4
John Smelcer	Business Practitioner	20/5/2021	Effective 29 April 2024	Juris Doctor Bachelor of Arts	Energy & Infrastructure Projects with a focus on oil, gas and LNG, Independent commercial and legal advisor	Mikhulu Trust, Genysis Africa	Investment	1
Stieneka Jensma	IDC	24/01/2023		BCom UNISWA MBA Executive leadership certificate Certified Associate to the Institute of Bankers CAIB (SA)	Regional industrial development Infrastructure delivery Development finance	Namakhwa SEZ Thembani International Guarantee Fund (NPC)	HR&R and S &E Investment	3 3
Edwin Obiri	Business Practitioner	10/4/2022		BSc Ind. & Systems Engineering BSc Business Systems	Business Development, Mining procurement, Corporate finance	MOGS Storage Mauritius Limited (Mauritius) Ghana Petroleum Mooring Systems Limited (Ghana)	Investment HR&R and S&E	2 3
Doug Southgate	Acting CEO Freeport Saldanha (Finalisation of directorship pending)	1/01/2024		Chartered Accountant (CA)	Feasibility studies, business & financial modelling, benefit analysis and management (financial & economic), economic impact assessments, quality assurance and benefit realisation, project management and audit, compliance review, and governance	None	Investment HR&R and S&E Board Management Nominations	1 1 2 1
Herman Boneschans	CFO Freeport Saldanha	21/05/2020		BCom. Hons BCom Acc & Fin.	Accountant, Public Sector Finance Experience, organisational governance, compliance and policy development	None	Investment HR&R and S&E Board Management	4 4 7

Table 8 (continued): Board Members

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorship (List Entities)	Other Committees	No. of Meetings attended
Heinrich Mettler	Acting Chairperson SBM	24/6/2022	Effective 15/11/2023	Nat Dipl Civil Eng. BTech Business Admin MBA	Business Administration, Financial Management, Governance	Ixabiso (Management Consulting)	Board Management Audit, IT & Risk Nominations	5 0 2
Jacqueline Gooch	Deputy Chairperson WCG	10/01/2023	Effective 1/09/2023	BSc Civil Engineering Master's in engineering (Civil Eng) MBA Executive Management	Infrastructure delivery, Governance, Building partnerships, Strategic Management, Financial Management and Programme Management	None	Board Management Audit, IT &Risk	4 2
Harris Talmakkies	Saldanha Community Representative	12/01/2023	Effective 11/12/2023	BCom: Business Management Hons BCom: Business Management	Extensive executive management experience in the Corporate environment: Human Resources, Operations, Cold Storage and Logistics, Procurement, Project Management	Trustee West Coast Community Trust	HR&R and S&E	3
Kaashifah Beukes	Freeport Saldanha CEO	20/09/2018	Effective 31/12/2023	BSc Civil Eng. MBA	Design, construction and project management of civil engineering infrastructure, Business Administration	None	Investment HR&R and S&E Nominations Board Management	3 3 2 8

2.3 Board Committees

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

The Company has five Board Committees, namely the Audit, IT and Risk Committee, Investment Committee, Human Resources & Remuneration and Social & Ethics Committee, Nominations Committee and the Board Management Committee.

Table 9: Board Committees

Committee	No. of Meetings Held	No. of Members	Member Names
Audit, IT & Risk	4	5	Paul Slack – Chairperson (Independent) Tareq Carrim – Independent Irvin Esau – Member Jacqueline Gooch – Member (Resigned) Heinrich Mettler – Member (Resigned)
Investment	4	6	Edwin Obiri – Chairperson (Acting) John Smelcer – Member (Resigned) Irvin Esau – Member Stieneke Jensma - Member Doug Southgate - Member Herman Boneschans – Member Kaashifah Beukes – Member (Resigned)
Human Resources & Remuneration and Social & Ethics	4	8	Irvin Esau – Chairperson Edwin Obiri – Member Stieneke Jensma - Member Doug Southgate - Member Herman Boneschans – Member Harris Talmakkies – Member (Resigned) Kaashifah Beukes – Member (Resigned) Marika Krieg – Independent (Term ended) Neil Jansen – Independent (Term ended)
Board Management Committee	11	4	Irvin Esau – Chairperson Doug Southgate - Member Herman Boneschans - Member Paul Slack – Ad hoc Member Heinrich Mettler – Chairperson (Resigned) Jacqueline Gooch – Member (Resigned) Kaashifah Beukes – Member (Resigned)
Nominations Committee	3	3	Irvin Esau – Chairperson Doug Southgate - Member Heinrich Mettler – Chairperson (Resigned) Kaashifah Beukes – Member (Resigned)

Remuneration and Board Members

In terms of the Saldanha Bay Industrial Development Zone Licencing Act, 2016, the Board in consultation with the Minister responsible for finance in the Province shall determine the remuneration, allowance and reimbursements, payable to the Directors, which will be reviewed on an annual basis.

Table 10: Board Member Remuneration

Name	Remuneration	Other Allowance	Other Reimbursements	Total
Edwin Obiri	32,877	-	-	**32,877**
Irvin Esau	77,546	-	-	**77,546**
John Smelcer	-	-	-	**-**
Harris Talmakkies	21,545	-	-	**21,545**

Risk Management

The Company remains duly committed to a risk management process that is aligned to principles of good Corporate Governance and is in accordance with the provision of the Public Finance Management Act (PFMA) (No.1 of 1999), King IV and other related codes of Corporate Governance.

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

Internal Control

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

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

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

Internal Audit and Audit Committee

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

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

Internal Audit

The internal audit function is outsourced to BDO Advisory Services for a three-year period, ending 30 June 2023, with a possibility of a 12 month-extension. The Board of Directors is responsible for the appointment of the Internal Auditor. The Internal Auditors operates under the direction of the Audit, IT and Risk Committee which approves the scope of work to be performed. Significant findings are reported to both the Executive Management and the Audit, IT & Risk Committee. Corrective action is taken to address internal control deficiencies identified in the execution of the work.

External Audit

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

Table 11: Audit, IT and Risk Committee

Name	Qualifications	Internal or External	If internal, position in the public Company	Date Appointed	Date Resigned	No. of Meetings Attended
Paul Slack	BCom Hons	External	N/A	17/11/2020		4
Tareq Carim	BCom Hons. CA (SA)	External	N/A	17/11/2022		4
Irvin Esau	BCom	External	N/A	17/11/2020		4
Jacqueline Gooch	BSc Civil Engineering, Masters in Engineering (Civil Eng), MBA Executive Management	External	N/A	10/01/2023	1/9/2023	2
Heinrich Mettler	Nat Dipl Civil Eng., BTech Business Admin, MBA	External	N/A		15/11/2023	0

Compliance with Laws and Regulations

Freeport Saldanha assesses, on a quarterly basis, its compliance with the PFMA and relevant regulations, the Companies Act, 2008 (Act 71 of 2008), and the Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (Act 1 of 2016). Quarterly reports on the Company's compliance with the legislation are tabled at the Audit, IT and Risk Committee of the Board.

The Chief Financial Officer, Financial Accountant and Supply Chain Manager are members of various provincial forums (CFO Forum, Accounting Forum and SCM Forum) where important legislative reforms and updates are discussed.

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

Fraud and Corruption

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

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

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

Minimising Conflict of Interest

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

Code of Conduct

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

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

Health, Safety and Environmental Issues

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

Company Secretary

In terms of the Companies Act, every state-owned company must appoint a person to serve as Company Secretary. Freeport Saldanha appointed a Company Secretary on 24 August 2016.

The Company Secretary's duties include:

- Providing the directors of Freeport Saldanha collectively and individually with guidance as to their duties, responsibilities and powers;
- Making the directors aware of any law relevant to or affecting Freeport Saldanha;
- Reporting to the Board any failure on the part of Freeport Saldanha or a director to comply with the Memorandum of Incorporation or rules of Freeport Saldanha or the Companies Act;
- Ensuring that minutes of all shareholders' meetings, Board meetings and the meetings of any committees of the directors, or of Freeport Saldanha's audit committee, are properly recorded in accordance with the Companies Act;
- Certifying in Freeport Saldanha's Annual Financial Statements whether Freeport Saldanha has filed required returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date;
- Ensuring that a copy of Freeport Saldanha's Annual Financial Statements is sent, in accordance with the Companies Act, to every person who is entitled to it; and
- Carrying out the functions of a person designated in terms of section 33(3) of the Companies Act.

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

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

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

Social Responsibility

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

The Company acknowledges that it is critically important that collaborative partnerships be established with all parties to achieve meaningful, inclusive transformation.

Table 12: B-BBEE Compliance Performance Information

Has the Company 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)
Determine qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law	No	The company has finalised its B-BBEE certificate during the period under review. It has been determined that this criteria is not applicable.
Developing and implementing a preferential procurement policy	Yes	The Supply Chain Management Policy has incorporated the preferential procurement requirements. This has been implemented since the promulgation of the Preferential Procurement Policy Framework ACT, 2017.
Determining qualification criteria for the sale of state-owned enterprises	No	The company has finalised its B-BBEE certificate during the period under review. It has been determined that this criteria is not applicable.
Developing criteria for entering into partnerships with the private sector	Yes	The Supply Chain Management Policy has incorporated Public-Private Partnerships. These types of contracts are based on the needs of the company and should such a scenario present itself, the policy will be our guideline for implementation.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad Based Black Economic Empowerment	No	The company has finalised its B-BBEE certificate during the period under review. It has been determined that this criteria is not applicable.

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

In terms of B-BBEE regulations 12(2), the public entity is required to file the audited annual financial statements and annual report compiled in terms of section 13G (1), with the Commission, in the prescribed FORM B-BBEE 1 within thirty (30) days of the approval of such audited annual financial statements and annual report. The 2022/23 audit financial statements and 2022/23 annual report were approved on 31 August 2023.

SCOPA Resolutions

There were no SCOPA resolutions.

HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

D

PART D: HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

1 Introduction

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

2 Human Resource Oversight Statistics

Table 13: Personnel Cost by Programme

Programme	Total Expenditure for the entity (including CAPEX) R	Personnel Expenditure R	Personnel Expenditure as a % of Total Expenditure	No. of employees	Average Personnel Cost Per Employee R
Operations	87,399,424	18,191,324	16.79%	28	649,690
Administration	20,928,490	12,106,977	11.17%	15	807,132
Subtotal	**108,327,914**	**30,298,301**	**27.97%**	**43**	**704,612**
Infrastructure	40,536,719	3,621,357	8.93%	6	603,559
Total	**148,864,633**	**33,919,658**	**22.79%**	**49**	**692,238**

Table 14: Personnel Cost by Salary Band

Level	Personnel Expenditure R	Percentage of Personnel Expenditure to Total Personnel Cost	No. of employees	Average Personnel Cost Per Employee R
Top Management	12,928,171	38%	10	1,292,817
Professional Qualified	16,734,861	49%	22	760,675
Skilled	2,905,176	9%	9	322,797
Semi-skilled	1,351,450	4%	8	168,931
Total	**33,919,658**		**49**	

Table 15: Performance Rewards

Level	Performance Rewards	Personnel Expenditure R	Percentage of Performance Rewards to Total Personnel Cost
Top Management	-	12,928,171	0%
Professional Qualified	-	16,734,861	0%
Skilled	-	2,905,176	0%
Semi-skilled	-	1,351,450	0%
Total	**-**	**33,919,658**	**0%**

Table 16: Training Costs

Programme	Personnel Expenditure R	Training Expenditure R	Training Expenditure as a % of Personnel Cost	No. of Employees Trained	Average Training Cost per Employee R
Operations	18,191,324	6,900	0%	5	1,380
Administration	12,106,977	-	0%	-	-
Infrastructure	3,621,357	-	0%	-	-
Total	**33,919,658**	**6,900**		**5**	**1,380**

Table 17: Employment and Vacancies, by Programme

Programme	2023/24		Percentage of Vacancies
	No. of Employees	Vacancies	
Operations	22	7	24%
Administration	15	2	12%
Infrastructure	5	2	29%
Total	**42**	**11**	**21%**

Table 18: Employment and Vacancies, by Level

Level	2023/24		Percentage of Vacancies
	No. of Employees	Vacancies	
Top Management	6	3	33%
Professional Qualified	19	8	30%
Skilled	10	0	0%
Semi-skilled	7	0	0%
Total	**42**	**11**	**21%**

Table 19: Employment Changes

Salary Band	Employment at Beginning of the Period	Appointments	Employee Movements	Terminations	Employment at the End of the Period
Top Management	8	-	2	4	6
Professional Qualified	21	3	-2	3	19
Skilled	10	-	0	0	10
Semi-skilled	7	-	0	0	7
Total	**46**	**3**	**0**	**7**	**42**

Table 20: Reasons for Staff Leaving

Reason	Number	Percentage of Total Number of Staff Leaving
Death	-	0%
Resignation	6	86%
Dismissal	-	0%
Retirement	-	0%
Expiry of Contract	1	14%
Other	-	0%
Total	**7**	**100%**

Table 21: Equity Target and Employment Equity Status (Male)

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	2	-	-	-	2	-
Professional Qualified	1	-	4	-	-	-	1	-
Skilled	2	-	2	-	-	-	-	-
Semi-skilled	1	-	1	-	-	-	-	-
Total	**5**	**-**	**9**	**-**	**-**	**-**	**3**	**-**

Table 22: Equity Target and Employment Equity Status (Female)

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	-	0	-	-	-	0	-
Professional Qualified	3	-	8	-	-	-	2	-
Skilled	3	-	3	-	-	-	0	-
Semi-skilled	0	-	5	-	-	-	0	-
Total	**7**	**-**	**16**	**-**	**-**	**-**	**2**	**-**

FINANCIAL INFORMATION

E

PART E: FINANCIAL INFORMATION

General Information

Country of Incorporation and Domicile	South Africa
Legal Form of Entity	Provincial government business enterprise listed in Schedule 3 Part D of the Public Finance Management Act
Nature of Business and Principal Activities	To establish an industrial development zone (IDZ) at Saldanha Bay as a catalyst for economic activity and sustainable job creation
Directors (as at 31 March 2024)	Douglas Southgate (Executive) Edwin Obiri (Non-Executive) Herman Boneschans (Executive) Irvin Esau (Non-Executive) (Acting Chairperson) John Smelcer (Non-Executive) Stieneke Jensma (Non-Executive)
Registered Office	24 Main Road Saldanha Bay 7395
Postal Address	24 Main Road Saldanha Bay 7395
Bankers	Nedbank Corporate
Auditors	Auditor-General of South Africa
Company Registration Number	2012/035625/30
Income Tax Number	9523103175

Index

The below comprise the annual financial statements presented to the provincial legislature:

Accounting Authority's Responsibilities and Approval 73
Audit, IT and Risk Committee Report 74
Report of the Auditor-General to the Western Cape Provincial Parliament 75
Annexure to the Auditor's Report 79
Compliance with legislation – selected legislative requirements 80
Accounting Authority's Report 81
Company Secretary's Certification 84
Statement of Financial Position 85
Statement of Financial Performance 86
Statement of Changes in Net Assets 87
Cash Flow Statement 88
Statement of Comparison of Budget and Actual Amounts 89
Significant Accounting Policies 91
Notes to the Annual Financial Statements 112

Accounting Authority's Responsibilities and Approval

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

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

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

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

The Board of Directors 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 Board of Directors has reviewed the entity's cash flow forecast for the year to 31 March 2025 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 ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Board of Directors continue to procure funding / finance for the ongoing operations of the entity. The annual financial statements are prepared on the basis that the entity is a going concern, and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors.

The annual financial statements set out on pages 85-135, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2024 and were signed on its behalf by:

Mr Irvin Esau
Acting Chairperson of the Board

Audit, IT and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2024.

Audit committee members and attendance

The Audit, IT and Risk Committee consists of the members listed hereunder and should meet four times per annum, as per its approved terms of reference. During the current period four meetings were held.

Name of member	Number of meetings attended
Paul Slack (Chairperson) (independent member)	4
Irvin Esau	4
Tareq Carrim (independent member)	4
Jacqueline Gooch (resigned 2023/09/01)	2
Heinrich Mettler (resigned 2023/11/15)	0

Audit committee responsibility

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

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

The effectiveness of internal control

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

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

Internal audit

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

Auditor-General of South Africa

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

Chairperson of the Audit Committee
30 July 2024

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

Report on the audit of the financial statements

Opinion

(1) I have audited the financial statements of Saldanha Bay IDZ Licencing Company SOC Limited set out on pages 85 to 135, which comprise the statement of financial position as at 31 March 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

(2) In my opinion, the financial statements present fairly, in all material respects, the financial position of Saldanha Bay IDZ Licencing Company SOC Limited as at 31 March 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

(3) I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

(4) I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

(5) I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

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

(7) In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general 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. This description, which is located on page 79, forms part of our auditor's report.

Report on the annual performance report

(10) In accordance with the Public Audit Act of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

(11) I selected the following material performance indicators related to programme 2 – operations presented in the annual performance report for the year ended 31 March 2024. I selected those indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest. These indicators are as follows:

- number of standing protocols in place
- turnaround times on building plans
- number of signed tenant and operator lease agreements
- percentage available space tenanted
- number of contractor and professional panels maintained.

(12) I evaluated reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using those criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

(13) I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time-bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

(14) I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.

(15) I did not identify any material findings on the reported performance information for the selected indicators.

Report on compliance with legislation

(16) In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

(17) I performed procedures to rest compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

(18) Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an easily understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

(19) I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

(20) The accounting authority is responsible for the other information included in the annual report which includes the directors' report, the audit committee's report and the Company Secretary's certificate, as required by the Companies Act. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in programme presented in the annual performance report that have been specifically reported on in this auditor's report.

(21) My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation does not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

(22) My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in programme presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

(23) I did not receive the other information before the date of this auditor's report. When I do receive and read this information, 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.

Internal control deficiencies

(24) I considered internal control relevant to my audit of the financial statements, annual performance report 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
31 July 2024

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the Auditor's Report

Auditor-General's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Selected Legislative Requirements

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Sections 55(1)(a), 55(1)(b)(i), 55(1)(c)(i) Sections 51(1)(b)(ii), 57(b) Sections 54(2)(c), 54(2)(d) Sections 66(3)(d), 66(5), 67 Sections 52(b); 55 (1)(b)(i) Section 51(1)(e)(iii) Sections 50(3)(b), 51(1)(a)(iii), 56, 57(d)
Treasury regulations	Regulations 31.2.5, 31.2.7(a), 32.1.1(a), 32.1.1(b), 32.1.1(c) Regulations 29.1.1, 29.1.1(a), 29.1.1(c), 29.2.1, 29.2.2, 29.3.1 Regulations 33.1.1, 33.1.3, 31.1.2(c)
Companies Act 71 of 2008	Sections 46(1)(a), 46(1)(b), 46(1)(c) Sections 45(2), 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii), 45(4) Sections 112(2)(a), 129(7)
Construction Industry Development Board (CIDB) Act 38 of 2000	CIDB Act 18(1)
CIDB regulations	CIDB regulations 17, 25(7A)
Second amendment to National Treasury Instruction No. 5 of 2020-21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 2020-21	Paragraph 2
National Treasury Instruction No. 4 of 2015-16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020-21	Paragraphs 4.8, 4.9, 5.3
National Treasury SCM Instruction No. 03 of 2021-22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 202-21	Paragraphs 3.1, 3.4(b), 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential procurement regulations, 2022	Regulations 4.1, 4.2, 4.3, 4.4, 5.1, 5.2, 5.3, 5.4
Preferential procurement regulations, 2017	Regulations 4.1, 4.2, 5.1, 5.3, 5.6, 5.7, 6.1, 6.3, 6.6, 6.8 Regulations 7.1, 7.2, 7.3, 7.5, 7.6, 7.8, 8.2, 8.5, 9.1, 10.1, 10.2 Regulations 11.1, 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004 (PRECCA)	PRECCA 34(1)

Accounting Authority's Report

The members submit their report for the year ended 31 March 2024.

1 Review of activities

Main business and operations

The main business of the entity is to establish an industrial development zone (IDZ) at Saldanha Bay as a catalyst for economic activity and sustainable job creation and operates principally in South Africa.

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

2 Going concern

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Board of Directors continue to procure funding / finance for the ongoing operations for the entity.

3 Subsequent events

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

4 Share capital

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

5 Distributions to shareholder

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

6 Accounting Authority

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

Name	Nationality	Changes
Douglas Southgate (Executive)	South African	Appointed 1 January 2024
Edwin Obiri (Non-Executive)	Ghanaian	
Harris Talmakkies (Non-Executive)	South African	Resigned 11 November 2023
Heinrich Mettler (Non-Executive)	South African	Resigned 15 November 2023
Herman Boneschans (Executive)	South African	
Irvin Esau (Non-Executive) (Acting Chairperson)	South African	
Jacqueline Gooch (Non-Executive) (Deputy Chairperson)	South African	Resigned 1 September 2023
John Smelcer (Non-Executive)	American	
Kaashifah Beukes (Executive)	South African	Resigned 31 December 2023
Stieneke Jensma (Non-Executive)	South African	

7 Corporate governance

General

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

The entity confirms and acknowledges its responsibility for total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting authority discusses the responsibilities of management in this respect at Board meetings, and monitors the entity's compliance with the code on a three-monthly basis.

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

Accounting Authority / Board of Directors

The Board:

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

Chairperson and Chief Executive

The Chairperson is a non-executive and independent director (as defined by the Code).

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

Human Resources, Remuneration, Social and Ethics Committee

The committee consists of three Non-Executive directors and two Executive directors and the acting chairperson is Irvin Esau. The committee met four times during the reporting period to review matters necessary to fulfil its role. Members of the committee are:

- Irvin Esau (Acting Chairperson)
- Edwin Obiri
- Harris Talmakkies (Resigned 2023/11/11)
- Stieneke Jensma
- Kaashifah Beukes (Resigned 2023/12/31)
- Herman Boneschans
- Douglas Southgate (Appointed 2024/01/01)

Accounting authority

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

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

Investment Committee

The committee consists of four Non-Executive directors, two Executive directors and the acting chairperson is Edwin Obiri. The committee met four times during the reporting period to review matters necessary to fulfil its role. Members of the committee are:

- Edwin Obiri (Acting Chairperson)
- John Smelcer
- Stieneke Jensma
- Irvin Esau
- Kaashifah Beukes (Resigned 2023/12/31)
- Herman Boneschans
- Douglas Southgate (Appointed 2024/01/01)

Audit, IT and Risk Committee

For the period under review, the chairperson of the committee was Paul Slack (independent member). The committee met four times during the reporting period to review matters necessary to fulfil its role. Other members of the committee are:

- Irvin Esau
- Tareq Carrim
- Jacqueline Gooch (Resigned 2023/09/01)
- Heinrich Mettler (Resigned 2023/11/15)

Board Management Committee

The committee consisted of three Non-Executive directors, two Executive directors and an independent member. The committee is chaired by Irvin Esau. The committee met eleven times during the reporting period to review matters necessary to fulfil its role. Members of the committee are:

- Irvin Esau
- Heinrich Mettler (Resigned 2023/11/15)
- Jacqueline Gooch (Resigned 2023/09/01)
- Kaashifah Beukes (Resigned 2023/12/31)
- Herman Boneschans
- Paul Slack – Independent member
- Douglas Southgate (Appointed 2024/01/01)

Nominations Committee

The committee consisted of two Non-Executive directors, one Executive director and is chaired by Irvin Esau. The committee met thrice to review matters necessary to fulfil its role. Members of the committee are:

- Heinrich Mettler (Resigned 2023/11/15)
- Irvin Esau
- Kaashifah Beukes (Resigned 2023/12/31)
- Douglas Southgate (Appointed 2024/01/01)

Internal audit

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

Mr Irvin Esau
Acting Chairperson of the Board

Company Secretary's Certification

Declaration by the Company Secretary in respect of Section 88(2)(e) of the Companies Act

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

Sollie Marthinus
Company Secretary

Statement of Financial Position as at 31 March 2024

Figures in Rand	Note(s)	2024	2023
Assets			
Current Assets			
Cash and cash equivalents	3	259,542,132	142,771,381
Receivables from exchange transactions	4	612,782	673,275
VAT receivable	5	-	2,570,089
Receivables from non-exchange transactions	6	1,031,680	924,122
Prepayments	7	467,395	583,948
Operating lease asset	8	66,964	32,130
		261,720,953	**147,554,945**
Non-Current Assets			
Investment property	9	292,427,165	261,664,750
Property, plant and equipment	10	510,390,550	550,164,078
Intangible assets	11	118,072	172,772
Receivables from non-exchange transactions	6	-	31,886
Operating lease asset	8	771,095	446,826
		803,706,882	**812,480,312**
Total Assets		**1,065,427,835**	**960,035,257**
Liabilities			
Current Liabilities			
Operating lease liability	8	93,736	100,682
Payables from exchange transactions	12	28,284,756	18,002,551
VAT payable	13	326,397	-
Employee benefit obligation	14	1,659,964	2,481,930
Unspent conditional grants and receipts	15	137,895,508	108,074,704
		168,260,361	**128,659,867**
Non-Current Liabilities			
Operating lease liability	8	-	93,736
Unspent conditional grants and receipts	15	126,694,019	21,495,887
Payables from non-exchange transactions	16	359,153	346,504
		127,053,172	**21,936,127**
Total Liabilities		**295,313,533**	**150,595,994**
Net Assets		**770,114,302**	**809,439,263**
Share capital	17	120	120
Accumulated surplus		770,114,182	809,439,143
Total Net Assets		**770,114,302**	**809,439,263**

Statement of Financial Performance

Figures in Rand	Note(s)	2024	2023
Revenue			
Revenue from exchange transactions			
Rental income	19	2,517,497	2,592,73
Sundry income		-	13,25
Interest received - investment	20	1,949,889	2,928,74
Gain on disposal of assets and liabilities		-	17,98
Total revenue from exchange transactions		**4,467,386**	**5,552,71**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	63,593,631	59,560,96
Total revenue		**68,061,017**	**65,113,68**
Expenditure			
Employee related costs	22	(30,298,301)	(33,919,50
Depreciation and amortisation	23	(37,956,886)	(37,753,30
Lease rentals on operating lease	24	(6,097,938)	(28,478,01
Loss on disposal of assets and liabilities		(2,030)	
General Expenses	25	(21,326,508)	(23,781,44
Transfer to Saldanha Bay Municipality	25	-	(8,392,52
Transfer to the Department of Infrastructure	25	(11,704,318)	
Total expenditure		**(107,385,981)**	**(132,324,79**
Deficit for the year		**(39,324,964)**	**(67,211,11**

Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus	Total net assets
Balance at 01 April 2022	**120**	**876,650,256**	**876,650,376**
Changes in net assets			
Deficit for the year	-	(67,211,113)	(67,211,113)
Total changes	-	(67,211,113)	(67,211,113)
Balance at 01 April 2023	**120**	**809,439,146**	**809,439,266**
Changes in net assets			
Deficit for the year	-	(39,324,964)	(39,324,964)
Total changes	-	(39,324,964)	(39,324,964)
Balance at 31 March 2024	**120**	**770,114,182**	**770,114,302**
Note(s)	17		

Cash Flow Statement

Figures in Rand	Note(s)	2024	2023
Cash flows from operating activities			
Receipts			
Grants		178,926,415	43,395,977
Interest income		21,633,363	9,426,794
Rental income		1,771,538	1,963,004
Sundry income		-	13,250
		202,331,316	54,799,025
Payments			
Employee costs		(31,120,267)	(33,903,761)
Suppliers		(17,058,135)	(35,083,524)
		(48,178,402)	(68,987,285)
Net cash flows from operating activities	26	**154,152,914**	**(14,188,260)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,010,538)	(10,688,835)
Proceeds from sale of property, plant and equipment	10	-	29,735
Purchase of investment property		(36,371,625)	(7,773,484)
Purchase of other intangible assets	11	-	(219,252)
Net cash flows from investing activities		**(37,382,163)**	**(18,651,836)**
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		**116,770,751**	**(32,840,096)**
Cash and cash equivalents at the beginning of the year		142,771,381	175,611,477
Cash and cash equivalents at the end of the year	3	**259,542,132**	**142,771,381**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	1,882,967	-	**1,882,967**	1,771,538	**(111,429)**	
Interest received - investment	21,352,531	195,958	**21,548,489**	21,633,363	**84,874**	
Total revenue from exchange transactions	**23,235,498**	**195,958**	**23,431,456**	**23,404,901**	**(26,555)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	178,301,240	504,174	**178,805,414**	178,926,414	**121,000**	
Total revenue	**201,536,738**	**700,132**	**202,236,870**	**202,331,315**	**94,445**	
Expenditure						
Corporate services, operational services and special projects	(59,097,489)	6,131,195	**(52,966,294)**	(48,178,401)	**4,787,893**	Note 36
Cash flow from operating activities	**142,439,249**	**6,831,327**	**149,270,576**	**154,152,914**	**4,882,338**	
Actual Amount on Comparable Basis	**142,439,249**	**6,831,327**	**149,270,576**	**154,152,914**	**4,882,338**	
Reconciliation to the Statement of financial performance						
Interest received				(19,683,474)		
Rental income				745,959		
Unspent conditional grant				(115,332,783)		
Employee cost				821,966		
Depreciation				(37,956,886)		
General expenses				(10,469,024)		
Transfer to the Department of Infrastructure				(11,704,318)		
Lease rentals				100,682		
Deficit in the Statement of Financial Performance				**(39,324,964)**		

Statement of Comparison of Budget and Actual Amounts
(continued)

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	236,043,065	14,901,636	**250,944,701**	259,542,132	**8,597,431**	Note 36
Non-Current Assets						
Investment property	47,820,308	(8,070,308)	**39,750,000**	36,371,625	**(3,378,375)**	Note 36
Property, plant and equipment	1,347,256	-	**1,347,256**	1,010,538	**(336,718)**	
	49,167,564	**(8,070,308)**	**41,097,256**	**37,382,163**	**(3,715,093)**	
Total Assets	**285,210,629**	**6,831,328**	**292,041,957**	**296,924,295**	**4,882,338**	
Net Assets	**285,210,629**	**6,831,328**	**292,041,957**	**296,924,295**	**4,882,338**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Cash flow from operating activities	142,439,248	6,831,328	**149,270,576**	154,152,914	**4,882,338**	
	142,439,248	**6,831,328**	**149,270,576**	**154,152,914**	**4,882,338**	
Accumulated cash flows	142,771,381	-	**142,771,381**	142,771,381	**-**	
Total Net Assets	**285,210,629**	**6,831,328**	**292,041,957**	**296,924,295**	**4,882,338**	

1 Significant Accounting Policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

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

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

These accounting policies are consistent with the previous period, unless specified otherwise.

1.2 Presentation currency

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

1.3 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.

1.4 Materiality

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 annual financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

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

The entity does not retrospectively adjust the accounting of past items (or group of items) that were previously assessed as immaterial, unless an error occurred.

1.5 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.

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

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

Significant Accounting Policies

- **Useful lives of property, plant and equipment and other assets –** The entity's management determines the estimated useful lives and related depreciation charges for the assets. This estimate is based on industry norms. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.
- **Allowance for doubtful debts –** On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtor 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.
- **Materiality –** Applying materiality is pervasive to the preparation of financial statements. Materiality is a key consideration in deciding how to apply the Standards of GRAP when preparing the annual financial statements. Information is material if its omission or misstatement has the potential to influence the decisions of users or affect the discharge of accountability by the entity.

1.6 Investment property

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

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

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

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

Cost model

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

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

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

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

Significant Accounting Policies

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 9).

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

1.7 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.

Property, plant and equipment are 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, its 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.

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

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

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

Significant Accounting Policies

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 are 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:

Useful Lives of Property, Plant and Equipment

Item	Depreciation Method	Average Useful Life
Land	Straight-line	Indefinite
Buildings and Structures		7-30 years
Buildings – Leasehold Property		Over lease term
Furniture and Fixtures		6-10 years
Motor Vehicles		5 years
Office Equipment		8 years
IT Equipment		3-5 years
Infrastructure Assets		10-120 years

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

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

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 10).

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

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

Significant Accounting Policies

- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

Amortisation of Intangible Assets

Item	Amortisation Method	Average Useful Life
Computer software	Straight-line	3-4 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

1.9 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

Significant Accounting Policies

cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

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

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

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

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

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

A financial asset is:

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

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.

Significant Accounting Policies

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

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

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

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

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

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

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

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

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

Measurement

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

Significant Accounting Policies

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

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

Impairment and uncollectibility of financial assets

The entity 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

In this case, the entity:

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

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

Financial liabilities

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

Significant Accounting Policies

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.

1.10 Statutory receivables

Identification

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

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

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

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

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

Recognition

The entity recognises statutory receivables as follows:

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Significant Accounting Policies

Subsequent measurement

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

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

Impairment losses

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

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

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- 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

Significant Accounting Policies

sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

- derecognise the receivable; and
- recognise separately any rights and obligations created or retained in the transfer.

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

1.11 Tax

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

1.12 Leases

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

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in the 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.

1.13 Discontinued Operations

Discontinued operation is a component of an entity that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single coordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled entity acquired exclusively with a view to resale.

A component of an entity is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity.

Significant Accounting Policies

1.14 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Significant Accounting Policies

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.

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.15 Impairment of non-cash-generating assets

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

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

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

Significant Accounting Policies

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

Value in use

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

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

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 are 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.

Significant Accounting Policies

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.16 Share capital

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

1.17 Employee benefits

Identification

Employee benefits

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either:

(a) an entity's decision to terminate an employee's employment before the normal retirement date; or

(b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Short-term employee benefits

Recognition and measurement

All 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.

Significant Accounting Policies

Short-term employee benefits include items such as:

(a) wages, salaries and social security contributions;

(b) 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;

(c) 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

(d) non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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

(a) 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.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

1.18 Contingencies

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29.

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.20 Revenue from exchange transactions

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

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

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

Measurement

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

Significant Accounting Policies

Interest, royalties, dividends and service fees

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.

1.21 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

Recognition

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

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

Significant Accounting Policies

Measurement

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

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

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

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

Grants and Project funds

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

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

Public contributions, including goods in-kind

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

Services in-kind

Except for financial guarantee contracts, the entity recognises 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.

1.22 Comparative figures

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

1.23 Fruitless and wasteful expenditure

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

Significant Accounting Policies

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).

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

1.25 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 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.

Significant Accounting Policies

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.

1.26 Budget information

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

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

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

The approved budget covers the fiscal period from 2023/04/01 to 2024/03/31.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period has been included in the Statement of Comparison of Budget and Actual Amounts.

Comparative information is not required.

1.27 Related parties

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

Close members of the family of a person are 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

Significant Accounting Policies

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.

1.28 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.

1.29 Materiality

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected Impact:
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	No material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	No material impact
• iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	No material impact
• GRAP 2020: Improvements to the Standards of GRAP 2020	01 April 2023	No material impact
• GRAP 1 (amended): Presentation of Financial Statements (Materiality)	01 April 2023	No material impact

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected Impact:
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	22,448	23,530
Bank balances	246,286,073	130,552,077
Corporation for Public Deposits and call accounts	13,233,611	12,195,774
	259,542,132	**142,771,381**

Unspent conditional grants are included the cash and cash equivalents. Refer to note 15.

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

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

Credit rating		
B (2023: BB-)	246,286,073	130,552,077

4. Receivables from exchange transactions

Debtors	463,809	428,692
Other receivables from exchange transactions	148,973	244,583
	612,782	**673,275**

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2024, R 386,004 (2023: R 227,587) were past due but not impaired.

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

1 month past due	43,829	158,242
2 months past due	33,976	42,863
3 months past due	386,004	227,587
	463,809	**428,692**

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

5. VAT receivable

VAT	-	2,570,089

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

6. Receivables from non-exchange transactions

Receivables from non-exchange revenue (current and non-current)	1,031,680	956,008
Non-current assets	-	31,886
Current assets	1,031,680	924,122
	1,031,680	**956,008**

Non-current receivables are lease deposits receivable after more than 12 months.

Current receivables relate to lease deposits receivable within 12 months and interest receivable.

7. Prepayments

	467,395	583,948

The majority of prepayments are for annual software subscriptions.

8. Operating lease asset (liability)

Non-current assets	771,095	446,826
Current assets	66,964	32,130
Non-current liabilities	-	(93,736)
Current liabilities	(93,736)	(100,682)
	931,795	**673,374**

The operating lease asset relates to property leased to tenants. The prior year balance includes the Port of Saldanha lease (Transet National Ports Authority).

- Non-current operating lease asset of R771,095 (tenants) (March 2023: R446,826 tenants)
- Current operating lease asset of R66,964 (tenants) (March 2023: R32,130 Port of Saldanha)

Operating lease liability (as lessee) consists of:
- operating lease liability of R 93,736 (March 2023: R152,123) (Cape Town and Saldanha Bay office)
- operating lease liability of R 0 (March 2023: R 42,294) (Port of Saldanha Bay)

Refer to note 24 for further information on operating leases.

Notes to the Annual Financial Statements

Figures in Rand

9. Investment property

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	314,720,904	(22,293,739)	292,427,165	274,402,043	(12,737,293)	261,664,750

Reconciliation of investment property - 2024

	Opening balance	Additions	Impairments	Depreciation	Total
Investment property	261,664,750	40,468,114	(149,253)	(9,556,446)	292,427,165

Reconciliation of investment property - 2023

	Opening balance	Additions	Transfer to infrastructure assets	Impairments	Depreciation	Total
Investment property	268,768,420	5,918,809	(3,736,252)	(94,579)	(9,191,648)	261,664,750

Investment Property per asset class

	-	-
Land	92,614,841	92,614,841
Buildings (completed)	154,266,064	163,822,510
Buildings (work in process)	45,546,260	5,227,399
	292,427,165	**261,664,750**

Pledged as security

No investment property was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

9. Investment property (continued)

Investment property in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of Investment property		
Opening balance	5,227,399	87,562,892
Additions	40,468,114	5,918,809
Transfer to completed items	-	(84,423,471)
Transfer to completed infrastructure items	-	(3,736,252)
Impairment	(149,253)	(94,579)
	45,546,260	**5,227,399**

Carrying value of Investment property that is taking a longer period of time to complete than expected		
Facility	24,178,476	-
The construction of the facility commenced later than anticipated, resulting in the extension of the completion date. Consequently, the facility was completed in May 2024.		
	24,178,476	**-**

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

Amounts recognised in surplus or deficit

Rental revenue from Investment property	770,284	511,356
From Investment property that generated rental revenue		
Repairs and maintenance	-	14,045
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	3,011,049	2,588,297
Repairs and maintenance	2,260	-
	3,013,309	**2,588,297**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2024			2023		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	1,490,897	-	1,490,897	1,490,897	-	1,490,897
Buildings	166,285,387	(35,004,868)	131,280,519	165,913,825	(26,113,132)	139,800,693
Furniture and fixtures	2,173,629	(1,281,144)	892,485	2,175,702	(1,104,561)	1,071,141
Motor vehicles	471,882	(471,882)	-	471,882	(471,882)	-
Office equipment	744,120	(520,337)	223,783	751,143	(460,264)	290,879
IT equipment	3,221,973	(2,138,174)	1,083,799	2,742,502	(1,795,671)	946,831
Infrastructure assets	470,857,743	(95,438,676)	375,419,067	485,632,100	(79,068,463)	406,563,637
Total	**645,245,631**	**(134,855,081)**	**510,390,550**	**659,178,051**	**(109,013,973)**	**550,164,078**

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2024

	Opening balance	Additions	Disposals at cost	Disposals accumulated depreciation	Transfer to the Department of Infrastructure - Work in progress	Transfer to the Department of Infrastructure	Depreciation	Impairment - Deregistering of servitude	Total
Land	1,490,897	-	-	-	-	-	-	-	1,490,897
Buildings	139,800,693	371,562	-	-	-	-	(8,891,736)	-	131,280,519
Furniture and fixtures	1,071,141	-	(2,073)	1,461	-	-	(178,044)	-	892,485
Motor vehicles	-	-	-	-	-	-	-	-	-
Office equipment	290,879	-	(7,023)	5,617	-	-	(65,690)	-	223,783
IT equipment	946,831	570,371	(90,900)	90,888	-	-	(433,391)	-	1,083,799
Infrastructure assets	406,563,637	68,605	-	-	(7,412,913)	(4,291,405)	(18,776,878)	(731,979)	375,419,067
	550,164,078	**1,010,538**	**(99,996)**	**97,966**	**(7,412,913)**	**(4,291,405)**	**(28,345,739)**	**(731,979)**	**510,390,550**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals at cost	Disposals accumulated depreciation	Transfer from investment property	Transfer to Saldanha Bay Municipality	Depreciation	Total
Land	1,490,897	-	-	-	-	-	-	1,490,897
Buildings	147,901,298	739,587	(987,288)	987,288	-	-	(8,840,192)	139,800,693
Furniture and fixtures	1,252,003	-	(6,729)	3,656	-	-	(177,789)	1,071,141
Motor vehicles	23,500	-	-	-	-	-	(23,500)	-
Office equipment	357,496	-	(22,062)	21,969	-	-	(66,524)	290,879
IT equipment	569,364	716,843	(159,517)	150,940	-	-	(330,799)	946,831
Infrastructure assets	422,057,075	8,142,827	-	-	3,736,252	(8,392,525)	(18,979,992)	406,563,637
	573,651,633	**9,599,257**	**(1,175,596)**	**1,163,853**	**3,736,252**	**(8,392,525)**	**(28,418,796)**	**550,164,078**

Pledged as security

No assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

10. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	93,574	93,574
Infrastructure assets	3,595,514	10,939,822
	3,689,088	**11,033,396**

Carrying value of property, plant and equipment that is taking a longer period of time to complete than expected		
Eastern Link Road	-	7,374,234
In the previous year, construction of the Eastern link road commenced under the Department of Infrastructure. The construction was finalised in the 2024 financial year, and since the road was expropriated, the capital costs for the project were transferred to the Department of Infrastructure.		
Port development -EIA and feasibility	3,075,650	-
The project will resume in the 2024/25 financial year as the entity collaborates with Transnet National Ports Authority to align their objectives and strategy.		
	3,075,650	**7,374,234**

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within Buildings	Total
Opening balance	10,939,822	93,574	11,033,396
Additions/capital expenditure	68,605	-	68,605
Transfer to the Department of Infrastructure	(7,412,913)	-	(7,412,913)
	3,595,514	**93,574**	**3,689,088**

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Buildings	Total
Opening balance	11,942,527	93,574	12,036,101
Additions/capital expenditure	7,389,820	-	7,389,820
Transfer to Saldanha Bay Municipality	(8,392,525)	-	(8,392,525)
	10,939,822	**93,574**	**11,033,396**

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		
Buildings	548,429	496,993
Infrastructure	253,369	356,208
	801,798	**853,201**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2024			2023		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	219,252	(101,180)	118,072	980,791	(808,019)	172,772

Reconciliation of intangible assets - 2024

	Opening balance	Disposals at cost	Disposals accumulated amortisation	Amortisation	Total
Computer software	172,772	(761,539)	761,539	(54,700)	118,072

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals at cost	Disposals accumulated amortisation	Amortisation	Total
Computer software	96,383	219,252	(247,039)	247,039	(142,863)	172,772

Pledged as security

No intangible assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

12. Payables from exchange transactions

Trade payables	28,284,756	18,002,551

13. VAT payable

VAT payable	326,397	-

14. Employee benefit obligations

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

Carrying value		
Leave pay	1,659,964	2,480,528
Workmen's compensation and other salary-related payables	-	1,402
	1,659,964	**2,481,930**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Trade and Industry - SEZ fund	235,475,400	99,222,239
Enterprise and skills development - DTI and DEDAT	2,060,236	4,124,924
Merseta - Skills development	9,930	9,930
Skills development - CHIETA and LG SETA	334,175	800,713
Department of Economic Development and Tourism - Land	25,412,785	25,412,785
Department of Economic Development and Tourism - Green Hydrogen	1,297,001	-
	264,589,527	**129,570,591**

Movement during the year

Balance at the beginning of the year	129,570,591	139,702,573
Additions during the year	179,070,375	42,846,354
Income recognition during the year	(63,593,631)	(59,560,963)
Interest received	19,542,192	6,582,627
	264,589,527	**129,570,591**

Non-current liabilities	126,694,019	21,495,887
Current liabilities	137,895,508	108,074,704
	264,589,527	**129,570,591**

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

16. Payables from non-exchange transactions

	359,153	346,504

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

17. Share capital

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

18. Revenue

Rental income (refer note 19)	2,517,497	2,592,732
Administration and management fees received	-	13,250
Interest received - investment (refer note 20)	1,949,889	2,928,748
Government grants & subsidies (refer note 21)	63,593,631	59,560,963
	68,061,017	**65,095,693**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental income (refer note 19)	2,517,497	2,592,732
Administration and management fees received	-	13,250
Interest received - investment (refer note 20)	1,949,889	2,928,748
	4,467,386	**5,534,730**

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

Transfer revenue		
Government grants & subsidies (refer note 21)	63,593,631	59,560,963

Nature and type of services in-kind are as follows:

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

19. Rental income

Premises		
Premises	2,517,497	2,592,732

Included in the above rentals are operating lease rentals at straight-lined amounts of R 710,843 (2023: R 373,867) as well as contingent rentals of R 66,567 (2023: R 8,500).

The company leases land and facilities out and the current agreement period varies between month-to-month and 23 years. Long term leases have annual escalations.

20. Investment revenue

Interest revenue		
Bank	1,949,889	2,928,748

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Government grants & subsidies

Operating grants

Department of Economic Development and Tourism	8,173,913	36,631,952
Enterprise and skills development - DTI and DEDAT	2,288,248	2,319,773
Merseta - Skills Development	825,000	286,500
Schools' Development Programme	-	1,304,348
Skills development - CHIETA and LG SETA	4,571,221	4,152,761
Department of Economic Development and Tourism - Green Hydrogen	1,572,565	-
	17,430,947	**44,695,334**

Capital grants

Department of Trade and Industry - SEZ fund	46,162,684	14,865,629
	63,593,631	**59,560,963**

Department of Trade and Industry - SEZ fund

Balance unspent at beginning of year	99,222,239	107,756,504
Receipts	163,097,213	-
Conditions met - transferred to revenue	(46,162,684)	(14,865,627)
Interest received	19,318,632	6,331,362
	235,475,400	**99,222,239**

Funds are available for infrastructure implementation over a period of 3 years. Interest earned on investment of grant is treated in accordance with the stipulations and conditions set out in the agreement. Outstanding conditions are still considered liabilities (see note 15).

Department of Economic Development and Tourism

Receipts	8,173,913	36,501,739
Conditions met - transferred to revenue	(8,173,913)	(36,631,951)
Interest received	-	130,212
	-	**-**

Department of Economic Development and Tourism grant is funding for operational expenditure. Interest earned on investment of grant funding is treated in accordance with the stipulations and conditions set out in the funding agreement. Outstanding conditions are still considered liabilities (see note 15).

Enterprise and skills development - DTI and DEDAT

Balance unspent at beginning of year	4,124,924	6,323,644
Interest received	223,560	121,052
Conditions met - transferred to revenue	(2,288,248)	(2,319,772)
	2,060,236	**4,124,924**

The project relates to enterprise development and the upskilling of local community in order to equip them with the necessary skills to participate in opportunities related to the industry the IDZ development creates. This project is jointly funded by the Department of Trade and Industry and the Department of Economic Development and Tourism. Interest earned on investment of grant funding is treated in accordance with the stipulations and conditions set out in the agreement. Outstanding conditions are still considered liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

21. Government grants & subsidies (continued)

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

Balance unspent at beginning of year	9,930	209,640
Receipts	825,000	86,790
Conditions met - transferred to revenue	(825,000)	(286,500)
	9,930	**9,930**

The objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in employment opportunities related to the industry the IDZ development creates. Outstanding conditions are still considered liabilities (see note 15).

Skills development - CHIETA and LG SETA

Balance unspent at beginning of year	800,713	-
Receipts	4,104,683	4,953,474
Conditions met - transferred to revenue	(4,571,221)	(4,152,761)
	334,175	**800,713**

The objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in employment opportunities related to the industry the IDZ development creates. Outstanding conditions are still considered liabilities (see note 15).

Schools' Development Programme

Receipts	-	1,304,348
Conditions met - transferred to revenue	-	(1,304,348)
	-	**-**

Schools' Development Programme: Mathematics PLC Saldanha area, West Coast education district. Acquisition of materials.

Department of Economic Development and Tourism - Land

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

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

Department of Economic Development and Tourism - Green Hydrogen

Receipts	2,869,565	-
Conditions met - transferred to revenue	(1,572,564)	-
	1,297,001	**-**

The objective of the project is to establish a Saldanha Green Hydrogen Hub and Green Hydrogen Corridor to promote and develop the local, provincial, and regional green hydrogen sector. Outstanding conditions are still considered liabilities (see note 15).

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

22. Employee related costs

Basic	30,410,847	33,305,673
Unemployment Insurance Fund	78,264	81,807
Workers' Compensation Act	119,795	109,936
Leave pay provision charge	(714,122)	31,299
Other allowances	224,331	250,000
Directors' fees (refer note 31)	179,186	140,788
	30,298,301	**33,919,503**

Remuneration of chief executive officer (resigned on 31 December 2023)

Annual Remuneration	2,058,889	2,741,565
Contributions to UIF and Group life	51,442	72,211
Other	9,000	12,000
Leave pay	145,732	-
	2,265,063	**2,825,776**

Remuneration of chief executive officer (acting from 1 January 2024)

Annual Remuneration	672,210	-
Contributions to UIF and Group life	531	-
Other	3,000	-
	675,741	**-**

Remuneration of chief finance officer

Annual Remuneration	1,950,693	1,950,693
Contributions to UIF and Group life	49,186	51,896
Other	12,000	12,000
	2,011,879	**2,014,589**

23. Depreciation and amortisation

Property, plant and equipment	28,345,739	28,418,796
Investment property	9,556,447	9,191,648
Intangible assets	54,700	142,862
	37,956,886	**37,753,306**

24. Lease rentals on operating lease

Premises		
Contractual amounts	5,819,873	28,250,740
Equipment		
Contractual amounts	278,065	227,272
	6,097,938	**28,478,012**

The entity has an operating lease with Eigelaar en Seun for letting office space in Saldanha Bay. The agreement is for a period of 5 years and has a fixed annual escalation. Refer to note 8 for operating lease liability. The Transnet National Ports Authority (TNPA) lease period is 15 years with an option to renew. The first 5 years have a fixed annual escalation. The lease agreement will be reviewed and adjusted for market-related rental for years 6-15.

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

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

25. General expenses

Assessment rates & municipal charges	896,510	844,903
Consulting and professional fees	2,124,529	1,567,870
Consulting fees - Innovation campus	-	170,158
Electricity and water	2,005,728	1,946,107
Exhibitions	-	440,137
External audit fees	1,531,970	1,555,425
IT expenses	2,471,446	2,566,082
Impairment property, plan and equipment - Servitude to be deregistered	731,979	-
Insurance	467,364	435,546
Internal audit	98,086	570,127
Marketing and advertising	390,530	1,152,547
Printing and stationery	208,362	297,643
Repairs and maintenance	845,983	1,039,170
Reversal of operating lease asset	351,740	1,149,078
Security	1,898,480	2,174,246
Subscriptions and membership fees	28,624	18,846
Sundry expenses	992,255	2,341,340
Training	6,900	80,417
Training - Short skills project	5,347,164	4,439,261
Transfer of assets	11,704,318	8,392,525
Travel - local	757,791	695,743
Travel - overseas	165,980	232,061
Venue expenses	5,087	64,742
	33,030,826	**32,173,974**

General expenses	21,326,508	23,781,449
Transfer to Saldanha Bay Municipality	-	8,392,525
Transfer to the Department of Infrastructure	11,704,318	-
	33,030,826	**32,173,974**

The Cartol sewerage pump station was completed and transferred to the Saldanha Bay Municipality in the prior year.

All capital costs associated with the Eastern Access Road project were transferred from the entity to the Department of Infrastructure on the the date of the expropriation without any monetery consideration.

26. Cash generated from (used in) operations

Deficit	(39,324,964)	(67,211,113)
Adjustments for:		
Depreciation and amortisation	37,956,886	37,753,306
Gain (loss) on sale of assets and liabilities	2,030	(17,989)
Movements in operating lease assets and accruals	(459,785)	2,188,981
Movements in employee benefits	(821,966)	44,335
Impairment of property, plant and equipment and investment property	881,232	94,579
Transfer of asset to Saldanha Bay Municipality	-	8,392,525
Transfer of asset to Department of Infrastructure	11,704,318	-
Changes in working capital:		
Receivables from exchange transactions	60,493	(341,298)
Other receivables from non-exchange transactions	(75,672)	735,280
Prepayments	116,553	435,263
Payables from exchange transactions	10,294,857	10,252,851
Value added tax	2,896,486	672,749
Unspent conditional grants and receipts	135,018,936	(10,131,982)
Property, plant and equipment and Investment property payables	(4,096,490)	2,944,253
	154,152,914	**(14,188,260)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

27. Financial instruments disclosure

Categories of financial instruments

2024

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	612,782	612,782
Receivables from non-exchange transactions	1,031,680	1,031,680
Cash and cash equivalents	259,542,132	259,542,132
	261,186,594	**261,186,594**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	28,284,756	28,284,756
Payables from non-exchange transactions	359,153	359,153
Unspent conditional grants and receipts	264,589,527	264,589,527
	293,233,436	**293,233,436**

2023

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	673,275	673,275
Receivables from non-exchange transactions	956,008	956,008
Cash and cash equivalents	142,771,381	142,771,381
	144,400,664	**144,400,664**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	18,002,550	18,002,550
Payables from non-exchange transactions	346,504	346,504
Unspent conditional grants and receipts	129,570,591	129,570,591
	147,919,645	**147,919,645**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

28. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	2,602,875	-
• Investment property	16,660,480	26,663,738
	19,263,355	**26,663,738**

Total capital commitments		
Already contracted for but not provided for	19,263,355	26,663,738

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

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,295,546	1,723,253
- in second to fifth year inclusive	4	1,173,574
- later than five years	9	10
	1,295,559	**2,896,837**

Operating lease payments represent rentals payable by the entity for office properties and office equipment. Leases are negotiated for an average term of five years. Contingent rent is not included in minimum future lease payments.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	2,432,868	3,288,643
- in second to fifth year inclusive	8,123,009	28,208,780
- later than five years	26,565,491	27,265,342
	37,121,368	**58,762,765**

Lease agreements have terms from 3 to 25 years. There are no contingent rents receivable. The prior year's disclosure includes a lease that was terminated during the current year.

29. Contingent liability

Freeport Saldanha entered into a Standard Conditions of Contract Agreement on 1 November 2019 for the design and facilitation of an inclusive social engagement process for the Greater Saldanha Bay Area. However, due to failure by the supplier to execute services outlined in the Agreement, Freeport Saldanha terminated the contract on 20 July 2020. Subsequently, legal action against Freeport Saldanha was initiated for R360,180. The outcome of the legal proceedings remains uncertain.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

30. Related parties

Relationships

Directors	Refer to directors' report note
Controlling entity	Department of Economic Development and Tourism
Members of key management	Refer to note 22

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

Related party balances/transactions

	2024	2023
Unspent conditional grants - Owing to related parties		
Department of Economic Development and Tourism	25,412,785	25,412,785
Department of Economic Development and Tourism - Green Hydrogen	1,297,001	-
Conditions met - transferred to revenue		
Department of Economic Development and Tourism	8,173,913	36,631,952
Department of Economic Development and Tourism - Green Hydrogen	1,572,565	-

31. Directors' and independent members'

Non- executive/Independent member

2024

	Fees	Total
Edwin Obiri (Non-Executive)	32,877	32,877
Harris Talmakkies (Non-Executive)	21,545	21,545
Irvin Esau (Non-Executive)	77,546	77,546
Neil Jansen (Human Resources, Remuneration, Social and Ethics Committee)	14,029	14,029
Magdalena Krieg (Human Resources, Remuneration, Social and Ethics Committee)	2,669	2,669
Tareq Carrim (Audit, IT and Risk Committee)	9,077	9,077
Paul Slack (Audit, IT and Risk Committee)	21,443	21,443
	179,186	**179,186**

2023

	Fees	Total
Edwin Obiri (Non-Executive)	22,969	22,969
Harris Talmakkies (Non-Executive)	2,004	2,004
Irvin Esau (Non-Executive)	43,094	43,094
Neil Jansen (Human Resources, Remuneration, Social and Ethics Committee)	10,456	10,456
Jacqueline Brown (Non-Executive)	6,278	6,278
Magdalena Krieg (Human Resources, Remuneration, Social and Ethics Committee)	2,673	2,673
Paul Slack (Audit, IT and Risk Committee)	49,944	49,944
Tareq Carrim (Audit, IT and Risk Committee)	3,370	3,370
	140,788	**140,788**

32. Risk management

Financial risk management

The entity’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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.

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

At 31 March 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	137,895,508	126,694,019	-	-
Payables from exchange and non-exchange transactions	28,284,756	359,153	-	-

At 31 March 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	108,074,704	21,495,887	-	-
Payables from exchange and non-exchange transactions	18,002,550	346,504	-	-

Credit risk

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

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

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

Financial instrument	2024	2023
Receivables from non-exchange transactions	1,031,680	956,008
Receivables from exchange transactions	612,782	673,275
Cash and cash equivalents	259,542,132	142,771,381

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

32. Risk management (continued)

Market risk

Interest rate risk

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

At 31 March 2024, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, deficit for the year would have been R 259,542 (2023: R 142,771) lower/higher.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	8.00 %	259,542,132	-	-	-	-

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

33. Going concern

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the Board of directors continue to procure funding/finance for the ongoing operations for the entity.

34. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure identified during the financial year.

35. Irregular expenditure

No irregular expenditure identified during the financial year.

36. Reconciliation of the statement of comparison of budget and actual amounts

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

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

The operational expenditure budget was adjusted downward due to the implementation of cost saving measures identified throughout the period under review. The savings between the final operational expenditure budget and the actual expenditure also includes employment cost savings.

The investment property capital budget was adjusted downwards due to the expectation of timing differences in current infrastructure creditors. The expense was incurred however the payment was made after year end and therefore not included in actual capital expenditure for the period under review.

The differences between the budgeted and actual expenses for investment property and operational expenditure resulted in ithe difference in bank and cash.

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

37. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of four service delivery functions: Corporate services, Operational services, Infrastructure implementation and Special projects. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

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

Aggregated segments

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

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

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

Infrastructure Implementation: Infrastructure

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

Types of goods and/or services by segment

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand

37. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2024

	Corporate Services	Operational Services	Infrastructure implementation	Special Projects	Total
Revenue					
Revenue from non-exchange transactions	1,663,991	6,509,922	46,162,684	9,257,034	63,593,631
Revenue from exchange transactions	-	2,517,497	-	-	2,517,497
Interest revenue	1,949,889	-	-	-	1,949,889
Total segment revenue	**3,613,880**	**9,027,419**	**46,162,684**	**9,257,034**	**68,061,017**
Entity's revenue					**68,061,017**
Expenditure					
Employee related costs	11,684,466	15,477,761	-	3,136,074	30,298,301
Depreciation and amortisation	622,755	37,334,131	-	-	37,956,886
Lease rentals on operating lease	1,008,799	4,542,724	-	546,415	6,097,938
General expenses	6,668,507	9,133,134	-	5,524,867	21,326,508
Loss on disposal	2,030	-	-	-	2,030
Transfer to the Department of Infrastructure	-	11,704,318	-	-	11,704,318
Total segment expenditure	**19,986,557**	**78,192,068**	**-**	**9,207,356**	**107,385,981**
Total segmental (deficit)/ surplus	**(16,372,677)**	**(69,164,649)**	**46,162,684**	**49,678**	**(39,324,964)**

Notes to the Annual Financial Statements

Figures in Rand

37. Segment information (continued)

2023

	Corporate Services	Operational Services	Infrastructure implementation	Special Projects	Total
Revenue					
Revenue from non-exchange transactions	6,224,148	30,407,804	14,865,629	8,063,382	59,560,963
Revenue from exchange transactions	-	2,592,732	-	-	2,592,732
Sundry income	-	13,250	-	-	13,250
Interest revenue	2,928,748	-	-	-	2,928,748
Gain on disposal	17,989	-	-	-	17,989
Total segment revenue	**9,170,885**	**33,013,786**	**14,865,629**	**8,063,382**	**65,113,682**
Entity's revenue					**65,113,682**
Expenditure					
Employee related costs	12,292,679	19,922,345	-	1,704,479	33,919,503
Depreciation and amortisation	623,339	37,129,967	-	-	37,753,306
Lease rentals on operating lease	972,364	26,970,609	-	535,039	28,478,012
General expenses	7,460,177	10,607,011	-	5,714,261	23,781,449
Transfer to Saldanha Bay Municipality	-	8,392,525	-	-	8,392,525
Total segment expenditure	**21,348,559**	**103,022,457**	**-**	**7,953,779**	**132,324,795**
Total segmental (deficit)/ surplus	**(12,177,674)**	**(70,008,671)**	**14,865,629**	**109,603**	**(67,211,113)**

Notes to the Annual Financial Statements

Figures in Rand	2024	2023

38. Broad-Based Black Economic Empowerment Act

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

In terms of B-BBEE regulations 12(2), the public entity is required to file the audited annual financial statements and annual report compiled in terms of section 13G (1), with the Commission, in the prescribed FORM B-BBEE 1 within thirty (30) days of the approval of such audited annual financial statements and annual report. The 2022/23 audit financial statements and 2022/23 annual report were submitted to the Commission.

FREEPORT SALDANHA
INDUSTRIAL DEVELOPMENT ZONE

Saldanha Bay IDZ
Licencing Company SOC Ltd
t/a Freeport Saldanha

24 Main Road
Saldanha Bay 7395

+27 (0)87 095 0261
+27 (0)22 714 0206
www.freeportsaldanha.com

PR 210/2024
ISBN: 978-1-77997-132-6