

**FREEPORT
SALDANHA**
INDUSTRIAL DEVELOPMENT ZONE



Hydrogen H₂

ANNUAL REPORT 2022 / 23

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

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**GENERAL
INFORMATION**

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 19 Park Lane Building Park Lane Century City |
| BANKERS: | Nedbank 5 th 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 |
| CHIETA | Chemical Industries Education and Training Authority |
| CMTP | Comprehensive Maritime Transport Policy |
| DEA&DP | Department of Environmental Affairs and Development Planning |
| DEDAT | Department of Economic Development and Tourism |
| dtic | Department of Trade, Industry and Competition |
| EIA | Environmental Impact Assessment |
| ERRP | Economic Reconstruction and Recovery Plan |
| GDP | Gross Domestic Product |
| GDP-R | Regional Gross Domestic Product |
| GGP | Gross Geographic Product |
| HOA | Heads of Agreement |
| IDC | Industrial Development Corporation |
| IDP | Integrated Development Plan |
| IDZ | Industrial Development Zone |
| MERP | Municipal Economic Recovery Plan |
| MOU | Memorandum of Understanding |
| MTEF | Medium Term Expenditure Framework |
| NDP | National Development Plan |
| NEDLAC | National Economic Development and Labour Council |
| NIP | National Infrastructure Plan |
| PFMA | Public Finance Management Act |
| PSDF | Provincial Spatial Development Framework |
| REIPPP | Renewable Energy Independent Power Producer Programme |
| RIIS | Research Institute for Innovation and Sustainability |
| SAOGA | South African Oil and Gas Alliance |
| SARS | South African Revenue Service |
| SBIC | Saldanha Bay Innovation Campus |
| SBIDZ-LC | Saldanha Bay Industrial Development Zone Licencing Company SOC Ltd |
| SBM | Saldanha Bay Municipality |
| SCM | Supply Chain Management |
| SDF | Spatial Development Framework |
| SIP5 | Strategic Integrated Project 5 |
| SEZ | Special Economic Zone |
| SOC | State-Owned Company |
| TNPA | Transnet National Ports Authority |
| WCG | Western Cape Government |

3.

FOREWORD BY THE CHAIRPERSON



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

The entity has proved itself to be a key role-player in the green hydrogen economy and due to its location, will be essential to the energy and maritime sectors. Although its incubation is taking longer than expected, due to the challenges that will be elaborated, it would be unwise not to recognise the national and provincial strategic significance of this SEZ.

It is important that the Saldanha Bay Municipality review its role as a first recipient and consider changing that role to one of Shareholder, as the success of economic growth will eventually exceed the borders of the Freeport and will land within the Saldanha Bay industrial space. It is the Board's opinion that that role should be revisited as a partner rather than recipient. The leadership has shown a keen interest and is investigating some options.

The alignment of our Corporate Plan with the Growth For Jobs strategy of our Shareholder, the Western Cape Government, is evidence of the commitment of the Freeport to the objectives of the Shareholder and the plans to solicit, cause and protect economic growth in the Western Cape and South Africa.

Strategic relationships

The Freeport has performed excellently in building relationships with its stakeholders and special attention was given to the Saldanha Bay Municipality, Transnet National Ports Authority (TNPA), the Department of Trade, Industry and Competition, the Western Cape Department

Introduction

The Saldanha Bay IDZ rebranded to the trading name, Freeport Saldanha. This financial year was a particular challenging year for the entity, especially since the international and national economies are still struggling to overcome the effects of the pandemic and larger geopolitical developments. Investors proved to be wary, or rather, overly cautious to invest and most public sector funding was routed to support the social re-establishment of communities and the nation. Amid these economic pressures and the challenges to realise our investment pipeline, the Freeport managed to utilise its limited resources to strengthen the realisation of its social economic development programme, a key pull factor to investment in its own right.

of Economic Development and Tourism, the Western Cape Department of Environmental Affairs and Development Planning, the Western Cape Department of Transport and Public Works, the Department of Forestry, Fisheries and the Environment, local business associations and the Department of Transport.

These strategic engagements included site visits, monthly meetings, clarification meetings and ultimately the solving of pertinent and relevant questions.

Other strategic engagements included hosting the Western Cape Government and the Northern Cape Government in discussions around green hydrogen and the hydrogen corridor. It is important to establish Saldanha Bay as a key player in the green hydrogen corridor.

The relationship with Saldanha Bay Municipality is also of critical importance as the municipal area is the first beneficiary of successful operations of the Freeport. The management team had a few engagements with the Executive Mayor and the Executive Management team to ensure that the concepts, strategies and plans of the Freeport are understood and supported.

The relationship with the TNPA is also strategic and engagements are coordinated carefully and strategically to ensure cooperation and understanding around the lease agreement and the port infrastructure in furtherance of the programmes and objectives of the Freeport.

Challenges faced by the Board

The key challenge facing the Board and the entity is in converting the investor pipeline into reality, especially in this trying economic climate. The TNPA is our strategic partner in delivering on this challenge as they are the owners of the most valuable part of our value proposition, the land within the port. The lack of the necessary upgraded port is the key to understanding the conversion challenge: waterside access plays a vital role in trade and prosperity in this maritime economy.

A further concern is based on the commitment that the Board and the Shareholder agreed upon in 2019 to aim for financial self-sustainability two years earlier than originally projected. This proved unattainable, as the pace of investment and tenancing into the zone was delayed due to the pandemic, loadshedding, the economic downturn, lack of port infrastructure and policy inconsistency. The broader infrastructure and government-enabling environment was insufficient and not conducive for investors to reach financial close and land pipeline projects. The shortened sustainability of the Freeport is currently our main concern and the Board has tasked the management team with investigating all avenues, including raising capital from private sector.

The strategic focus over the medium to long-term period

The entity has refocused and prioritised new business opportunities in the North precinct. Due to this new streamlined focus, the entity has secured capital grants from the dtic towards various civil top structures, aligned to our new strategy. Our recently adopted Corporate Plan focuses on streamlining our organisation towards green hydrogen project developers, energy and related manufacturers, assemblers and producers. We are currently working with project developers like AMSA and SASOL on further opportunities.

The importance of the Freeport cannot be underestimated; its role in the economic development of the region and the Western Cape is essential. In Saldanha, the operating ability of the Freeport could be extended to the small harbour, which is currently lying dormant and vandalised. This will further the economic impact for our country as exports can be increased.

Acknowledgements and appreciation

I herewith offer my sincere appreciation to the Freeport Saldanha Board, the independent committee members, management and the

entire team under the leadership of Ms Kaashifah Beukes, who drove our North Star mission of striving to foster responsible investment and creating shared prosperity for Saldanha Bay. Your efforts are highly appreciated.

A sincere thank-you and appreciation to our former Chairperson Dr J.C. Stegmann. Your insight, strength and wisdom will be treasured.

We express our gratitude to Minister Mireille Wenger, our Shareholder Representative, who really went the extra mile to assist the Board in fulfilling their duties, the Western Cape Department of Economic Development and Tourism under the leadership of Head of Department, Mr Velile Dube, and the DEDAT team, represented by Mr Herman Jonker. We appreciate your input, guidance and support.

We also acknowledge our host municipality, Saldanha Bay, for its continued support. We thank the Executive Mayor, André Truter, for his hands-on approach and his continued support, which was clear in the support we received from the municipal team, represented by Ms Cornel de Kock and the relevant senior managers.

Conclusion

On behalf of the Board, I reaffirm our commitment to provide oversight and leadership to Freeport Saldanha.



H.F.W. Mettler
Board Chairperson (Acting)
31 July 2023

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW



Introduction

This year has tested our resolve with financial challenges and policy uncertainties on some fronts. However, we've embraced these hurdles as opportunities to innovate and thrive.

Amidst a tough financial landscape, we've honed our operations for efficiency while championing innovation. Our commitment to nurturing talent and fostering an ecosystem of collaboration remains unshaken, contributing to local economies and global growth. Policy fluctuations have required agility, but we've engaged constructively to shape conducive business environments. As we move forward, we're primed to capitalise on our SEZs' vast potential.

To our valued stakeholders, your trust and support drive us. This report showcases not just our accomplishments, but our spirit of transformation. Let's journey ahead, enriched by progress and endless potential.

General financial review of the Company

The public entity recorded a deficit of R67,21 million for the current period compared to a surplus of R32,41 million during the 2021/22 financial period.

This is due to the decline in non-exchange revenue, specifically, grant revenue related to capital expenditure, which decreased from R147,53 million to R59,56 million.

The revenue from exchange transactions, specifically rental income, was less than expected due to a lack of port infrastructure and the slow delivery of port plans in the Port of Saldanha, effecting investment in the Freeport.

Additionally, an asset transfer worth R8,4 million to the Saldanha Bay Municipality (SBM) was made during the fiscal year to fulfil the remaining conditions of an agreement to support the zone's establishment and development. No asset transfer occurred in the previous year.

For the year under review, the public entity received R42,85 million (PY22: R42,19 million) in conditional grant funding. The total grant revenue recognised for the year was R59,56 million (PY22: R 147,53 million): 24,9% relates to the dtic's Special Economic Zones (SEZ) Fund, 61,5% to the Department of Economic Development and Tourism (DEDAT) and the rest recognised from various special project grants. Rental revenue decreased from R2,88 million in 2022 to R2,59 million in 2023.

The company's total assets were R960 million (PY22: R1 027,2 million) at the end of the 2022/23 financial year. The decrease is mainly due to the decrease in non-current assets, from R844,1 million to R812,48 million. This is because of a R37,8 million depreciation expense as well as the transfer of assets to the SBM.

The company's investment property book value was R261,66 million (PY22: R268,76 million) and property, plant and equipment book value was R550,16 million (PY22: R 573,65 million) and represented 57,3% (PY22: 55,8%) of total assets.

Spending trends of the company

Total expenditure increased by 9,7%. This was primarily due to the asset transfer to the SBM (R8,39 million) to fulfil the remaining conditions of an agreement made in 2016 to support the zone's establishment and development.

Employee-related costs, lease rentals on operating leases and general expenses reduced by R2,87 million compared to 2022, in the tight investment environment experienced during the year under review.

Capacity constraints and challenges of the company

In 2019, the date for the company to achieve self-sustainability was audaciously set for 2023 by the then Shareholder Representative and the Board, meaning the goal had been moved up two years. Since then, the Management and the Board have continually exercised due diligence to oversee, realise and raise matters with the Shareholder during normal reporting. The COVID-19 pandemic, inflation, load-shedding and present economic growth unknowns have had an unforeseen lingering impact on these financial forecasts and the investment environment that has further complicated efforts to achieve self-sustainability.

Furthermore, the non-delivery of the port infrastructure by our strategic partner and

the lack of a binding cooperative governance compact with the partner undermined and continues to undermine the landing and conversion of investors into paying tenants, creating jobs and adding to the economy.

Similarly, the erratic Renewable Energy Independent Power Producer Programme (REIPPP) procurement process has had a significant impact on potential post-2020 revenues. The REIPPP process was designed to attract private sector investment in renewable energy projects, which would have generated significant economic benefits for the country, including job creation and reduced carbon emissions. However, the delays in the REIPPP process have resulted in significant delays in the financial close-out of IPP projects, which has delayed the development of the associated infrastructure required to support these projects. This, in turn, has delayed the demand for our project-based services and reduced the potential revenue that could have been generated from providing these services.

The company is taking several steps to achieve self-sustainability. These include increasing revenue streams, reducing costs and enhancing operational efficiencies, seeking private sector capital and/or financing, and seeking bridging finance from the Western Cape Government (WCG) via DEDAT.

While we are making progress on these initiatives, the timeline for achieving self-sustainability is dependent on several factors, including government compacts, Transnet National Ports Authority (TNPA) coming to the table, market conditions and regulatory developments.

Discontinued key activities/ activities to be discontinued

Not applicable.

Requests for rollover funds

Not applicable to Schedule 3D entities.

Supply chain management

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

For the year under review, there were no findings on procurement and contract management.

Unsolicited bids

No unsolicited bids were awarded during the financial period.

Previous audit report matters and how they would be addressed

There were no matters raised in the Audit Report of the 2021/22 Annual Report.

Outlook/Plans for the future to address financial challenges

The financial self-sustainability mechanisms that are under consideration are as described above, and the company continues to work with the Shareholder, the DEDAT and Provincial Treasury to determine the most suitable way forward that supports resilient and catalytic SEZ operations.

In terms of broader improved socio-economic impacts from the Freeport, the company appreciates the earmarked allocations made to it for port infrastructure project preparation and multi-year Green Hydrogen sector development for the incoming financial year. Management is working with the DEDAT and Provincial Treasury to finalise said project plans, expected outcomes, monitoring and reporting frameworks, and transfer payment agreements.

Events after reporting date

None.

Appreciation

As we reflect on the past financial year, I want to express my deepest appreciation for all the employees at the Freeport. It has been a tough financial environment and we should not forget our achievements with our stakeholders and key partners.

This year, we concluded a project with the SBM, Department of Environmental Affairs and Development Planning (DEA&DP) and Department of Transport and Public Works (DTPW) wherein the local authority agreed to designate and proclaim municipal land in perpetuity for conservation purposes so that the DTPW can undertake a necessary road development to improve access to the zone. The local authority also approved a 30% rebate on water-related services for Freeport Saldanha during the year. These developments reflect the importance of the provincial and local government's commitment to the short and long-term success of the Freeport. We thank the Council and Executive Mayor André Truter.

During the year we secured the TNPA's in-principle approval to proceed, on behalf of the TNPA, with the Marine Environmental Impact assessment (EIA) process for the new port infrastructure. Unfortunately, the delegations of authority within the TNPA were amended during the year and we await the renewed appointment process with urgency.

In August 2022, the Freeport, the Western Cape Education Department (WCED) and the Dinaledi Leadership for Education organisation launched the 2022 Education Leadership Development Programme (ELDP). This four-month programme involved teachers in an exciting leadership capacity-building programme to help them gain crucial skills and equip them with the aptitude and attitude for leadership in their schools and communities. We know that schools are vitally important places within society when

confronting the possibilities of the future, which the Freeport represents at its core.

The Chemical Industries Education and Training Authority (CHIETA) signed a Memorandum of Understanding (MOU) with the Freeport in the previous year to fully fund the establishment of a Digital Smart Skills Centre in Saldanha Bay to advance digital capabilities in support of the energy and maritime sectors. The Centre was launched in 2022 by the Minister of Higher Education, Science and Innovation, Dr Blade Nzimande. The Centre offers demand-led digital literacy and fluency skills solutions in the areas of robotics, the internet of things, 3-D printing, augmented and virtual reality and artificial intelligence through blended learning. Through the partnership between the Freeport and CHIETA, the youth of Saldanha now have a meaningful, accessible free resource within their reach to open up more career and employment opportunities.

The South African Revenue Services (SARS) continues to be an excellent partner to the Freeport, conducting regular visits and sharing information on improvements being made at SARS to facilitate trade and investment.

The Saldanha Bay Innovation Campus (SBIC) has grown considerably, launching a new programme annually while continuing the work and activities of existing programmes. The SBIC has secured partnerships to deliver an annual pitching event, with this year's event focused on clean energy start-ups, hosted a webinar as part of our energy transition webinar series and had four of the winners at the 2021 Drone Tech pitching event graduate from the Tech Tribe Acceleration Programme.

During the year under review, the Freeport commercial teams' hard work to showcase Saldanha as an emerging green hydrogen (GH2) hub took concrete steps. In October 2022, Sasol and ArcelorMittal South Africa (AMSA) signed a joint development agreement (JDA) to develop carbon capture technology to produce sustainable fuels and chemicals. The partnership also includes plans to revitalise ArcelorMittal's inoperative steel plant in Saldanha Bay to produce and export green steel manufactured

without fossil fuels through GH2 and other processes. In addition, Sasol signed an MOU with the Freeport to develop a globally competitive GH2 hub and ecosystem in Saldanha Bay. Under the terms of the MOU, the parties have agreed to collaborate and provide support in establishing a GH2 hub that will unlock new economic opportunities in the region and the Western Cape, and in doing so, seek to collaborate on the project identification, preparation, pre-feasibility and feasibility assessments to achieve a bankable and implementable project.

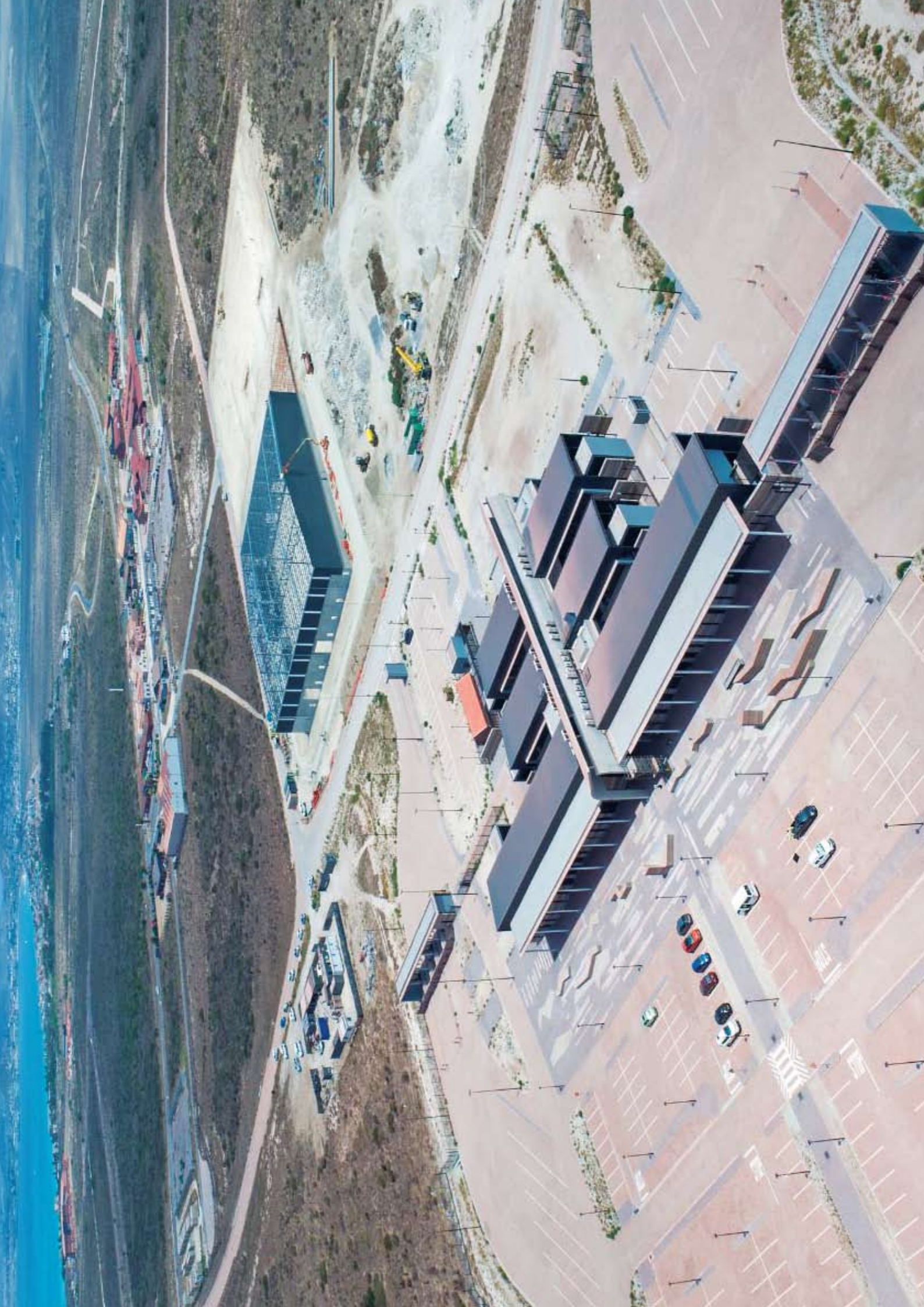
In addition, the Provincial Government, the company, together with AMSA, hosted an on-site visit as part of the 'Re-industrialising Saldanha Day' initiative and as a precursor to the inaugural Presidential South Africa Green Hydrogen Summit. The aim was to showcase Saldanha Bay's potential as an ideal GH2 investment destination in the Western Cape. Re-industrialising Saldanha Day provided an overview of pilot projects earmarked for the region, demonstrating how the region will be a critical player and catalyst in supporting South Africa's Just Energy Transition and Investment Plan (JET-IP) by creating and developing a GH2 economy. The day also marked the formal signing of a Heads of Agreement (HOA) between the Western Cape and Northern Cape provinces to develop a GH2 hub and corridor. The HOA was signed by Premier Alan Winde of the Western Cape and Premier Zamani Saul of the Northern Cape.

These achievements require clarity of vision, dedication, expert ability, resourcefulness and resources. We work together to achieve the fullest potential of the Freeport; everyone's contribution is necessary.

Thank you.



Kaashifah Beukes
Chief Executive Officer
31 July 2023



5.

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

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

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

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public company for the financial year ended 31 March 2023.

Yours faithfully



Chief Executive Officer
Kaashifah Beukes
31 July 2023



Chairperson of the Board (Acting)
Heinrich Mettler
31 July 2023

6. STRATEGIC OVERVIEW

6.1. Vision

Vision for the Zone

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

Vision for the Organisation

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

Vision for the Board

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

Vision for Partnerships

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

6.2. Mission

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

6.3. Values

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

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

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

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

7.

LEGISLATIVE AND OTHER MANDATES

7.1 Constitutional Mandate

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

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 WCG 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 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 operator.

In terms of the SEZ Act, Freeport Saldanha is an economic development tool to promote national economic growth and export by using support measures to attract targeted foreign and domestic investments and technology. The purpose of the 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
- the generation of new and innovative economic activities.

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

The Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) (BBBEE 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 SBM. Freeport Saldanha has embraced the principles and objectives as set out in the BBBEE Act and Codes of Good Practice through the implementation of

various enterprise, skills and supplier development interventions/programmes.

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

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

7.2.2 Provincial Legislative Mandates

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

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 Freeport;
- (b) providing internal infrastructure in the Freeport area;
- (c) facilitating the ease of doing business in the Freeport 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 Investment and Trade Promotion Agency (Wesgro) was established to promote and support economic growth and related activity within the Western Cape, thus facilitating job creation by creating and keeping 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 established the Cape Investor Centre through its trade and promotion agency, Wesgro. In light of the sector-specific competencies of Wesgro and Freeport Saldanha, and because both parties desire to be a contributing agency in providing services to the Cape Investor Centre, Wesgro and Freeport Saldanha have agreed to collaborate and cooperate at the Cape Investor Centre to create an enabling investor environment.

7.2.3 National Policy Context

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

- The National Development Plan;
- The National Infrastructure Plan;
- The Presidential Infrastructure Coordinating Commission (PICC) Rollout Programme;
- The Industrial Policy Action Plan;
- Operation Phakisa; and the
- National Infrastructure Plan (SIP5).

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 illustrated as follows.

Figure 1: Hierarchy of Economic Policy



7.2.4 Overarching Policy Environment

National Development Plan: Vision 2030

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

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

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

7.2.5 Leading Economic Policy

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 community at NEDLAC, and includes key commitments from each stakeholder to achieve its objectives.

The Plan includes the following measures:

- Achieve a sufficient, secure and reliable energy supply within two years.
- Create mass employment.
- Increase infrastructure investment.
- Reduce data costs.
- Increase 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 of inclusive growth are supported. The NIP 2050 offers a strategic vision for infrastructure development in the country and a 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 the infrastructure-related aspirations of the NDP.

In 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, and was published on 11 March 2022 for implementation. The NIP 2050 details the South African Government’s broad vision for a foundation that effects the NDP to achieve the outcomes of inclusive growth, 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. 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. NIP 2050 Phase 2 focuses on six distributed infrastructure sectors, which are human settlements; municipal trading services; passenger transport; road infrastructure; social infrastructure related to education and social infrastructure for health.

Comprehensive Maritime Transport Policy (CMTP)

The adoption of the Comprehensive Maritime Transport Policy (CMTP) by 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 CMTF. One of the aims of the CMTF Implementation Plan 2030 is to establish the fundamental pillars on which to base the implementation of the CMTF culminating in South Africa becoming an International Maritime Centre by 2030.

In April 2022, Freeport Saldanha participated in the 2022 Hybrid Mid-Term Maritime Policy Conference hosted by the National Department of Transport (DOT). The conference took place five years after the adoption by the Cabinet of the CMTF Plan and sought to review progress on the implementation of the CMTF. At the conference, delegates agreed that the full value of the CMTF had yet to be realised. The DOT subsequently established six industry championed maritime task forces to accelerate the implementation of the CMTF. Freeport Saldanha's strategy and work align closely with the CMTF's key strategic objectives. The company has continued to be a valued and active stakeholder in the DOT's efforts to accelerate the implementation of the CMTF by nominating representatives to serve on and participate in the work of the CMTF maritime task forces.

New Growth Path (NGP)

The core aim of the New Growth Path (NGP) is the creation of employment to combat poverty and inequality in an inclusive economy. The NGP identifies five 'jobs drivers', including public investment in infrastructure, similar to the NDP. The NGP also refers to the sectors prioritised in the Industrial Policy Action Plan.

7.2.6 Industrial Policy

Reimagined Industrial Strategy

The dtic did not develop a new annual Industrial Policy Action Plan (IPAP) for the 2020/21 financial year due to the shift in industrial policy initiated by the Department. This shift in policy is articulated in the new Reimagined Industrial Strategy (RIS).

The sixth democratic South African government under the leadership of President Ramaphosa

has stressed the importance of policy implementation as a central feature of its administration. To this end, in June 2019, Cabinet endorsed the RIS. The RIS underlines the role of the state in changing the growth trajectory of the South African economy by 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 government, industry and organised labour, where each social partner commits to implement concrete interventions to transform and build the economy.

Master plans are currently at various stages of development, each to be led by an identified national department. The common theme that is to be entrenched in each master plan is 'transformation', 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 to develop 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 regulation recommendations for the government.
- Proposing programmes for collective action (industry, government and labour).
- Developing development targets for industry.
- 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. Currently, the dtic is responsible for the development and execution of the following master plans:

- Car Manufacturing;
- Clothing, textile, leather and footwear;
- Poultry;
- Sugar;
- Steel and Furniture; and
- Chemicals and Plastics.

Additional master plans, such as the Oceans Economy Master Plan, are currently in development and led by the Department of Forestry, Fishing and the Environment (DFFE).

7.2.7 Provincial Policy Context

By virtue of the DEDAT being the overseeing governing body, Freeport Saldanha is linked to broader provincial strategies and policies, including the Western Cape Provincial Strategic Plan (PSP), 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 (GSP) Study. Specifically, Freeport Saldanha falls under **Provincial Strategic Goal VIP2**, focusing on exports, employment and Gross Domestic Product (GDP), within the WCG Provincial Strategic Plan (PSP) 2019–2024. Freeport Saldanha also aligns with the SBM Local Economic Development Strategy and the Growth Potential Study of Towns (GPS)–2014. These provincial strategies and policies are further described in section 7.3 below.

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

7.3.1 Policies

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

The Saldanha Bay 4th Generation Integrated Development Plan (IDP) 2017–2022 is the SBM'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 while 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 towards the fulfilment of the Municipality's constitutional, legislative and developmental mandates.

The IDP reflects one of the 10 strategic objectives identified by the Municipality as “the diversification of the economic base of the municipality through industrialisation, deregulation, investment facilitation and tourism development while at the same time nurturing traditional economic sectors”.

Clear linkages can be drawn between this strategic objective and the Freeport's stated purposes (among others) of:

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

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

Saldanha Bay Municipal Infrastructure and Growth Plan

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 cost and funding sources; and provide a high-level assessment of the financial capacity of the Municipality with regard to the funding of capital projects. Ultimately, the purpose of the IGP is to provide an overview of the infrastructure needs of the SBM within the broader context of economic, developmental and human settlement-related factors. It is within this context that the IGP views Freeport Saldanha and the envisioned developments in the zone as a determining factor that will shape the economic and basic service delivery infrastructure status, needs and management within the municipal area.

Western Cape Infrastructure Framework (WCIF)

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

Western Cape Provincial Spatial Development Framework (PSDF)

The Western Cape PSDF, adopted in 2014, sets out the basis for addressing the 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.
- Communities and the private sector have greater certainty over where development and investment are heading, and can then respond to arising opportunities.

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

Integrated Urban Development Framework (IUDF)

The NDP indicated that South Africa should observe meaningful and measurable progress in creating more functionally integrated, balanced and vibrant urban settlements by 2030. Towards attaining this goal, the Department of Cooperative Governance worked with various stakeholders and partners to develop the IUDF to transform and restructure South Africa's urban spaces. The IUDF is the South African government's policy position to guide the future growth and management of urban areas. The IUDF aims to foster a shared understanding across government and society about how best to manage urbanisation to create resilient and inclusive cities and towns, such as Saldanha and Vredenburg. Ultimately, in relation to the mandate of Freeport Saldanha, the IUDF calls

for the government and society to adopt a more resolute, holistic and coordinated approach when deciding on the most appropriate locations for business and industrial development in a city or town.

7.3.2 Strategies

Draft SEZ Strategic Framework 2020–2030

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

The Framework notes the following:

“Provision of relevant and high-quality 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.”

The enabling mission is as follows:

“The South African SEZ programme will, by 2030, ensure that all designated SEZs and those in the current pipeline have been supported by means of infrastructure delivery, incentives delivery and zone services to the extent required to deliver measured economic, social and environmental benefits to citizens. The programme will continue

to identify SEZ opportunities annually, and will ensure economic and social inclusivity in all procurement and supply chains for black South Africans, and women in measurable ways.”

Seven strategies have been identified and proposed to fulfil the Framework’s mission and move towards the determined vision:

- **Strategy One** – Improve the legal and regulatory environment to ensure South African SEZs are globally competitive by building flexibility into the SEZ Act and 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 Africa sectors and their master plans for optimum planning and implementation outcomes.
- **Strategy Three** – Proactive opportunity and investor stance adopted. This requires an opportunity scan annually, proactive and coherent marketing, and information implementation nationally and at the SEZ level.
- **Strategy Four** – Stakeholder management and national buy-in. Ensure business, communities, politicians, academic institutions and other essential stakeholders are on board and in agreement and that all stakeholders are regularly engaged and consulted.
- **Strategy Five** – Improve funding capability. Introduce a fund wherein the dtic SEZ fund is only one of a number of co-funders.
- **Strategy Six** – Build the essential ecosystem. SEZs are not only about location, incentives and infrastructure.
- **Strategy Seven** – Invest in people. Skills, training and capacity need improved coordination and organisation to meet the needs of investors and their supply chains.

The SEZ Strategic 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 realising the outcomes.

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

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

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

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

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

Western Cape Recovery Plan (WCRP): Draft 1

COVID-19 had deep, overwhelmingly negative effects on the economic and social life of the Western Cape. The WCRP identifies the problems that require an urgent, whole-of-society response to create jobs, foster safe communities and promote the well-being of all the residents of the Western Cape. The PSP remains the guiding document for the growth

and development of the province, and the problem statements that frame the five VIPs have not changed.

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

Freeport Saldanha resides within the Jobs theme, aligned to VIP 2, and in particular, contributes primarily to Focus Area 1: Increasing investment; Focus Area 2: Building and maintaining infrastructure; and Focus Area 3: Growing the economy through export growth. This is evidenced by its investment promotion mandate and the investment pipeline established, where some investments are already realised and operational in the zone. In addition, Freeport Saldanha, in its 5-Year Strategic Plan and Corporate Plans, is committed to taking a more activist role in enabling catalytic marine infrastructure in the zone and port, namely the Cost-Benefit Analysis and Environmental Impact Assessment (EIA) for marine services infrastructure currently underway. Lastly, investors in the zone will be import and export-facing as their operations come online over the next years. Freeport Saldanha contributes to Focus Area 4: Creating opportunities for job creation through its skills development programmes, but to a lesser degree as Freeport Saldanha undertakes industry-targeted skills development as a strategic link between local citizens and the maritime and energy markets in the Freeport to create a pipeline of competent, accessible and competitive skills capacities. In the long term, through the Innovation Campus programme, Freeport Saldanha will also contribute to Focus Area 5: Creating an enabling environment for economic growth through resource resilience, as a just transition to lower-carbon economies is enabled by competitive investment into research, design and innovation into lower-carbon-needing and producing technologies in industrial systems, such as those that will be located in the zone.

Freeport Saldanha reports and participates within the Jobs theme, contributing to the MTEF

2021–2024 short to medium-term response plan.

Saldanha Bay Municipality Local Economic Development Strategy

The SBM LED Strategy sought to provide an overarching long-term plan for the entire economy of Saldanha Bay to ensure that all stakeholders' efforts are prioritised and aligned for the most beneficial effect on the SBM economy. The SBM LED strategy identified and focused on the economic sectors that are key to economic growth within the municipal area.

Four of the seven key economic sectors identified by the SBM LED strategy 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 close thematic alignment of the LED document with Freeport Saldanha extends to the 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 of ports.
- **Strategy 6:** Support local SMEs to access more opportunities.
- **Strategy 7:** Credible vocational skills development and tertiary education available.

From the above, it is clear that a significant part of the Municipality's economic strategy is closely aligned with the mandate and work of Freeport Saldanha.

Growth Potential Study of Towns (GPS) 2014

The Western Cape Growth Potential Study of Towns was drafted in 2014 and sought to determine the growth potential and socio-economic needs of settlements in the Western Cape outside of the Cape Town metropolitan area using quantitative data (e.g. factors

relating to socio-economic, economic, physical-environmental, infrastructure and institutional aspects). The GPS reflects that a cluster of very high and high-potential settlements occurs in the Saldanha Bay region, with Vredenburg (very high growth potential) acting as the main node.

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

Saldanha Bay Municipal Economic Recovery Plan 2020 (MERP)

Following engagement at multiple levels, the SBM crafted a MERP with the following objectives:

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

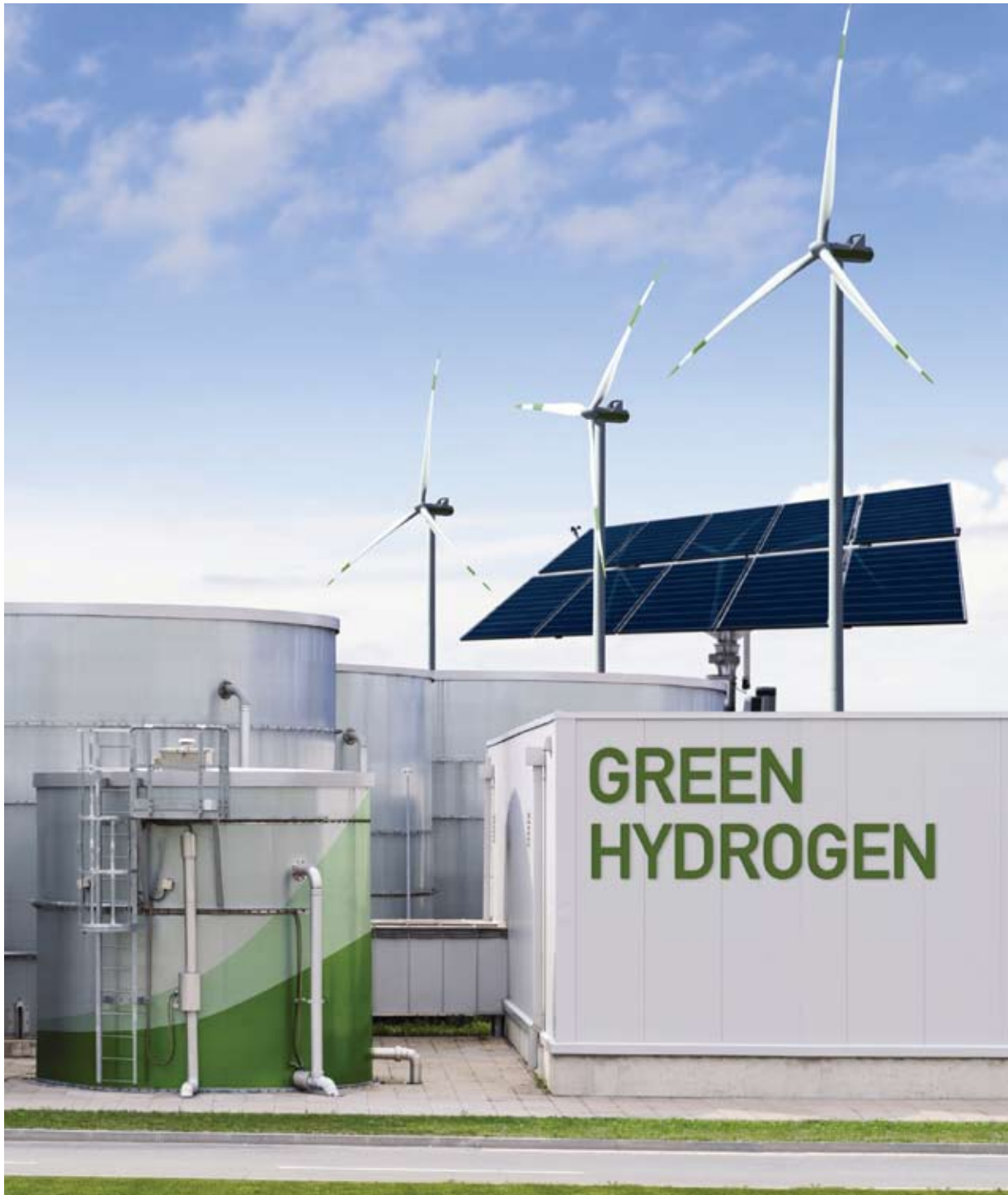
The framework of action in the MERP has the overarching theme of Rebuilding the Economy, and has three action areas, namely: New Investment and Investor Retention; Localisation and SMME Support (working with local business organisations); and Value Chain Analysis and Support (enhancing longer-term competitiveness).

As the single most important development that will take place in the Saldanha Bay Municipal area over the next 10 to 20 years, Freeport Saldanha is a catalytic and critical short, medium and

long-term recovery mechanism contributing towards each of these action areas through its construction programme, the positive spill-over benefits between businesses in and outside the zone, job creation, and the long-term wholesale restructuring of the economic structure towards a deep and solid industrial base.

7.4 Relevant Court Rulings

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



8. ORGANISATIONAL STRUCTURE

Freeport Saldanha'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 the agile business needs and requirements of the operations while undertaking the crucial governance function of a public company. It provides a treasury function to ensure optimum spending and utilisation of financial resources.

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



Kashifah Beukes
Chief Executive Officer



Doug Southgate
Chief Operating Officer



Herman Boneschans
Chief Financial Officer



Bernedicta Durcan
Ease of Doing Business



Adinda Preller
Transaction & Investor Support



Patrick Lakabane
Development Programmes

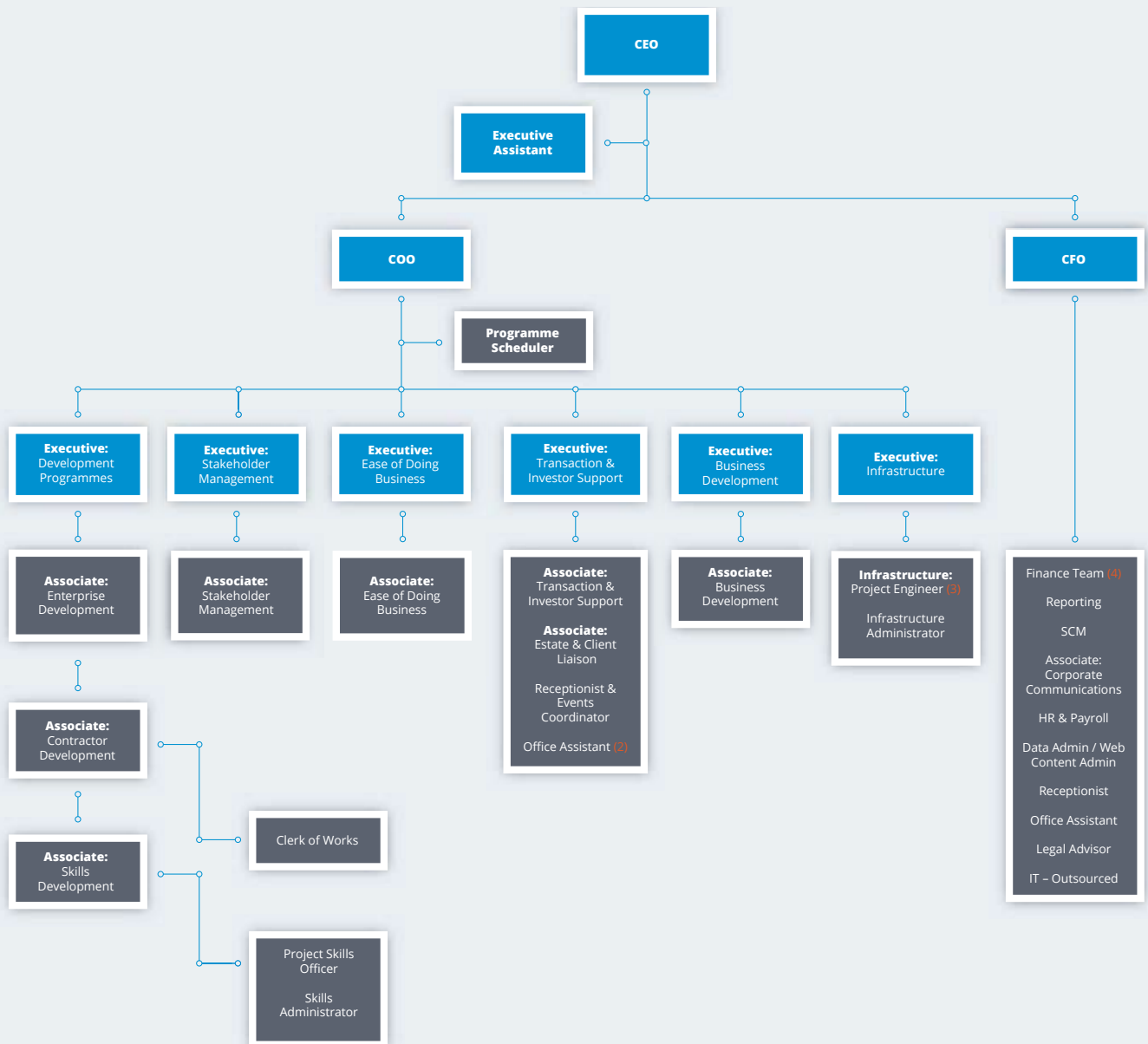


Kgethi Molemane
Infrastructure & Environment



Danielle Manuel
Stakeholder Management

ORGANISATIONAL STRUCTURE



9.

BOARD OF DIRECTORS

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



Heinrich Mettler
Board Chairperson (Acting)
Reappointed: June 2022

Mr Heinrich Mettler obtained a National Diploma in Civil Engineering at the Cape Technikon. He then completed his Diploma in Business Administration at Damelin College in George and later obtained his BTech Business Administration and an MBA at the Port Elizabeth Technikon. Mr Mettler joined the Department of Water Affairs in George as the Manager of Maintenance and Contraction and as the manager of Calibration. He joined the Development Bank of South Africa as a junior project manager and served 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
Appointed: January 2023

Ms Jacqueline Gooch obtained her Bachelor of Science in Civil Engineering degree 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 degree in Executive Management. Ms Gooch has worked in 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 Coordination. She was appointed as the Head of Department for the Department of Transport and Public Works in the Western Cape in November 2013 and has been deployed, from 1 April 2023, as the Head of the Department of Infrastructure in the Western Cape. On 10 May 2023, Ms Gooch was accepted as a Fellow of the Institution of Civil Engineers (UK).



Irvin Esau
Reappointed: April 2022

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



John Smelcer
Reappointed: May 2021

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



Edwin Obiri
Reappointed: April 2022

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

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

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



Harris Talmakkies
Appointed: January 2023

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

During Mr Talmakkies' employment at Sea Harvest Corporation (Pty) Ltd (1976–1994; 1996–2014), he held positions as the 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 of experience in human resources with a 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.

He retired in 2014 and serves as a trustee of the West Coast Community Trust.



Stieneke Jensma
Appointed: January 2023

Ms Stieneke Jensma is the Chief Operations Officer at the Special Economic Zones Project Management Unit at the Industrial Development Corporation. She holds a Master of Business Administration degree from the University of Pretoria, a BCom from the University of Swaziland and an Executive Leadership Certificate. She is a Certified Associate of the Institute of Bankers CAIB(SA).

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 on the Commission for Employment Equity.



Kaashifah Beukes
Chief Executive Officer (Executive Director)
Appointed: September 2019

Ms Kaashifah Beukes is the Chief Executive Officer of the Saldanha Bay IDZ Licencing Company SOC Ltd t/a Freeport Saldanha and is 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 has been with Freeport Saldanha since its start-up in 2014. She has 19 years' experience of leading people and teams through complexity and risk, and a decade of experience in the design, construction and project management of civil engineering infrastructure. She is passionate about making a sustainable, transformative impact, especially at the community level. Ms Beukes holds a BSc in Civil Engineering and an MBA from the University of Cape Town.



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

Mr Herman Boneschans qualified as a professional accountant in 2003, after completing his articles at Ernst & Young. Shortly thereafter, he joined the DEDAT, where he gained extensive public sector finance experience. In 2007, he was appointed as the Chief Financial Officer for the Western Cape Tourism Authority, Cape Town Routes Unlimited (CTRU). Mr Boneschans has extensive experience in organisational governance, compliance and policy development. Under his leadership, the organisations he has worked for have achieved clean audits over the past 14 years. He was appointed as Chief Financial Officer of Freeport Saldanha in 2014.



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

Mr Thembisile Salman holds a BSc Honours degree majoring in Chemistry and Biochemistry from the University of Fort Hare, a BSc degree in Chemical Engineering from the University of Cape Town as well as an MBA in Finance from the University of Cape Town Graduate School of Business. In 2002, Mr Salman started his technical career at Sasol Limited as an operations engineer in their graduate programme. He was later appointed as lead engineer to assist Sasol Technology in putting together a CTL proposition for the Indian government that resulted in securing a joint venture partnership with Tata. In 2008, he was appointed as the manager of the Sasolburg Utilities and Environment team to drive infrastructure expansion and other projects in Sasolburg. He joined the Industrial Development Corporation (IDC) in 2011 as a Senior Project Development Manager with various expertise and a preferred focus on oil and gas.



Johan Stegmann
Deputy Chairperson
Reappointed: February 2021
Term ended: November 2022

Mr Johann Stegmann acquired an MBChB degree from the University of Pretoria in 1969, a Postgraduate Diploma in Economic Principles in 1999 followed by an MSc in Economics in 2001, both at SOAS, University of London. After 1969, he practised as a doctor for a number of years in Gauteng and Namibia. In the late seventies, a shift into full-time health administration and management followed, initially in Namibia and then in the old Cape Province, as his interest in resource and financial health management became more compelling. This morphed into being appointed as the Deputy to the then Provincial Secretary and in 1994 as the Western Cape provincial driver for the phasing-in of the first-ever democratic Constitution. That led to performing the Western Cape Provincial Treasury function up to the end of December 2014. Subsequently, Mr Stegmann became responsible for strategic coordination in the Office of the Director-General of the WCG, which has now morphed into directly supporting the development and roll-out of data and evidence-led decision-making within the WCG and its associated partners in service delivery within the province.



Jacqueline Brown
Appointed: November 2019
Term ended: November 2022

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

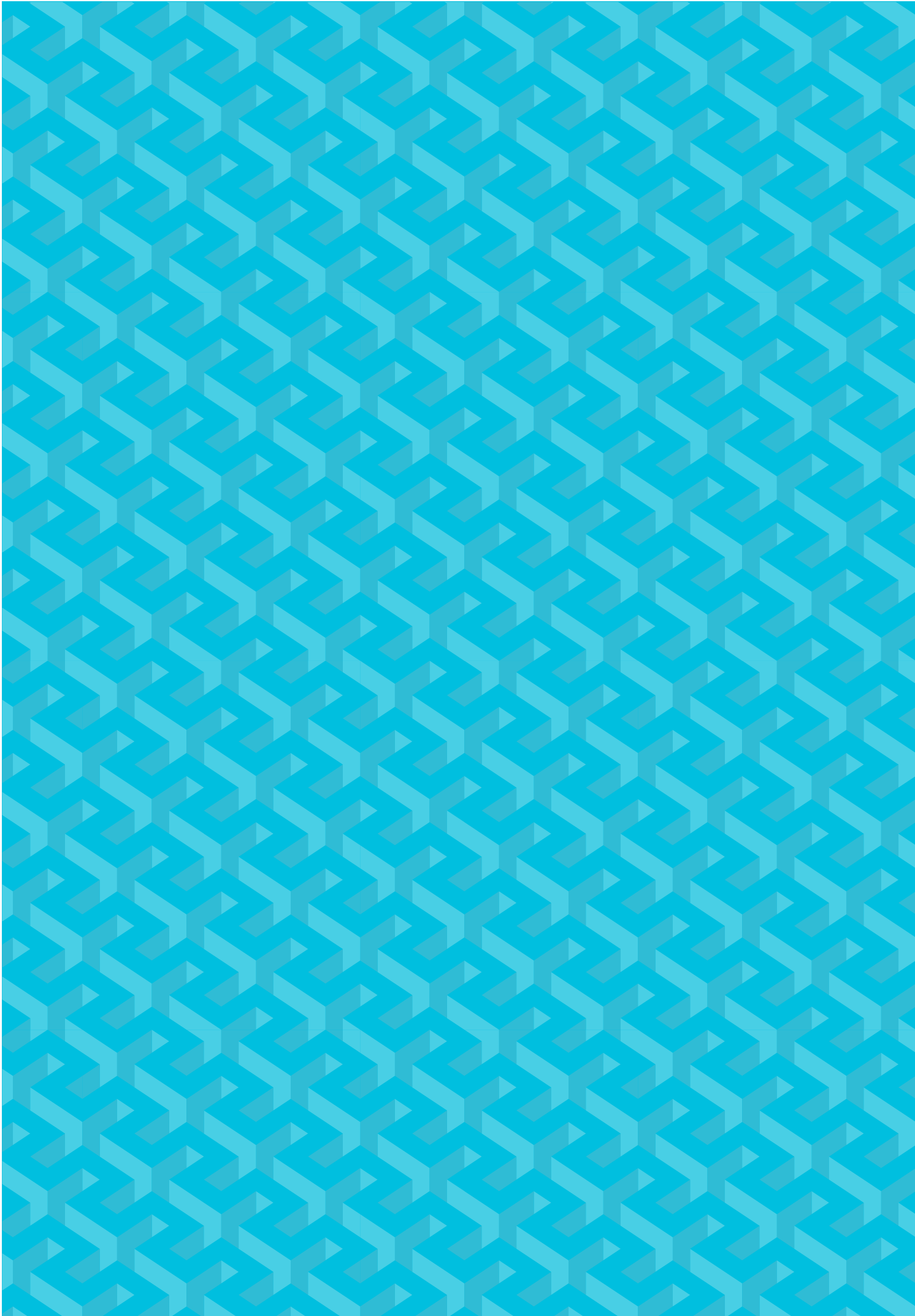
A proven leader and a much-admired female executive, Ms Brown was a finalist in the national Businesswomen's Association of South Africa (BWASA) Businesswoman of the Year Awards and in November 2012 received the Eastern Cape Black Management Forum (BMF) Businesswoman of the Year award. In 2014, she was a finalist in the Leadership Development Institute (LDI) Buffalo City Business Leader of the Year awards. Drawing on her passion for development and empowerment, she has become a sought-after public speaker at high-level industry gatherings such as the prestigious Africa Ports and Harbours Conference.

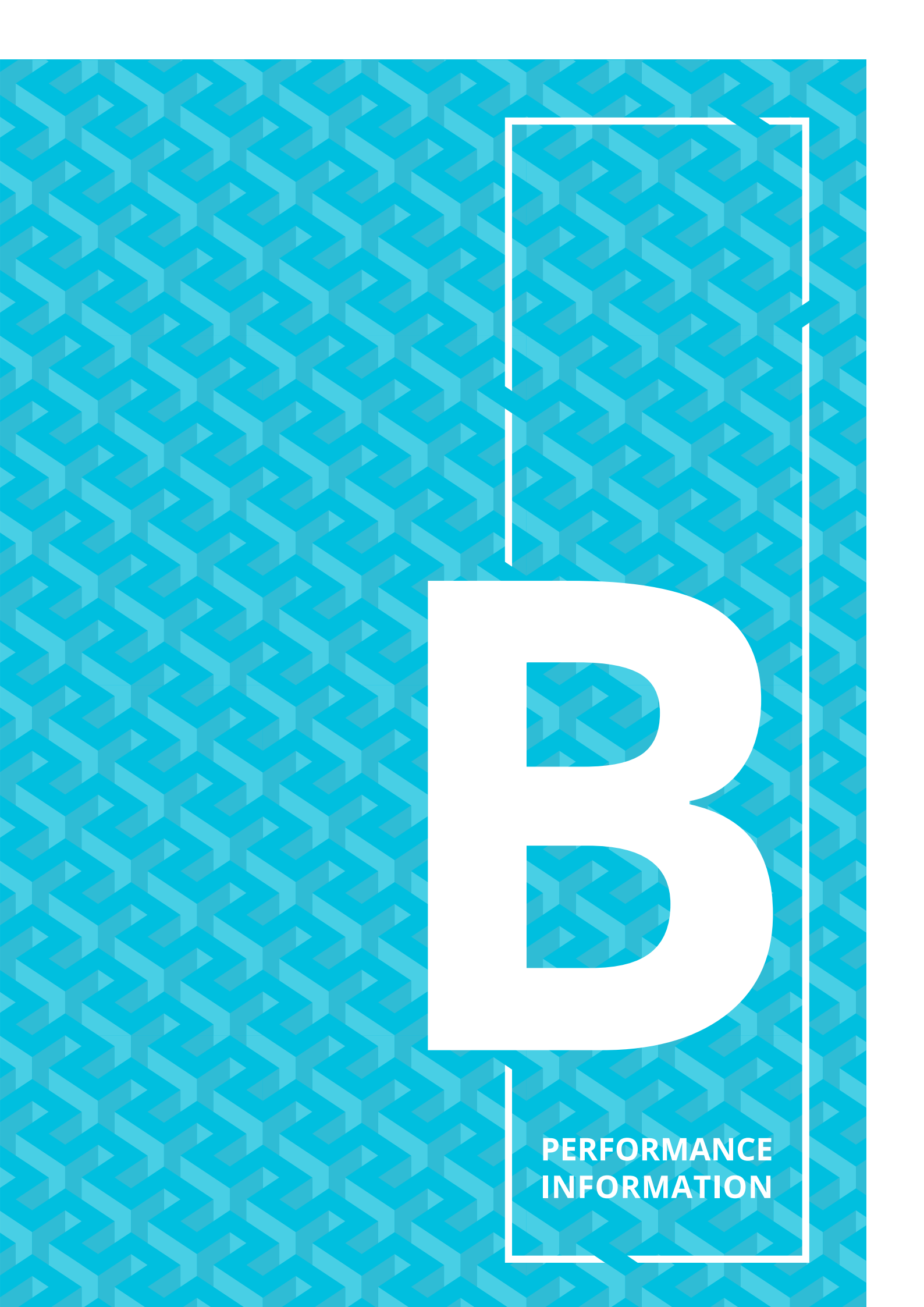
Acutely aware of the many barriers that still face women in the workplace, Ms Brown has devoted much of her professional life to removing gender obstacles and diversifying what has traditionally been a male-dominated industry. She has taken a keen personal interest in creating an environment that not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



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 fields of municipal governance, municipal and provincial legislative processes, constitutional law, administrative law and corporate law and governance. He has worked in both the local and provincial spheres of government. Mr Marthinus was appointed as the Company Secretary of Freeport Saldanha on 24 August 2016.



The background is a solid blue field with a repeating geometric pattern of interlocking cubes or isometric shapes in varying shades of blue. A white rectangular frame is positioned on the right side of the image, enclosing the letter 'B' and the text 'PERFORMANCE INFORMATION'.

B

PERFORMANCE
INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with

material findings being reported under the Report on the annual performance report heading section of the Auditor's Report.

Refer to page 77 of the Report of the Auditor-General, published in Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

The macroeconomic context summarised below is sourced and adapted, where required, from the 2022/23 Provincial Economic Review and Outlook released in September 2022 (PERO 2022) and the 2022/23 Municipal Economic Review and Outlook (West Coast District) which was released in November 2022 (MERO 2022), both issued by the Provincial Treasury.

Compared to the rest of South Africa, the Western Cape has a more service-orientated economy with a relatively strong contribution from the finance sector and a unique dependence on the tourism and wine industries. In 2021, the Western Cape was the third-largest regional economy in South Africa, accounting for 14,2% of the South African economy, behind Gauteng (35,2%) and KwaZulu-Natal (16,2%).

The Saldanha Bay municipal area's regional GDP (GDP-R) was valued at R10,9bn (current prices) in 2020 and is estimated to have increased by 6% in 2021 in real terms. The agriculture sector was the leading contributor, with R2,23bn in 2020, followed by the manufacturing sector (R2,17bn) and the finance sector (R2bn). It was forecast that the economy of the municipal area would increase by 3,4% in 2022 and by 0,7% in 2023.

The Saldanha Bay municipal area had 48 438 employed workers in 2020, and this was expected to have decreased to 46 868 workers in 2021. The total share of formal employment in the Saldanha Bay municipal area was 79,6% in 2020, with those informally employed constituting 20,4%. The unemployment rate for 2020 was 18,9% and is estimated to have increased to 23,1% in 2021. Most workers were low-skilled, with the share of skilled employment in the municipal area being only 15,8%. Labour

force participation is estimated to have reached 67,4% in 2021, from 66,6% in 2020.

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

Our key strategic priorities for the year under review were:

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

(DTPW) and the DEA&DP have consistently and collaboratively provided the company with guidance in terms of unlocking Freeport land earmarked for development through biodiversity offsetting.

- Transnet and the TNPA have undergone significant structural reform that has delayed progress on various strategic issues and important agreements concluded between these two entities and the company. However, Freeport Saldanha remains committed to working with Transnet and the TNPA to address matters that will enhance and encourage investment into South Africa and support the recovery and transformation of our economy and society.
- With the support of Infrastructure South Africa (ISA) and the TNPA, the company delivered an in-person project pitch to advance the development of port infrastructure at the Port of Saldanha, at the Presidential Sustainable Infrastructure Development Symposium. ISA formally confirmed that Freeport Saldanha's port infrastructure project has reached the early business case gateway. With the support and coordination of ISA, Freeport Saldanha has had numerous engagements with several development finance institutions.
- Freeport Saldanha's strategic, targeted focus on the maritime and energy sectors is aligned with the natural and man-made endowments of the Port of Saldanha, the Saldanha Bay municipal area and the Western Cape and responds to changes in international production and demand. The Port of Saldanha is a greenfield port and the deepest and one of the largest ports in the Southern Hemisphere, with existing demand and networks connected to global shipping and maritime markets, goods and services. This strategic, targeted focus supports the existing macroeconomic and socio-economic attributes of the District and SBM, with a large fishing and manufacturing base already in place.
- Freeport Saldanha's designation, which has been in place over the designated Customs Control Area within areas of the Port since 2019, with standard operating protocols

with SARS, the Department of Home Affairs, the Department of Labour and TNPA Port Security, establishes a competitive advantage to qualifying manufacturers and logistics firms importing and exporting raw materials and goods.

- The Saldanha Bay Innovation Campus, which encourages research and development, knowledge, innovation and technological capacity spill-overs, has grown considerably, launching a new programme annually while continuing the work and activities of existing programmes such as the Energy Transition Programme and the Saldanha Bay Schools Development Programme in partnership with the WCED. The company has signed an MOU with CHIETA to fully fund the establishment of a Digital Smart Skills Centre at Freeport Saldanha to advance digital capabilities in support of the oil and gas and maritime sectors.

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 assigned executive with 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 an upstream oil, gas and marine repair, fabrication, logistics and related servicing cluster to support the African continent, thus ensuring sustainable economic development locally and a sizeable contribution to the national GDP.

The Freeport designated areas include a component of the TNPA land for direct access and usage, governed by an MOU between Freeport Saldanha and the TNPA, which will enable the creation of the first Freeport in 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 the Saldanha Bay Industrial Development Zone Licencing Company Act on a provincial level.

2.4 Progress towards Achievement of Institutional Impacts and Outcomes

Impact

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

Outcomes

It is estimated that the zone will contribute

R6,3bn to direct GDP-R in the Western Cape, and R7,8bn to total national GDP. On average 1 485 direct jobs will be sustained annually with a further 3 000 indirect and induced jobs. Over the period, 7 800 total jobs will be sustained in the province.

In terms of specific strategic outcomes, the zone will 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 R11,87bn by the end of the 2024/25 financial year;
- Facilitating a cumulative contribution to the Western Cape Gross Geographic Product (GGP) by investment within the zone of R10,62bn by the end of the 2024/25 financial year;
- Facilitating the creation of 12 000 direct, indirect and induced jobs throughout South Africa by the end of the 2024/25 financial year.

Planned Targets as per the original tabled 2022/23 Corporate Plan

| Outcome | Output | Output Indicator | Audited Actual Performance 2020/21 | Audited Actual Performance 2021/22 | Planned Annual Target 2022/23 | Actual Achievement 2022/23 | Deviation from planned target to Actual Achievement 2022/23 | Reason for deviation |
|---|--------|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|----------------------|
| To promote sustainable economic growth and job creation | GDP | A cumulative contribution to the National GDP by investment within the IDZ by the end of the financial year 2024/5 | R1,020m | R0,756bn | R1,084bn | - | - | - |
| | GGP | A cumulative contribution to the Western Cape GGP by investment within the IDZ by the end of the financial year 2024/5 | R833m | R0,611bn | R0,890bn | - | - | - |

| Outcome | Output | Output Indicator | Audited Actual Performance 2020/21 | Audited Actual Performance 2021/22 | Planned Annual Target 2022/23 | Actual Achievement 2022/23 | Deviation from planned target to Actual Achievement 2022/23 | Reason for deviation |
|---|--------|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|----------------------|
| To promote sustainable economic growth and job creation | Jobs | The creation of indirect and induced jobs throughout South Africa by the financial year 2024/5 | 1 788 | 1 288 | 1 875 | - | - | - |

In-Year Changes – Re-tabled 2022/23 Corporate Plan

| Outcome | Output | Output Indicator | Audited Actual Performance 2020/21 | Audited Actual Performance 2021/22 | Planned Annual Target 2022/23 | Actual Achievement 2022/23 | Deviation from planned target to Actual Achievement 2022/23 | Reason for deviation |
|---|--------|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| To promote sustainable economic growth and job creation | GDP | A cumulative contribution to the National GDP by investment within the IDZ by the end of the financial year 2024/5 | R1,020m | R0,756bn | R0,594bn | R0,604bn | R10m | Capex was lower than anticipated and Opex was slightly higher than expected, hence the target was attained by a slim margin. |
| | GGP | A cumulative contribution to the Western Cape GGP by investment within the IDZ by the end of the financial year 2024/5 | R833m | R0,611bn | R0,482bn | R0,491bn | R9m | Capex was lower than anticipated and Opex was slightly higher than expected, hence the target was attained by a slim margin. |
| | Jobs | The creation of indirect and induced jobs throughout South Africa by the financial year 2024/5 | 1 788 | 1 288 | 940 | 944 | 4 | Capex was lower than anticipated and Opex was slightly higher than expected, hence the target was attained by a slim margin. |

3.

PERFORMANCE INFORMATION

Programme 1: Administration

Purpose

Administration has the overarching objective of implementing best practice governance in support of the operations. The programme has a complex role due to its need to balance the business needs, the requirements of the operations, and undertaking a crucial governance function within the company. Administration provides a treasury function to the state-owned company to ensure optimum 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 legislated requirements of a public entity. It is a skill to achieve this balance, which is vital to the optimal performance of the overall programme.

Programme Structure

The programme includes the following functions:

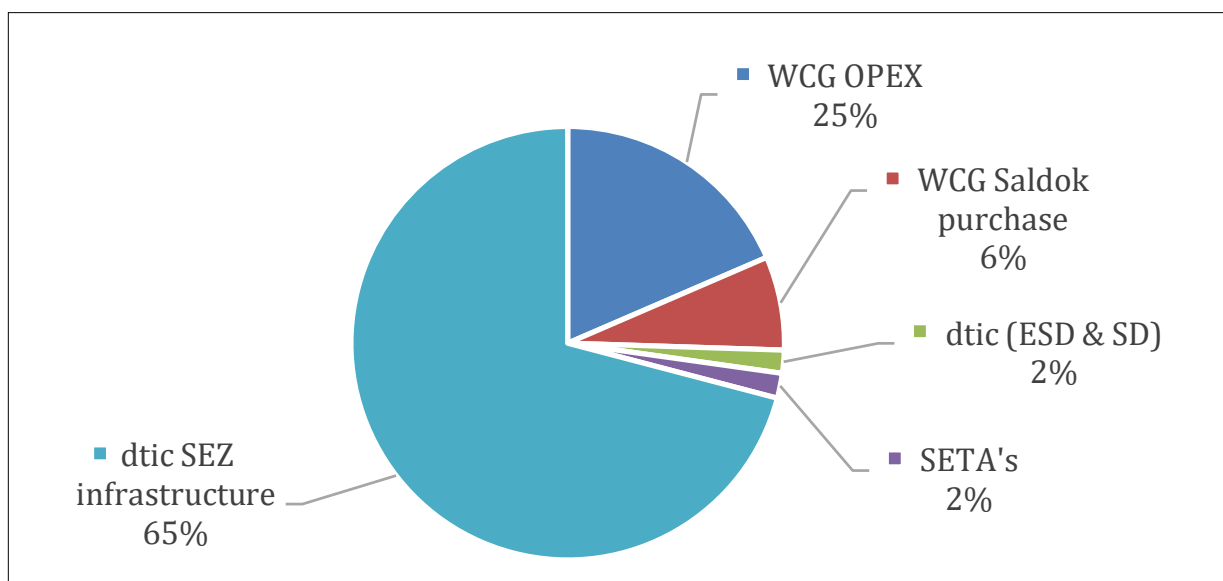
- Governance;
- Legal;
- Financial Management;
- Human Resources;
- Supply Chain Management;
- Information Technology;
- Corporate Communications.

Funding

Operations are funded by the WCG, while infrastructure is funded by the National Government by way of the SEZ Fund.

The WCG also funded the purchase of the Saldok land from the IDC. Development programmes are funded from various sources and do not form part of the formal funding programme.

Figure 2: Funding Model



Outcome, Output Indicators, Targets and Actual Achievements

PROGRAMME 1: ADMINISTRATION

| Outcome | Output | Output Indicator | Audited Actual Performance 2020/21 | Audited Actual Performance 2021/22 | Planned Annual Target 2022/23 | Actual Achievement 2022/23 | Deviation from planned target to Actual Achievement 2022/23 | Reason for deviation |
|---|--|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|--|
| To promote sustainable economic growth and job creation | Unqualified Audit opinion | Unqualified Audit Report | Unqualified Audit Report | Unqualified Audit Report | Unqualified Audit Report | Unqualified Audit Report | - | |
| | Institutional agreements monitored | Number of institutional agreements reviewed | 3 | 3 | 3 | 3 | - | |
| | Number of frameworks created and/or reviewed to monitor and manage tenant lease agreements | Number of frameworks reviewed | 5 | 4 | 5 | 5 | - | |
| | Website performance | Number of page views on the SBIDZ website | 22 425 | 21 204 | 24 000 | 13 228 | (10 772) | Technical glitches were experienced when changing the website domain to reflect the new trading name |

Strategy to overcome underperformance

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

Changes required to planned targets

None required.

Programme 2: Operations

Purpose

Operations has the overarching objective of attracting, servicing and maintaining tenants and investors in the zone.

The programme must lead proactively to ensure a business-friendly environment that addresses the needs of the industry and all its role-players and the 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) Unit provides support to the Business Development function of investment attraction and retention by providing proactive solutions that are customer-centric for the investors and their value chains.

EODB delivers:

- A one-stop-shop service for the marine and energy sectors;
- Systemic models to ensure that processes are consistent and provide certainty to customers;
- Effective and efficient interventions on behalf of investors; and

- The ease of access to information, services, workforce and infrastructure for investors.

Ease of Doing Business Service Offering

- Advisory services that supply the detailed, in-depth knowledge across several requirements (e.g. registration, licences, 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 the business's life-cycle events (business setup and continued operations). These services address all formalities required to operate in the sectors we service.

Tax and Investment Incentives facilitation

With the changing economic times and growing interest in the development of a Green Hydrogen Hub in Saldanha Bay, the EODB unit has seen a rising interest in understanding how the tax incentives work and how they apply to these unique projects. This growing sector requires the incentives (in particular SEZ tax incentives) to be globally competitive as first movers in the market.

The EODB Unit has streamlined material to share and played a facilitation role in unpacking these as well as understanding the requirements of the project developer to contribute to the policy strategies for the GH2 economy.

The tax incentives include:

- Corporate Tax Incentive (Section 12R of the Income Tax Act);
- Accelerated Depreciation Allowance (Section 12S of the Income Tax Act);
- Employment Tax Incentive;
- Customs Control Area (Section 21A of the Customs and Excise Act).

Other services include:

- Speed of approval of building plans;
- Advisory services on port/marine procedures;
- Support visa and work permit applications;
- Advisory services on labour and employment;
- Advisory services on abnormal loads;
- Gaining access to rail/road/aviation;
- Access to a panel of professional service providers.

Business Development

The Business Development business unit focuses on three areas:

Investment promotion activities

The objective is to build and grow the Freeport Saldanha Pipeline with projects as well as private sector strategic partnerships. With the acceleration of the energy transition and the economic recovery required after the COVID-19 pandemic, Freeport Saldanha needs to reposition as an attractive investment destination for maritime, energy and logistics projects. New viable commercial opportunities include green hydrogen production and renewables manufacturing, underpinned by research and market interest.

Investment facilitation activities

The objective is to secure investor anchor projects in the zone and commence construction works. Anchor projects will signal investor confidence in Freeport Saldanha and may be catalytic in attracting more manufacturing and services providers to the SEZ and region.

Sector development activities

The objective is to act as a catalyst for economic growth and industrialisation to:

- develop new infrastructure such as a marine services jetty;
- assist to create an enabling environment for new industrial sectors such as green hydrogen; and
- identify and monitor growth opportunities such as the gas economy.

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 and environmental and geopolitical demands, as informed by the market demand analysis and broader trend analysis.

Transaction and Investor Support

The Transaction & Investor Support team focuses on the tenanting of the Freeport commercial assets, providing aftercare support to tenants, providing investment facilitation to project developers and ensuring world-class facilities management. The T&IS team is also the custodian of the Innovation Campus strategic programme.

The priority for the business unit continues to be the development and tenanting of the Access Complex, Project Leasing Facility, Freeport warehouses and the Saldanha Bay Innovation Campus. This includes the development of new Freeport commercial revenue streams such as generic top structures and estate management services, including security and ICT. These activities are often in collaboration with the Business Development, Ease of Doing Business and Infrastructure teams.

Saldanha Bay Innovation Campus

The Saldanha Bay Innovation Campus ('the Campus') was established to address an important market failure in the research, development and innovation part of the maritime and energy value chain. Closely associated with the Freeport, it naturally acts as a complement and multiplier to the broader strategic mission of Freeport Saldanha as part of the SEZ Programme to establish a world-class maritime and energy hub that will not only help support industrial investment and the 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.

Following early research by Freeport Saldanha's leadership to understand what makes a hub globally competitive and subsequent feasibility studies, the Research Institute for Innovation and Sustainability (RIIS) was selected as an Implementation Partner to incubate the Campus – essentially treating the Campus itself as a start-up organisation. Since 2019 (the start of the partnership), the joint Freeport Saldanha-RIIS project team has achieved significant milestones in advancing the Campus. These include:

- The establishment of a core identity for the Saldanha Bay Innovation Campus.
- Development of a significant network of interested partners, individuals and organisations (in excess of 800 contacts through the course of the initial phase).
- Delivery of multiple RD&I programmes, including a major Drone Innovation Showcase that consisted of webinars, teacher training and a longer-term innovation competition that includes the acceleration (continuing) of six drone technology start-ups.
- The continuation and delivery of the Campus High Schools Programme, supporting the pedagogical development of local teachers and schoolgoers.
- Initiation of multiple funding conversations with various partners to raise resources for future operations of the Campus.

The Campus is now well-positioned to move from its early initiation phase to a more structured process of clustering RD&I players in the ecosystem. Proposals are currently in development in this regard that require Board approval.

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 Freeport Saldanha's strategy and mandate, and inclusive of investor requirements. The unit has developed critical competencies and systems to oversee the planning, alignment, construction contracting and handover of various buildings, utilities and enabling provisions (e.g. EAs, EMPs, guidelines, permits and licences). In addition, the unit is at a project closeout stage of developing a maintenance regime for the upkeep and care of all company's infrastructure assets.

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

In close collaboration with the Development Programmes unit, the unit has curated construction methods over the past three years through the selection of suitable construction suites, to maximise local subcontractor involvement in construction projects. This has been implemented to achieve socio-economic benefits for businesses in Saldanha.

In executing its responsibilities, the unit works with many public sector role-players, such as the local authority, the district municipality, the provincial government, Eskom, Transnet and the TNPA, as well as private sector developers and landowners. 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 concept development and preliminary engineering required for the bankable feasibility study of the port infrastructure intended for development in the port to support the establishment of marine manufacturing industries. These industries will respond to the consistent demand for additional quaysides for ship repair and manufacturing and associated activities, and the niche value that the Port of Saldanha Bay and the zone represent as a deep-water port and Freeport.

This work will include obtaining Environmental Authorisation for the construction of the intended port infrastructure.

Continued access to the SEZ Fund is crucial for this capital programme in the near term, while alternative financial avenues are source; 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

The Stakeholder Management business unit plays a crucial role in Freeport Saldanha by engaging and fostering relationships with key stakeholders. The unit's primary responsibility is to facilitate interactions between the company and various stakeholders while also supporting other business units to manage stakeholder approaches and interfaces.

Freeport Saldanha aims to create a thriving and inclusive economic hub for the maritime, energy and logistics industries, along with related support services. To achieve this goal, the company needs to attract a diverse range of investors. Additionally, Freeport Saldanha recognises the importance of engaging with civil society on a broader scale. Operating within a formal legislative framework, the company must establish effective mechanisms for engaging with stakeholders to ensure the sustainable implementation of its initiatives and mandates.

Managing its extensive network of stakeholder relationships is crucial for the company (as illustrated below). Each stakeholder relationship must be defined and effectively managed to ensure the longevity of key partnerships and promote mutual outcomes and synergies. By actively engaging with stakeholders, the company seeks to foster positive collaborations, address concerns and align interests to drive the success of its initiatives.

During the 2022/23 financial year, the Stakeholder Management business unit exemplified Freeport Saldanha's commitment to

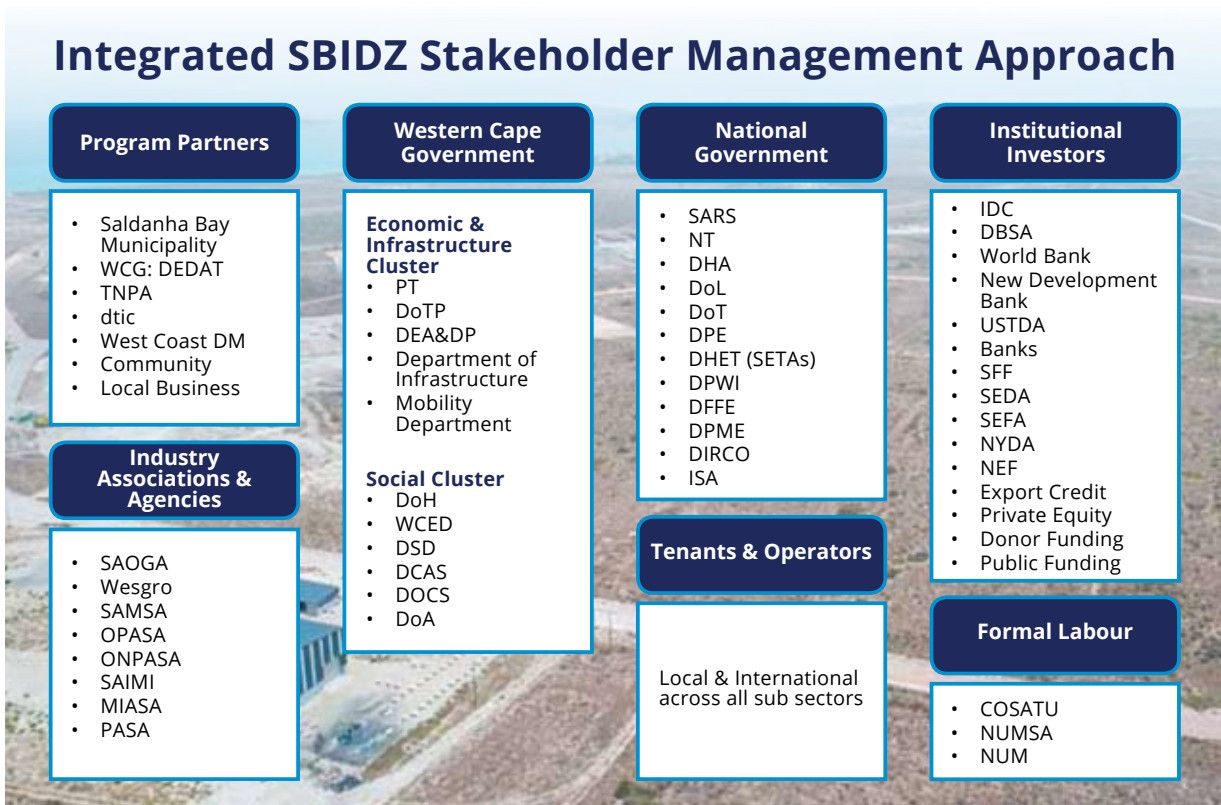
stakeholder management through the facilitation of the construction of the Eastern Access Road. This project showcased the successful collaboration between public and private stakeholders and how the alignment of interests fosters collaboration and maximises support from all relevant parties. The business unit facilitated positive engagements with the WCG's Department of Infrastructure, resulting in their agreement to expropriate, proclaim and construct the road. Consent was obtained from Afrisam, the landowner, and careful engagement with the SBM led to the Council's approval for the designation and proclamation of municipal land for conservation purposes. This satisfied the Environmental Authorisation (EA) requirement (as issued by the WCG's DEA&DP). Furthermore, the company engaged with the DEA&DP and received additional time to draft and implement the necessary environmental management programme for the biodiversity offset. Construction of the Eastern Access Road officially began in September 2022 and was scheduled for completion by July 2023.

Throughout the 2022/23 financial year, the Stakeholder Management business unit continued to lead the maintenance of the company's strategic relationships with the following key programme partners:

- SBM: In 2016, the Freeport Saldanha IDZ and SBM signed a formal HOA outlining their shared vision. Additionally, they entered into four Service Level Agreements (SLAs) covering various areas of cooperation. The Freeport Saldanha IDZ, SBM, TNPA, DEDAT and West Coast District Municipality meet twice a month to advance the work related to these SLAs.
- TNPA: The relationship between Freeport Saldanha and the TNPA was formalised through an HOA signed in 2016. The entities also established an MOU in July 2019 to enhance their shared vision and collaboration. The governance structures, including the Executive Liaison Committee (ELC) and Port Consultative Committee (PCC), facilitate regular meetings and joint planning.

- The dtic: Freeport Saldanha has established an interface structure with the dtic that convenes regularly to discuss and work on SEZ policy and strategic alignment between the two entities.
- DEDAT: Freeport Saldanha collaborates with the DEDAT as a programme partner to support the local economy through SMME development, investor attraction and post-COVID-19 economic recovery. In the 2022/23 financial year, the Department committed funding to assist the company to fulfil its mandate of establishing an SEZ in the greater Saldanha Bay area.

Freeport Saldanha proactively engaged with trade unions during the 2022/23 financial year to implement and maintain labour charters. Zone Labour Charters (ZLCs) were concluded with COSATU, NUMSA and NUM and form the foundation for consistent engagement between the unions and Freeport Saldanha. The objective of these engagements is to establish robust labour relations that promote inclusive economic growth in the zone.



Development Programmes

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

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

Initially landed by the Development Programmes business unit, the CHIETA Digital Smart Skills Centre was launched by the Minister of Higher

Education, Science and Innovation in October 2022. The Smart Skills Centre will be placed within the Innovation Campus where it has an apt fit within the Capacity-Building functional area of the Campus, which aims to respond to the specialised human capital needs of industry by addressing human underdevelopment in the region and matching training programmes to the Campus objectives.

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.
- Close the digital skills divide through the newly established CHIETA Digital Smart Skills Centre.

Enterprise Development

- Build demand-driven local energy and maritime SME capabilities.
- Expand Freeport Saldanha's SME Co-Lab Centre service offering.

Contractor Development

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

Outcome, Output Indicators, Targets and Actual Achievements Table

Planned Target as per the original tabled 2022/23 Corporate Plan

| PROGRAMME 2: OPERATIONS | | | | | | | | |
|---|--|-------------------------------------|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|----------------------|
| Outcome | Output | Output Indicator | Audited Actual Performance 2020/21 | Audited Actual Performance 2021/22 | Planned Annual Target 2022/23 | Actual Achievement 2022/23 | Deviation from planned target to Actual Achievement 2022/23 | Reason for deviation |
| Promote sustainable commercial business | Operationalisation of the Access Complex, Project Leasing Facility and Innovation Campus | Percentage available space tenanted | 35% | 26% | 40% | - | - | - |

In-Year Changes - Retabled 2022/23 Corporate Plan

| PROGRAMME 2: OPERATIONS | | | | | | | | |
|---|--|---|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|---|
| Outcome | Output | Output Indicator | Audited Actual Performance 2020/21 | Audited Actual Performance 2021/22 | Planned Annual Target 2022/23 | Actual Achievement 2022/23 | Deviation from planned target to Actual Achievement 2022/23 | Reason for deviation |
| To promote sustainable economic growth and job creation | Operationalisation of the Customs Control Area regime with key partners, such as the TNPA, SARS, DOL & DHA | Number of standard operating protocols in place | 2 | 2 | 3 | 3 | - | |
| | Maintain and improve the outcomes of the EoDB SLA with SBM | Turnaround time on building plans | 42 days | No demand for the service | 28 days | No demand for the service | - | Delay in the allocation from the SEZ Fund |

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

PROGRAMME 2: OPERATIONS

| Outcome | Output | Output Indicator | Audited Actual Performance 2020/21 | Audited Actual Performance 2021/22 | Planned Annual Target 2022/23 | Actual Achievement 2022/23 | Deviation from planned target to Actual Achievement 2022/23 | Reason for deviation |
|---|--|--|------------------------------------|------------------------------------|-------------------------------|----------------------------|---|---|
| To promote sustainable economic growth and job creation | Tenant and operator leases signed | Number of signed tenant and operator lease agreements | 8 | 15 | 8 | 12 | 4 | More interest was shown in the Freeport than anticipated |
| | Maintain contractor and professional panels | Number of contractor and professional panels maintained | - | 2 | 2 | 2 | - | |
| | Develop strategic partnerships for development programmes initiatives | Number of partnership agreements established | 5 | 10 | 3 | 8 | 5 | Saldanha Bay community showed more interest in Freeport Saldanha training initiatives |
| | Operationalisation of the Zone Labour Charter with trade unions, tenants and operators | Number of generic agreements agreed by trade unions for negotiation with investors | - | 1 | 3 | 3 | - | |
| Promote sustainable commercial business | Operationalisation of the Access Complex, Project Leasing Facility and Innovation Campus | Percentage available space tenanted | 35% | 26% | 30% | 35% | 5% | More interest was shown in the Freeport than anticipated |
| | Commercial self-sustainability | Zero dependency on provincial operational financial support | 100% | 100% | 100% | 100% | - | |

Strategy to overcome underperformance

None required

Changes required to planned targets

None required.

Linking Performance with Budget

| | 2021/22 | | | 2022/23 | | |
|----------------|--------------------|---|--------------------------------------|-------------------|---|--------------------------------------|
| Programme | Budget R | Actual Expenditure (incl. capital) R | (Over)/ Under Expenditure R | Budget R | Actual Expenditure (incl. capital) R | (Over)/ Under Expenditure R |
| Administration | 22,659,707 | 18,344,304 | 4,315,403 | 22,675,000 | 20,519,623 | 2,155,377 |
| Operations | 194,271,221 | 171,845,965 | 22,425,256 | 69,544,604 | 67,149,232 | 2,395,372 |
| Total | 216,930,928 | 190,190,269 | 26,740,659 | 92,219,604 | 87,668,855 | 4,550,749 |

Revenue Collections

| | 2021/22 | | | 2022/23 | | |
|--------------------|---------------|------------------------------------|-------------------------------------|---------------|--|---------------------------------|
| Sources of Revenue | Estimate R | Actual Amount Collected R | (Over)/ Under Collection R | Estimate R | Actual Amount Collected (cash) R | (Over)/Under Collection R |
| Total | 2,621,341 | 2,651,390 | -30,049 | 2,150,000 | 1,963,004 | 186,996 |

Capital Investment

| | 2021/22 | | | 2022/23 | | |
|--------------------|-------------|----------------------------|--------------------------------------|-------------|--------------------------------------|--------------------------------------|
| Capital Investment | Budget R | Actual Expenditure R | (Over)/ Under Expenditure R | Budget R | Actual Expenditure (cash) R | (Over)/ Under Expenditure R |
| Total | 113,186,000 | 105,456,920 | 7,729,080 | 19,350,000 | 18,681,570 | 668,430 |

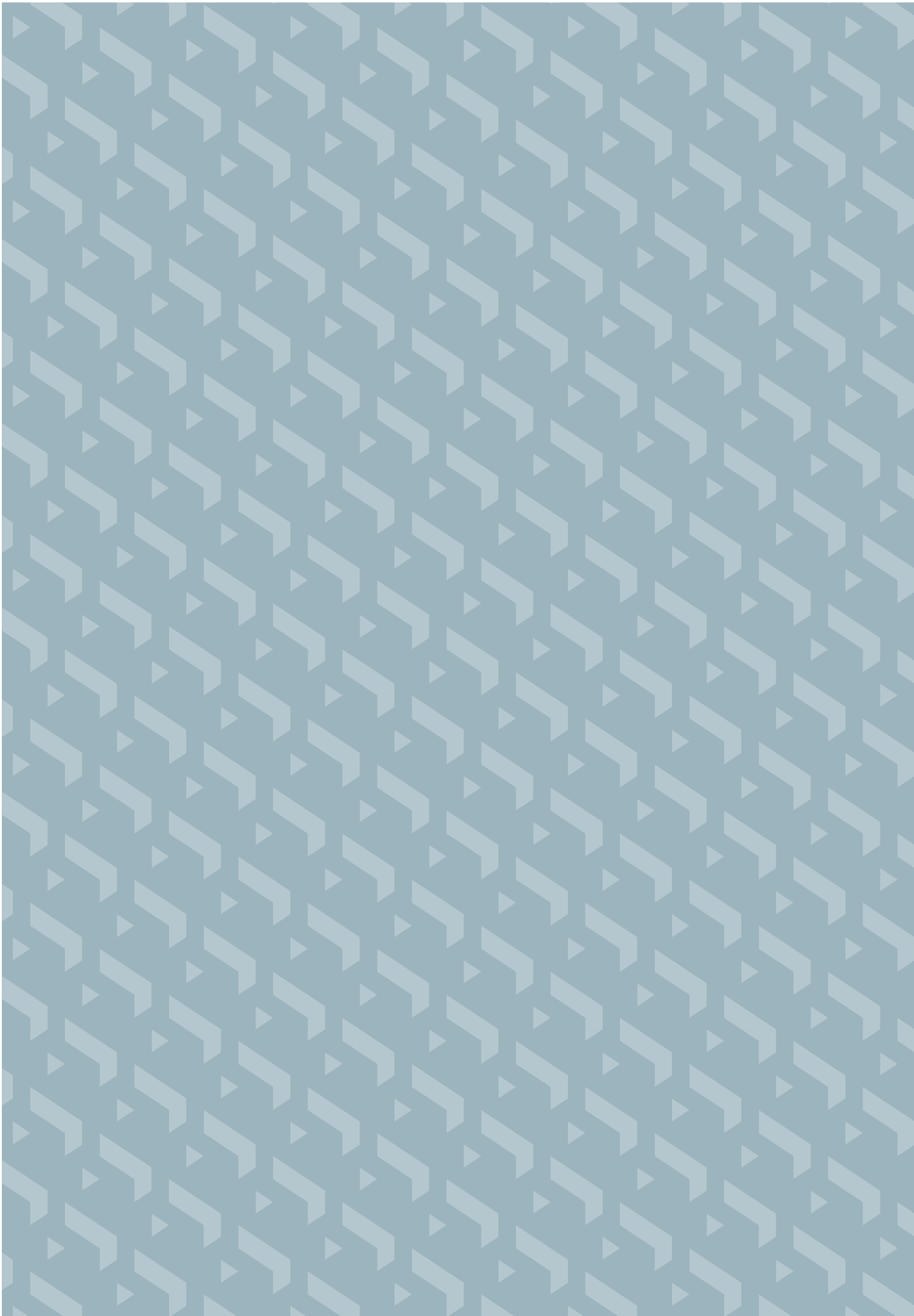
The nature of infrastructure implementation leads to the commitment of funds throughout the implementation period, and funds will be spent as the contractual deliverables are met.

The following infrastructure projects are still in progress:

| Projects | Estimated Completion Deadline |
|---|-------------------------------|
| SEZ4 facility: Design and construction of a 1 150m2 bespoke investor warehouse facility. | End March 2024 |
| SEZ5 facility: Design and construction of a 1 150m2 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 3 000m2 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 damaged, lost or stolen assets are updated on the asset register.





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 constantly 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 the top priorities of the Board, its committees and Management.

2. THE ACCOUNTING AUTHORITY (BOARD OF DIRECTORS)

2.1. Introduction

It was agreed by both the Provincial and National Governments that the structure of 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 deal with 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, represent the public sector interests;
- 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 being 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 2023, three positions on the Board remained vacant, namely the SAOGA, TNPA and dtic representatives.

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

Board of Directors

| Name | Designation | Date Appointed | Date Resigned | Qualifications | Area of Expertise | Board Directorship (List Entities) | Other Committees |
|-------------------|-----------------------------------|----------------|---------------|--|--|---|--|
| Heinrich Mettler | Acting Chairperson SBM | 24/06/2022 | | Nat Dipl Civil Eng. BTech Business Admin MBA | Business administration, Financial management, Governance | Ixabiso (Management Consulting) | Board Management Nominations Audit, IT & Risk |
| Jacqueline Gooch | Deputy Chairperson WCG | 10/01/2023 | | BSc Civil Engineering, Master's in Engineering (Civil Eng), MBA Executive Management | Infrastructure delivery, Governance, Building partnerships, Strategic management, Financial management, Programme management | None | Board Management Audit, IT & Risk |
| Stieneke 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, Thembanani International Guarantee Fund (NPC) | Investment HR&R and Social & Ethics |
| Harris Talmakkies | Saldanha Community Representative | 24/01/2023 | | BComm Business Management, BComm Hons 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 Social & Ethics |
| Irvin Esau | Saldanha Economic Representative | 10/04/2022 | | BComm | Accountant, Property developer | None | HR&R and Social & Ethics Audit, IT & Risk Investment Nominations |

| Name | Designation | Date Appointed | Date Resigned | Qualifications | Area of Expertise | Board Directorship (List Entities) | Other Committees |
|-------------------|------------------------|----------------|-------------------------------|---|---|---|--|
| John Smelcer | Business Practitioner | 20/05/2021 | | 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 |
| Edwin Obiri | Business Practitioner | 10/04/2022 | | 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 Social & Ethics |
| Kaashifah Beukes | Freeport Saldanha CEO | 20/09/2019 | | BSc Civil Eng, MBA | Design, construction and project management of civil engineering infrastructure, Business administration | None | Investment HR&R and Social & Ethics Nominations Board Management |
| Herman Boneschans | Freeport Saldanha CFO | 21/05/2020 | | BComm Hons, BComm Acc & Fin. | Accountant, Public sector finance experience, Organisational governance, Compliance and policy development | None | Investment HR&R and Social & Ethics Board Management |
| Thembisile Salman | Chairperson IDC | 19/06/2021 | 30/06/2022 | BSc Hons Chemistry & Biochemistry, BSc Chem Eng, MBA in Finance | Finance, Project development with a focus on oil & gas | Glodina Towelling (Pty) Ltd | Investment Audit, IT & Risk Nominations |
| Johann Stegmann | Deputy Chairperson WCG | 26/02/2021 | WCG contract ended 30/11/2022 | MBChB, MSc Economics, Postgrad Diploma in Economic Principles | Finance, Economics | None | Audit, IT & Risk Nominations Board Management |
| Jaqueline Brown | TNPA | 20/11/2019 | Term ended 19/11/2022 | BA Social Work, Postgrad Cert in Eng Bus. Management | Maritime logistics, Port operations | None | Investment |

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.

| Committees | No. of Meetings Held | No. of Members | Name of Members |
|--|----------------------|----------------|---|
| Audit, IT and Risk | 4 | 4 | Paul Slack – Chairperson (Independent) Tareq Carrim – Independent Irvin Esau – Member Jacqui Gooch – Member Heinrich Mettler – Member Thembisile Salman – Member (resigned) Johann Stegmann – Member (WCG term ended) |
| Investment | 4 | 6 | Edwin Obiri – Chairperson, Acting John Smelcer – Member Irvin Esau – Member Stieneke Jensma – Member Kaashifah Beukes – Member Herman Boneschans – Member Thembisile Salman – Chairperson (Resigned) Jacqueline Brown – Member (TNPA term ended) |
| Human Resources & Remuneration and Social & Ethics | 4 | 8 | Irvin Esau – Chairperson (Acting) Harris Talmakkies – Member Edwin Obiri – Member Stieneke Jensma – Member Marika Krieg – Independent Neil Jansen – Independent Kaashifah Beukes – Member Herman Boneschans – Member |
| Board Management Committee | 4 | 5 | Heinrich Mettler – Chairperson Jacqui Gooch – Member Kaashifah Beukes – Member Herman Boneschans – Member Paul Slack – Ad hoc Member |
| Nominations Committee | 2 | 3 | Heinrich Mettler – Chairperson Irvin Esau – Member Kaashifah Beukes – Member Thembisile Salman – Chairperson (Resigned) Johann Stegmann – Member (WCG term ended) |

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.

| Name | Remuneration | Other Allowance | Other Reimbursements | TOTAL |
|-------------------|--------------|-----------------|----------------------|--------|
| Edwin Obiri | 22,969 | | | 22,969 |
| Irvin Esau | 43,094 | | | 43,094 |
| John Smelcer | 6,278 | | | 6,278 |
| Harris Talmakkies | 2,004 | | | 2,004 |

Risk Management

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

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

Internal Control

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

External Audit

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

Audit, IT and Risk Committee

| Name | Qualifications | Internal or External | If internal position in the public company | Date appointed | Date resigned | No. of meetings attended |
|-------------------|--|----------------------|--|----------------|---------------------------|--------------------------|
| Paul Slack | BCom Hons | External | | 17/11/2020 | | 4 |
| Tareq Carrim | BComm Hons. CA(SA) | External | | 17/11/2022 | | 2 |
| Irvin Esau | BComm | External | | 17/11/2020 | | 4 |
| Jacqui Gooch | BSc Civil Engineering, Master's in Engineering (Civil Eng), MBA Executive Management | External | | 10/1/2023 | | 1 |
| Johann Stegmann | MBChB, MSc Economics, Postgrad Diploma in Economic Principles | External | | 17/11/2020 | WCG term ended 30/11/2022 | 3 |
| Thembisile Salman | BSc Hons Chemistry & Biochemistry, BSc Chemical Eng., MBA in Finance | External | | 17/11/2020 | Resigned 30 June 2022 | 1 |

Compliance with Laws and Regulations

On a quarterly basis, Freeport Saldanha assesses 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 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 of fraud in all its manifestations. The company is guided by its Fraud Prevention Plan (Fraud Policy and Response Plan). The plan applies to

all employees and is intended to reinforce existing systems, policies, procedures, rules and regulations aimed at determining, preventing, detecting, reacting to and reducing the impact of fraud.

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

Incidents identified by employees or members of the public may be investigated internally or 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 professionally at all times, both within company premises and at client premises, and 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 that 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 returns and notices required 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 in the Western Cape. CSR is ingrained in the values guiding how the company conducts its work and as a mechanism to respond to the socio-economic development context in which it operates.

The company acknowledges that it is critically important that collaborative partnerships be established with all parties to achieve meaningful inclusive transformation. Therefore, the company implemented various social responsibility initiatives during the financial year in partnership with the SBM and the WCG.

B-BBEE Compliance Performance Information

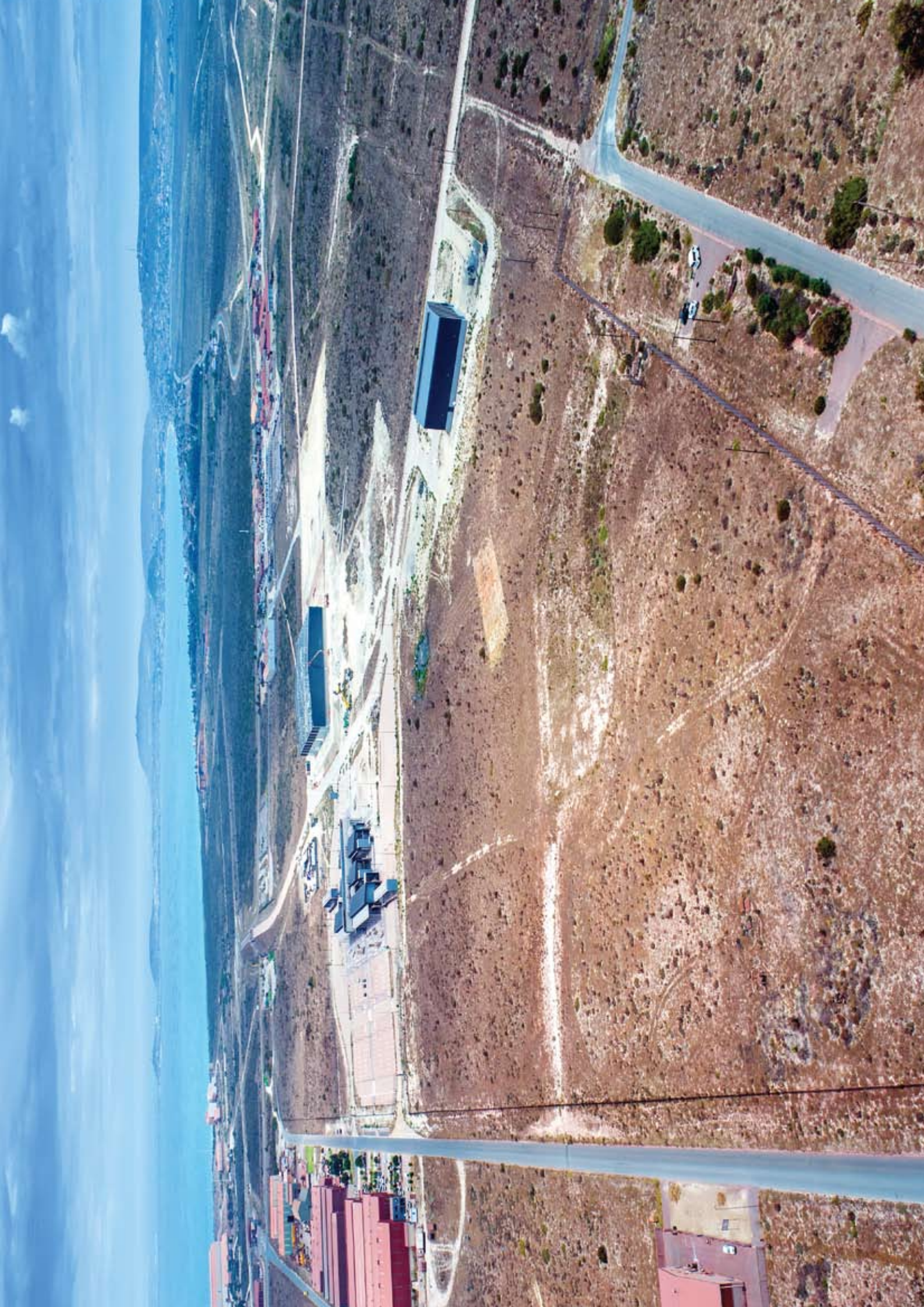
| Has the company applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1-8) with regard to the following? | | |
|--|--------------------|--|
| Criteria | Response Yes/No | Discussion <i>(Include a discussion on your response and indicate what measures have been taken to comply)</i> |
| Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law. | No | The company finalised its B-BBEE certificate during the period under review. It has been determined that this criterion 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 finalised its B-BBEE certificate during the period under review. It has been determined that this criterion 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 when such a scenario presents 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 finalised its B-BBEE certificate during the period under review. It has been determined that this criterion is not applicable. |

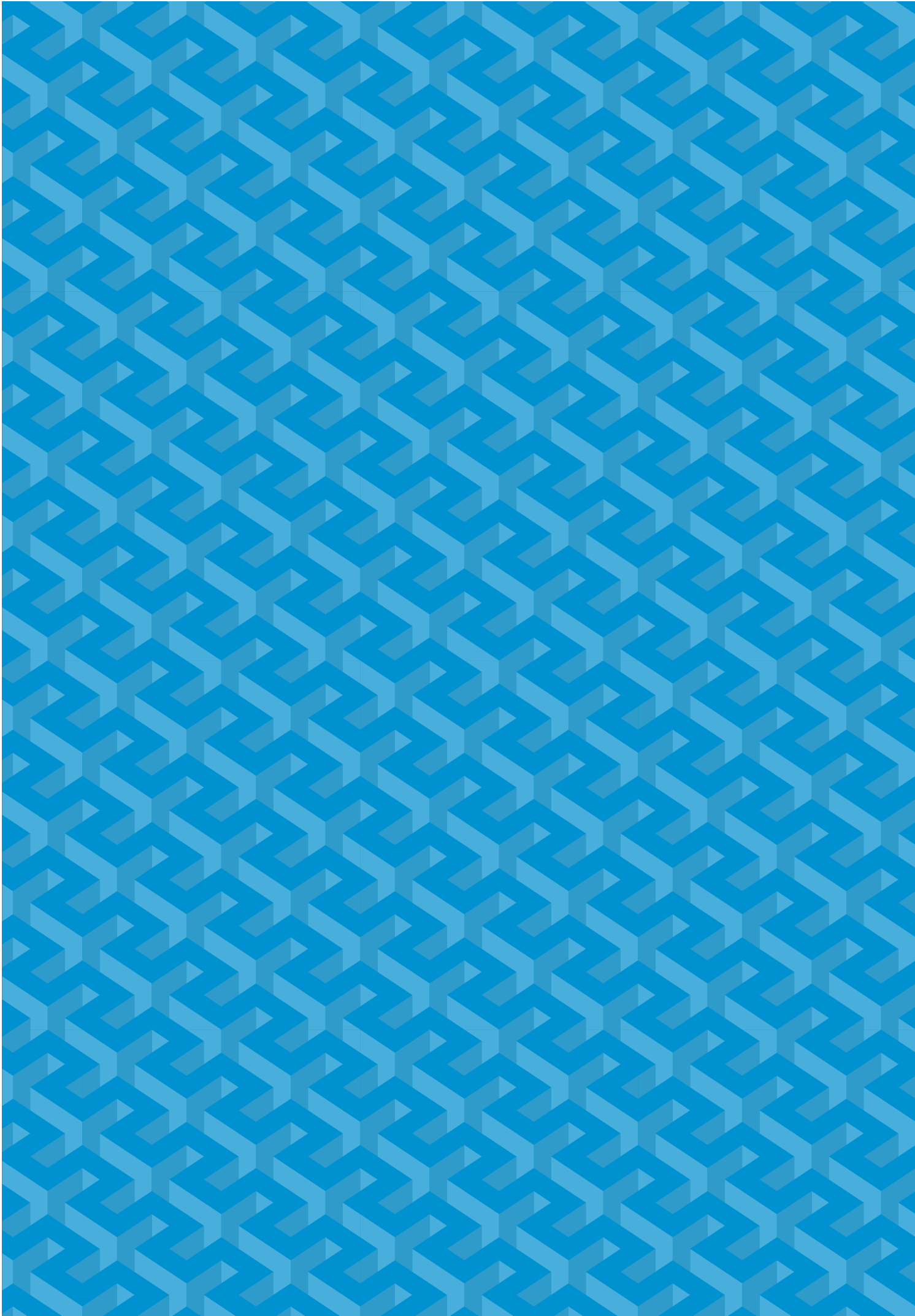
In terms of section 13G (1) of the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003) (B-BBEE), the public entity is required to report on its compliance with B-BBEE in its audited annual financial statements and annual reports required under the Public Finance Management Act, 1999 (Act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

In terms of B-BBEE regulations 12(2), the public entity is required to file the audited annual financial statements and an annual report compiled in terms of section 13G (1), with the Commission, in the prescribed FORM B-BBEE 1, within 30 days of the approval of such audited annual financial statements and annual report. The 2021/22 audited annual financial statements and 2021/22 annual report were approved on 31 August 2022.

SCOPA Resolutions

There were no SCOPA resolutions.





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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 encompasses Recruitment and Selection, Training and Development, Performance Management, Employee Wellness and Payroll. The role reports to the Chief Financial Officer.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel cost by programme

| Programme | Total Expenditure for the entity R | Personnel Expenditure R | Personnel exp. as a % of total Expenditure | No. of employees | Average personnel cost per employee R |
|-----------------|---------------------------------------|----------------------------|--|------------------|--|
| Operations | 110,976,236 | 21,385,199 | 15,86% | 26 | 822,508 |
| Administration | 23,854,743 | 12,534,304 | 9,30% | 15 | 835,620 |
| Subtotal | 134,830,979 | 33,919,503 | 25,16% | 41 | 827,305 |
| Infrastructure | 13,231,134 | 3,977,713 | 30,06% | 5 | 795,543 |
| TOTAL | 148,062,113 | 37,897,216 | 25,60% | 46 | 823,853 |

Personnel cost by salary band

| Level | Personnel Expenditure R | % of personnel exp. to total personnel cost R | No. of employees | Average personnel cost per employee R |
|------------------------|----------------------------|--|------------------|--|
| Top Management | 13,849,712 | 37% | 8 | 1,731,214 |
| Professional qualified | 19,954,876 | 53% | 21 | 950,232 |
| Skilled | 2,797,365 | 7% | 9 | 310,818 |
| Semi-skilled | 1,295,263 | 3% | 8 | 161,908 |
| TOTAL | 37,897,216 | | 46 | |

Performance Rewards

| Level | Performance Rewards R | Personnel Expenditure R | % of Performance Rewards to Total Personnel Cost |
|------------------------|--------------------------|----------------------------|---|
| Top Management | - | 13,849,712 | 0,00% |
| Professional qualified | - | 19,954,876 | 0,00% |
| Skilled | - | 2,797,365 | 0,00% |
| Semi-skilled | - | 1,295,263 | 0,00% |
| TOTAL | - | 37,897,216 | 0,00% |

Training Costs

| Programme | Personnel Expenditure R | Training Expenditure R | Training Expenditure as a % of Personnel Cost | No. of employees trained R | Avg training cost per employee |
|----------------|----------------------------|---------------------------|--|-------------------------------|--------------------------------|
| Operations | 21,385,199 | 80,417 | 0% | 2 | 40,208 |
| Administration | 12,534,304 | - | 0% | 0 | - |
| Infrastructure | 3,977,713 | - | 0% | - | - |
| TOTAL | 37,897,216 | 80,417 | | 2 | 40,208 |

Employment and vacancies, by programme

| Programme | 2021/22 No. of Employees | 2021/22 Vacancies | % of vacancies |
|----------------|-----------------------------|----------------------|----------------|
| Operations | 26 | 3 | 10% |
| Administration | 15 | 2 | 12% |
| Infrastructure | 5 | 2 | 29% |
| TOTAL | 46 | 7 | 13% |

Employment and vacancies, by level

| Programme | 2021/22 No. of Employees | 2021/22 Vacancies | % of vacancies |
|------------------------|-----------------------------|----------------------|----------------|
| Top Management | 8 | 1 | 11% |
| Professional qualified | 21 | 6 | 22% |
| Skilled | 9 | 0 | 0% |
| Semi-skilled | 8 | 0 | 0% |
| TOTAL | 46 | 7 | 13% |

Employment Changes

| Salary Band | Employment at beginning of the period | Appointments | Employment movements | Terminations | Employment at end of the period |
|------------------------|---------------------------------------|--------------|----------------------|--------------|---------------------------------|
| Top Management | 7 | 0 | 1 | 0 | 8 |
| Professional qualified | 22 | 0 | -1 | 0 | 21 |
| Skilled | 9 | 1 | 0 | 0 | 10 |
| Semi-skilled | 5 | 2 | 0 | 0 | 7 |
| TOTAL | 43 | 3 | 0 | 0 | 46 |

Reasons for staff leaving

| Reason | Number | % of total no. of staff leaving |
|--------------------|----------|---------------------------------|
| Death | - | - |
| Resignation | - | - |
| Dismissal | - | - |
| Retirement | - | - |
| Expiry of contract | - | - |
| Other | - | - |
| Total | - | - |

Equity Target and Employment Equity Status

| Level | MALE | | | | | | | |
|------------------------|----------|--------|----------|--------|---------|--------|----------|--------|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 1 | | | | | | 2 | |
| Professional qualified | 1 | | 6 | | | | 1 | |
| Skilled | 2 | | 2 | | | | | |
| Semi-skilled | 1 | | 1 | | | | | |
| TOTAL | 5 | | 9 | | | | 3 | |

| Level | FEMALE | | | | | | | |
|------------------------|----------|--------|-----------|--------|---------|--------|----------|--------|
| | African | | Coloured | | Indian | | White | |
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 1 | | 2 | | | | 1 | |
| Professional qualified | 5 | | 7 | | | | 2 | |
| Skilled | 3 | | 3 | | | | 0 | |
| Semi-skilled | 0 | | 5 | | | | 0 | |
| TOTAL | 9 | | 17 | | | | 3 | |





F

**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 2023) | Edwin Obiru (Non-Executive) Heinrich Mettler (Non-Executive) (Acting Chairperson) Herman Boneschans (Executive) Irvin Esau (Non-Executive) John Smelcer (Non-Executive) Kaashifah Beukes (Executive) Jacqueline Gooch (Non-Executive) (Deputy Chairperson) Stieneke Jensma (Non-Executive) Harris Talmakkies (Non-Executive) |
| Registered office | 24 Main Road Saldanha Bay 7395 |
| Postal address | PO Box 304 Cape Town 8000 |
| Bankers | Nedbank Corporate |
| Auditors | Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors |
| Company registration number | 2012/035625/30 |
| Income tax number | 9523103175 |

Index

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

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Accounting Authority's Responsibilities and Approval

The Board of directors are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board of directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The Board of directors have reviewed the entity's cash flow forecast for the year to 31 March 2024 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 dependant 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. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 77.

The annual financial statements set out on page 88 to 139, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2023 and were signed on its behalf by:



Heinrich Mettler
Acting Chairperson

Audit, IT and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2023.

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 |
| Johann Stegmann (resigned 2022/11/30) | 3 |
| Thembisile Salman (resigned 2022/06/30) | 1 |
| Irvin Esau | 4 |
| Tareq Carrim (appointment 2022/09/14) | 2 |
| Jacqui Gooch (appointment 2023/02/08) | 1 |

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, IT and Risk 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 there from. 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
31 July 2023

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Saldanha Bay IDZ Licencing Company (SOC) Limited set out on pages 88 to 139, which comprise the statement of financial position as at 31 March 2023, 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 2023 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.

Other matter

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

National Treasury Instruction Note No. 4 of 2022-23: PFMA Compliance and Reporting Framework

7. On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022-23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA which came into effect on 3 January 2023. The PFMA Compliance and Reporting Framework also addresses the disclosure of unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure (UIFW expenditure). Among the effects of this framework is that irregular and fruitless and wasteful expenditure incurred in previous financial years and not addressed, is no longer disclosed in either the annual report or the disclosure notes of the annual financial statements; only the current year and prior year figures should be disclosed in a note to the financial statements, if UIFW was incurred. Furthermore, the movements in respect of irregular expenditure and fruitless and wasteful expenditure are no longer disclosed in the notes to the annual financial statements of Saldanha Bay IDZ Licencing Company (SOC) Limited. The disclosure of these movements (e.g. condoned, recoverable, removed, written off, under assessment, under determination and under investigation) are now included as part of other information

in the annual report of the Saldanha Bay IDZ Licencing Company (SOC) Limited. I do not express an opinion on the disclosure of irregular expenditure and fruitless and wasteful expenditure in the annual report.

Responsibilities of the accounting authority for the financial statements

8. 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.
9. 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

10. 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.
11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the annual performance report

12. In accordance with the Public Audit Act 25 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.
13. I selected the following material performance indicators related to Programme 2 - Operations presented in the annual performance report for the year ended 31 March 2023. 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.
 - Number of standing protocols in place
 - Turnaround times on building plans
 - Number of signed tenant and operator lease agreements
 - Percentage available space tenanted
14. I evaluated the 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 these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
15. 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

- the indicators are well defined and verifiable to ensure that they are easy to understand and apply consistently and that I can confirm the methods and processes to be used for measuring achievements
- the targets 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 what was 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
- there are adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

16. I performed the procedures for the purpose of reporting material findings only.

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

Report on compliance with legislation

18. 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.

19. I performed procedures to test 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.

20. 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 understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

21. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

22. The accounting officer 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 71 of 2008. 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.

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

24. 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.

25. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

26. 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.
27. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town
31 July 2023



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:

| Legislation | Sections or regulations |
|--|--|
| Public Finance Management Act 1 of 1999 (PFMA) | Section 55(1)(a), 55(1)(b), 55(1)(c)(i), 51(1)(b)(ii) Section 54(2)(c), 54(2)(d) Section 66(3)(d), 66(5) Section 67 Section 52(b) Section 50(3) Section 51(1)(a)(iii), 51(1)(a)(iv), 51(1)(b)(ii), 51(1)(e)(iii) Section 53(4) Section 56 Section 57(b), 57 (d) |
| Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR) | TR 31.1.2(c) TR 31.2.5, 31.2.7(a) TR 32.1.1(a), 32.1.1(b), 32.1.1(c) TR 29.1.1, 29.1.1(a), 29.1.1(c), 29.2.1, 29.2.2, 29.3.1 TR 33.1.1, 33.1.3 |
| Companies Act No.71 of 2008 | Section 46(1)(a), 46(1)(b), 46(1)(c) Section 45(2) Section 45(3)(a)(ii), 45(3)(b)(i), 45(3)(b)(ii) Section 45(4) Section 112(2)(a) Section 129(7) |
| Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA) | Section 34(1) |
| Construction Industry Development Board Act No.38 of 2000 (CIDB) | Section 18(1) Section 22(3) |
| CIDB Regulations | CIDB regulation 17 CIDB regulation 25(1) CIDB regulation 25(5) CIDB regulation 25(7A) |
| PPPFA | Section 1(i), 1(a) ,1(b) Section 2.1(f) |
| PPR 2017 | Paragraph 4.1, 4.2 Paragraph 5.1. 5.3, 5.6, 5.7 Paragraph 6.1, 6.2, 6.3, 6.5, 6.6, 6.8 Paragraph 7.1, 7.2, 7.3, 7.5, 7.6, 7.8 Paragraph 8.2, 8.5 Paragraph 9.1, 9.2 Paragraph 10.1, 10.2 Paragraph 11.1, 11.2 Paragraph 12.1, 2.2 |

| Legislation | Sections or regulations |
|---------------------------------------|--|
| PPR 2022 | Paragraph 3.1 Paragraph 4.1, 4.2, 4.3, 4.4 Paragraph 5.1, 5.2, 5.3, 5.4 |
| NT SCM Instruction Note 03 2021/22 | Paragraph 4.1, 4.2, 4.2 (b), 4.3, 4.4, 4.4(c), 4.4 (d) Paragraph 4.6 Paragraph 5.4 |
| NT SCM Instruction 4A of 2016/17 | Paragraph 6 |
| NT SCM Instruction Note 03 2019/20 | Paragraph 5.5.1(iv), 5.5.1(x) |
| NT SCM Instruction Note 11 2020/21 | Paragraph 3.1 Paragraph 3.4(a), 3.4(b) Paragraph 3.9 Paragraph 6.1, 6.2, 6.7 |
| Competition Act | Section 4(1)(b)(ii) |
| NT instruction note 4 of 2015/16 | Paragraph 3.4 |
| Second amendment of NTI 05 of 2020/21 | Paragraph 4.8, 4.9 Paragraph 5.1 , 5.3 |
| Erratum NTI 5 of 202/21 | Paragraph 1 |
| Erratum NTI 5 of 202/21 | Paragraph 2 |
| NT instruction note 5 of 2020/21 | Paragraph 5.1, 5.3 |

Accounting Authority's Report

The Board of directors submit their report for the year ended 31 March 2023.

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

4. Share capital

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

5. Distributions to shareholder

No dividends were declared or paid to 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 |
|---|---------------|---|
| Edwin Obiri (Non-Executive) | Ghanaian | |
| Heinrich Mettler (Non-Executive) (Acting Chairperson) | South African | |
| Herman Boneschans (Executive) | South African | |
| Irvin Esau (Non-Executive) | South African | |
| Jacqueline Brown (Non-Executive) | South African | Term ended, 19 November 2022 |
| Johann Stegmann (Non-Executive) | South African | Contract with Western Cape Government ended, 30 November 2022 |
| John Smelcer (Non-Executive) | USA | |
| Kaashifah Beukes (Executive) | South African | |
| Thembisile Salman (Non-Executive) | South African | Resigned, 30 June 2022 |
| Jacqueline Gooch (Non-Executive) (Deputy Chairperson) | South African | Appointed, 10 January 2023 |
| Stieneke Jensma (Non-Executive) | South African | Appointed, 24 January 2023 |
| Harris Talmakkies (Non-Executive) | South African | Appointed, 24 January 2023 |

7. Corporate governance

General

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

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

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

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 four Non-Executive directors, two Executive directors, two independent members 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

Stieneke Jensma

Kaashifah Beukes

Herman Boneschans

Neil Jansen

Magdalena Krieg

Accounting authority

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

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

Investment 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

Herman Boneschans

Audit, IT and Risk Committee

For the period under review, the chairperson of the audit 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:

Johann Stegmann (Contract with Western Cape Government ended, 30 November 2022)

Irvin Esau

Tareq Carrim

Jacqueline Gooch

Heinrich Mettler

Special Audit and Investment Committee

The committee consisted of six Non-Executive directors, two Executive directors and was chaired by Paul Slack (independent member). The committee met three times during the reporting period to review matters necessary to fulfil its role. The committee was dissolved and replaced by the Board Management Committee. Members of the committee were:

Thembisile Salman

Johann Stegmann

Edwin Obiri

Paul Slack

Irvin Esau

Jacqueline Brown

Kaashifah Beukes

Herman Boneschans

Board Management Committee

The committee consists of two Non-Executive directors, two Executive directors and an independent member. The committee is chaired by Heinrich Mettler. The committee met four times during the reporting period to review matters necessary to fulfil its role. Members of the committee are:

Heinrich Mettler

Jacqui Gooch

Kaashifah Beukes

Herman Boneschans

Paul Slack – Independent member

Nominations Committee

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

Heinrich Mettler

Irvin Esau

Kaashifah Beukes

Internal audit

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

The annual financial statements set out on page 88 to 139, which have been prepared on the going concern basis, were approved by the accounting authority on 31 July 2023 and were signed on its behalf by:



Heinrich Mettler

Acting Chairperson

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
Place of Signature

Statement of Financial Position as at 31 March 2023

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|--|---------|--------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 3 | 142,771,381 | 175,611,477 |
| Receivables from exchange transactions | 4 | 673,275 | 331,977 |
| VAT receivable | 5 | 2,570,089 | 3,242,838 |
| Receivables from non-exchange transactions | 6 | 924,122 | 1,343,365 |
| Prepayments | 7 | 583,948 | 1,019,211 |
| Operating lease asset | 8 | 32,130 | 1,557,171 |
| | | 147,554,945 | 183,106,039 |
| Non-Current Assets | | | |
| Investment property | 9 | 261,664,750 | 268,768,420 |
| Property, plant and equipment | 10 | 550,164,078 | 573,651,633 |
| Intangible assets | 11 | 172,772 | 96,383 |
| Receivables from non-exchange transactions | 6 | 31,886 | 347,923 |
| Operating lease asset | 8 | 446,826 | 1,247,776 |
| | | 812,480,312 | 844,112,135 |
| Total Assets | | 960,035,257 | 1,027,218,174 |
| Liabilities | | | |
| Current Liabilities | | | |
| Operating lease liability | 8 | 100,682 | 137,011 |
| Payables from exchange transactions | 12 | 18,002,551 | 7,769,378 |
| Employee benefit obligation | 13 | 2,481,930 | 2,437,595 |
| Unspent conditional grants and receipts | 14 | 108,074,704 | 55,972,199 |
| | | 128,659,867 | 66,316,183 |
| Non-Current Liabilities | | | |
| Operating lease liability | 8 | 93,736 | 194,417 |
| Unspent conditional grants and receipts | 14 | 21,495,887 | 83,730,374 |
| Payables from non-exchange transactions | 15 | 346,504 | 326,827 |
| | | 21,936,127 | 84,251,618 |
| Total Liabilities | | 150,595,994 | 150,567,801 |
| Net Assets | | 809,439,263 | 876,650,373 |
| Share capital | 16 | 120 | 120 |
| Accumulated surplus | | 809,439,143 | 876,650,253 |
| Total Net Assets | | 809,439,263 | 876,650,373 |

Statement of Financial Performance

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|----------------------|----------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Rental income | 17 | 2,592,732 | 2,889,040 |
| Sundry income | | 13,250 | 5,250 |
| Interest received - investment | 18 | 2,928,748 | 2,593,378 |
| Gain on disposal of assets and liabilities | | 17,989 | 46,925 |
| Total revenue from exchange transactions | | 5,552,719 | 5,534,593 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Government grants & subsidies | 19 | 59,560,963 | 147,532,399 |
| Total revenue | | 65,113,682 | 153,066,992 |
| Expenditure | | | |
| Employee related costs | 21 | (33,919,503) | (34,360,015) |
| Depreciation and amortisation | 22 | (37,753,306) | (31,593,238) |
| Lease rentals on operating lease | 23 | (28,478,012) | (28,787,361) |
| General Expenses | 24 | (23,781,449) | (25,909,567) |
| Transfer to Saldanha Bay Municipality | 24 | (8,392,525) | - |
| Total expenditure | | (132,324,795) | (120,650,181) |
| (Deficit) /surplus for the year | | (67,211,113) | 32,416,811 |

* See Note 31

Statement of Changes in Net Assets

| Figures in Rand | Share capital | Accumulated surplus | Total net assets |
|---|---------------|---------------------|--------------------|
| Balance at 01 April 2021 | 120 | 844,233,442 | 844,233,562 |
| Changes in net assets | | | |
| Surplus for the year | - | 32,416,811 | 32,416,811 |
| Total changes | - | 32,416,811 | 32,416,811 |
| Restated* 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 31 March 2023 | 120 | 809,439,143 | 809,439,263 |
| Note(s) | 16 | | |

* See Note 31

Cash Flow Statement

| Figures in Rand | Note(s) | 2023 | 2022 Restated* |
|---|---------|----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Grants | | 43,395,977 | 41,522,230 |
| Interest income | | 9,426,794 | 8,842,040 |
| Rental income | | 1,963,004 | 2,651,390 |
| Sundry income | | 13,250 | 5,250 |
| | | <u>54,799,025</u> | <u>53,020,910</u> |
| Payments | | | |
| Employee costs | | (33,903,761) | (33,962,261) |
| Suppliers | | (35,083,524) | (50,771,090) |
| | | <u>(68,987,285)</u> | <u>(84,733,351)</u> |
| Net cash flows from operating activities | 25 | <u>(14,188,260)</u> | <u>(31,712,441)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 10 | (10,688,835) | (14,866,838) |
| Proceeds from sale of property, plant and equipment | 10 | 29,735 | 46,925 |
| Purchase of investment property | 9 | (7,773,484) | (90,590,080) |
| Purchase of other intangible assets | 11 | (219,252) | - |
| Net cash flows from investing activities | | <u>(18,651,836)</u> | <u>(105,409,993)</u> |
| Net decrease in cash and cash equivalents | | <u>(32,840,096)</u> | <u>(137,122,434)</u> |
| Cash and cash equivalents at the beginning of the year | | 175,611,477 | 312,733,911 |
| Cash and cash equivalents at the end of the year | 3 | <u>142,771,381</u> | <u>175,611,477</u> |

* See Note 31

Statement of Comparison of Budget and Actual Amounts

| Budget on Cash Basis | | | | | | |
|--|---------------------|-------------------|---------------------|------------------------------------|--|-----------|
| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Rental of facilities and equipment | 1,850,000 | 300,000 | 2,150,000 | 1,963,004 | (186,996) | |
| Administration and management fees received | - | 53,000 | 53,000 | 13,250 | (39,750) | |
| Interest received - investment | 7,608,804 | 1,727,196 | 9,336,000 | 9,426,794 | 90,794 | |
| Total revenue from exchange transactions | 9,458,804 | 2,080,196 | 11,539,000 | 11,403,048 | (135,952) | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 41,806,348 | 1,750,000 | 43,556,348 | 43,395,977 | (160,371) | |
| Total revenue | 51,265,152 | 3,830,196 | 55,095,348 | 54,799,025 | (296,323) | |
| Expenditure | | | | | | |
| Corporate service, operational services and special projects | (82,865,632) | 9,996,028 | (72,869,604) | (68,987,285) | 3,882,319 | Note 36 |
| Operating deficit | (31,600,480) | 13,826,224 | (17,774,256) | (14,188,260) | 3,585,996 | |
| Gain on disposal of assets and liabilities | - | - | - | 29,735 | 29,735 | |
| Deficit before taxation | (31,600,480) | 13,826,224 | (17,774,256) | (14,158,525) | 3,615,731 | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | (31,600,480) | 13,826,224 | (17,774,256) | (14,158,525) | 3,615,731 | |
| Reconciliation | | | | | | |
| Interest received (conditional grants) | | | | (6,582,625) | | |
| Interest received | | | | 84,579 | | |
| Rental income | | | | 629,728 | | |
| | | | | (15,742) | | |
| | | | | (18,579,296) | | |
| | | | | (37,753,306) | | |
| | | | | (6,989,165) | | |
| | | | | (11,742) | | |
| | | | | 16,164,981 | | |
| | | | | (67,211,113) | | |

Statement of Comparison of Budget and Actual Amounts

| Budget on Cash Basis | | | | | | |
|--|--------------------|---------------------|---------------------|------------------------------------|--|-----------|
| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | 93,175,082 | 45,312,139 | 138,487,221 | 142,771,381 | 4,284,160 | Note 36 |
| Non-Current Assets | | | | | | |
| Investment property | 40,188,915 | (31,938,915) | 8,250,000 | 7,773,484 | (476,516) | Note 36 |
| Property, plant and equipment | 10,470,000 | 400,000 | 10,870,000 | 10,688,834 | (181,166) | |
| Intangible assets | 230,000 | - | 230,000 | 219,252 | (10,748) | |
| | 50,888,915 | (31,538,915) | 19,350,000 | 18,681,570 | (668,430) | |
| Total Assets | 144,063,997 | 13,773,224 | 157,837,221 | 161,452,951 | 3,615,730 | |
| Net Assets | 144,063,997 | 13,773,224 | 157,837,221 | 161,452,951 | 3,615,730 | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 175,611,477 | - | 175,611,477 | 175,611,477 | - | Note 36 |
| | 175,611,477 | - | 175,611,477 | 175,611,477 | - | |
| Non-controlling interest | (31,547,480) | 13,773,224 | (17,774,256) | (14,158,526) | 3,615,730 | |
| Total Net Assets | 144,063,997 | 13,773,224 | 157,837,221 | 161,452,951 | 3,615,730 | |

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparations

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

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

These accounting policies are consistent with the previous period.

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

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

1.5 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. Significant judgements include:

1.5 Significant judgements and sources of estimation uncertainty (continued)

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

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

The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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.

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 norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash

flows discounted at the effective interest rate, computed at initial recognition.

1.6 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.

1.6 Investment property (continued)

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

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

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

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

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

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

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

1.7 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 is initially measured at cost.

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

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

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

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

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

1.7 Property, plant and equipment (continued)

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

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

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

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

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

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

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

1.7 Property, plant and equipment (continued)

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

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

1.8 Intangible assets (continued)

Intangible assets are derecognised:

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

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

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

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

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

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

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

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

A financial asset is:

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

1.9 Financial instruments (continued)

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Measurement

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the 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.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

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

Financial liabilities

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

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

Presentation

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

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

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

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

1.10 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.

Subsequent measurement

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

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

Impairment losses

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

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

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

1.10 Statutory receivables (continued)

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

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

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

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

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

Derecognition

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

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP.

Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.11 Tax

Current tax assets, liabilities and Tax expense

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

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

1.14 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.

1.14 Impairment of cash-generating assets (continued)

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

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

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

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

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

Useful life is either:

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

Identification

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

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

Value in use

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

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity 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).

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized 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.

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

1.17 Employee benefits (continued)

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

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

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

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

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

1.18 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.

1.19 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.

1.19 Revenue from exchange transactions (continued)

Rendering of services

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

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

Interest, royalties and dividends

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

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

Interest is recognised 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.

1.20 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.

1.20 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

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

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

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

Grants and Project funds

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

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

Public contributions, including goods in-kind

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

Services in-kind

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

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

1.21 Comparative figures

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

1.22 Fruitless and wasteful expenditure

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

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

1.23 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government. National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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

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

1.24 Segment information

A segment is an activity of an entity:

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

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

1.24 Segment information (continued)

Measurement

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

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

1.25 Budget information

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

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

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

The approved budget covers the fiscal period from 2022/04/01 to 2023/03/31.

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

The annual financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.26 Related parties

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

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

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

1.26 Related parties (continued)

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

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

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

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

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

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

1.27 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.

1.28 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

2023

2022

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2023 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|--|---|--|
| • GRAP 25 (as revised): Employee Benefits | 01 April 2023 | Unlikely there will be a material impact |
| • Guideline: Guideline on the Application of Materiality to Financial Statements | No effective date | Unlikely there will be a material impact |
| • GRAP 104 (as revised): Financial Instruments | 01 April 2025 | Unlikely there will be a material impact |
| • iGRAP 21: The Effect of Past Decisions on Materiality | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 2020: Improvements to the standards of GRAP 2020 | 01 April 2023 | Unlikely there will be a material impact |
| • GRAP 1 (amended): Presentation of Financial Statements | 01 April 2023 | Unlikely there will be a material impact |

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

3. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | |
|---|--------------------|--------------------|
| Cash on hand | 23,530 | 25,190 |
| Bank balances | 130,552,077 | 164,103,015 |
| Corporation for Public Deposits and call accounts | 12,195,774 | 11,483,272 |
| | 142,771,381 | 175,611,477 |

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

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

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

Credit rating

| | | |
|-----|-------------|-------------|
| BB- | 130,552,077 | 164,103,015 |
|-----|-------------|-------------|

4. Receivables from exchange transactions

| | | |
|--|----------------|----------------|
| Debtors | 428,692 | 191,046 |
| Other receivables from exchange transactions | 244,583 | 159,147 |
| Provision for impairment | - | (18,216) |
| | 673,275 | 331,977 |

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 2023, R 227,587 (2022: R 87,945) were past due but not impaired.

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

| | | |
|-------------------|---------|--------|
| 1 month past due | 158,242 | 51,620 |
| 2 months past due | 42,863 | 51,481 |
| 3 months past due | 227,587 | 87,945 |

Trade and other receivables impaired

As of 31 March 2023, trade and other receivables of R - (2022: R 18,216) were impaired and provided for.

The amount of the provision was R - as of 31 March 2023 (2022: R 18,216).

The ageing of these loans is as follows:

| | | |
|---------------|---|--------|
| Over 6 months | - | 18,216 |
|---------------|---|--------|

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

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

5. VAT receivable

| | | |
|-----|-----------|-----------|
| VAT | 2,570,089 | 3,242,838 |
|-----|-----------|-----------|

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.

6. Receivables from non-exchange transactions

| | | |
|---------------------------------------|----------------|------------------|
| Receivables from non-exchange revenue | 956,008 | 1,691,288 |
| Non-current assets | 31,886 | 347,923 |
| Current assets | 924,122 | 1,343,365 |
| | 956,008 | 1,691,288 |

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

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

7. Prepayments

| | | |
|--|---------|-----------|
| | 583,948 | 1,019,211 |
|--|---------|-----------|

A majority of prepayments are for annual software subscriptions.

8. Operating lease asset / (liability)

| | | |
|-------------------------|----------------|------------------|
| Non-current assets | 446,826 | 1,247,776 |
| Current assets | 32,130 | 1,557,171 |
| Non-current liabilities | (93,736) | (194,417) |
| Current liabilities | (100,682) | (137,011) |
| | 284,538 | 2,473,519 |

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

- Non-current operating lease asset of R446,826 (tenants) (March 2022: R1,247,776 tenants)
- Current operating lease asset of R32,130 (tenants) (March 2022: R1,557,171 Port of Saldanha)

Operating lease liability (as lessee) consists of:

- operating lease liability of R 152,123 (March 2022: R 231,119) (Cape Town and Saldanha Bay office)
- operating lease liability of R 42,294 (March 2022: R 100,309) (Port of Saldanha Bay)

Refer to note 23 for further information on operating leases.

Notes to the Annual Financial Statements

Annual Financial Statements for the year ended 31 March 2023

Figures in Rand

9. Investment property

| | 2023 | | | 2022 | | |
|---------------------|-------------|--------------------------|----------------|-------------|--------------------------|----------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Investment property | 274,402,043 | (12,737,293) | 261,664,750 | 272,314,065 | (3,545,645) | 268,768,420 |

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 |

Reconciliation of investment property - 2022

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

Investment Property per asset class

| | | |
|-----------------------------|--------------------|--------------------|
| Land | 92,614,841 | 92,614,841 |
| Buildings (completed) | 163,822,510 | 88,590,687 |
| Buildings (work in process) | 5,227,399 | 87,562,892 |
| | 261,664,750 | 268,768,420 |

Pledged as security

No investment property was pledged as security.

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

9. Investment property (continued)**Investment property in the process of being constructed or developed (included in the book value)****Cumulative expenditure recognised in the carrying value of Investment property**

| | | |
|--|------------------|-------------------|
| Opening balance | 87,562,892 | 72,913,574 |
| Additions | 5,918,809 | 89,425,819 |
| Transfer to completed items | (84,423,471) | (74,776,501) |
| Transfer to completed infrastructure items | (3,736,252) | - |
| Impairment | (94,579) | - |
| | 5,227,399 | 87,562,892 |

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 | 511,356 | 474,820 |
|---|---------|---------|

From Investment property that generated rental revenue

| | | |
|-------------------------|--------|--------|
| Repairs and maintenance | 14,045 | 14,838 |
|-------------------------|--------|--------|

From Investment property that did not generate rental revenue

| | | |
|---|------------------|------------------|
| Direct operating expenses (excluding repairs and maintenance) | 2,588,297 | 2,298,172 |
| Repairs and maintenance | - | 89,937 |
| | 2,588,297 | 2,388,109 |

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

| | 2023 | | | 2022 | | |
|------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------------|--------------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Land | 1,490,897 | - | 1,490,897 | 1,490,897 | - | 1,490,897 |
| Buildings | 165,913,825 | (26,113,132) | 139,800,693 | 166,161,526 | (18,260,228) | 147,901,298 |
| Furniture and fixtures | 2,175,702 | (1,104,561) | 1,071,141 | 2,182,431 | (930,428) | 1,252,003 |
| Motor vehicles | 471,882 | (471,882) | - | 471,882 | (448,382) | 23,500 |
| Office equipment | 751,143 | (460,264) | 290,879 | 773,205 | (415,709) | 357,496 |
| IT equipment | 2,742,502 | (1,795,671) | 946,831 | 2,185,177 | (1,615,813) | 569,364 |
| Infrastructure assets | 485,632,100 | (79,068,463) | 406,563,637 | 482,145,546 | (60,088,471) | 422,057,075 |
| Total | 659,178,051 | (109,013,973) | 550,164,078 | 655,410,664 | (81,759,031) | 573,651,633 |

Reconciliation of property, plant and equipment - 2023

| | Opening balance | Additions | Disposals at cost | Disposals accumulated depreciation | Transfers 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 |

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)**Reconciliation of property, plant and equipment - 2022**

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

Pledged as security

No assets were pledged as security.

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 | 10,939,822 | 11,942,527 |
| | 11,033,396 | 12,036,101 |

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Eastern Link Road
Construction of the road began in 2023 under the Department of Public Works. Capital costs and the servitude on which the road is built will be transferred to the Department of Public Works.

| | | |
|--|------------------|------------------|
| | 7,374,234 | 7,374,234 |
| | 7,374,234 | 7,374,234 |

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

10. Property, plant and equipment (continued)**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 |

Reconciliation of Work-in-Progress 2022

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

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 | 496,993 | 378,041 |
| Infrastructure | 356,208 | - |
| | 853,201 | 378,041 |

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

11. Intangible assets

Reconciliation of intangible assets - 2023

Reconciliation of intangible assets - 2022

Pledged as security

No intangible assets were pledged as security.

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

12. Payables from exchange transactions

| | | |
|------------------------|------------|-----------|
| Current trade payables | 18,002,551 | 7,769,378 |
|------------------------|------------|-----------|

13. Employee benefit obligations

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

Carrying value

| | | |
|--|------------------|------------------|
| Leave pay | 2,480,528 | 2,363,042 |
| Workmen's compensation and other salary-related payables | 1,402 | 74,553 |
| | 2,481,930 | 2,437,595 |

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|---|--------------------|--------------------|
| Department of Trade and Industry - SEZ fund | 99,222,239 | 107,756,504 |
| Enterprise and skills development - DTI and DEDAT | 4,124,924 | 6,323,644 |
| Merseta - Skills development | 9,930 | 209,640 |
| Skills development - CHIETA and LG SETA | 800,713 | - |
| Schools' Development Programme | - | - |
| Department of Economic Development and Tourism - Land | 25,412,785 | 25,412,785 |
| | 129,570,591 | 139,702,573 |

Movement during the year

| | | |
|--------------------------------------|--------------------|--------------------|
| Balance at the beginning of the year | 139,702,573 | 238,459,337 |
| Additions during the year | 42,846,354 | 42,192,855 |
| Interest received | 6,582,627 | 6,582,780 |
| Income recognition during the year | (59,560,963) | (147,532,399) |
| | 129,570,591 | 139,702,573 |

| | | |
|-------------------------|--------------------|--------------------|
| Non-current liabilities | 21,495,887 | 83,730,374 |
| Current liabilities | 108,074,704 | 55,972,199 |
| | 129,570,591 | 139,702,573 |

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 19 for reconciliation of each grant.

15. Payables from non-exchange transactions

| | | |
|--|---------|---------|
| | 346,504 | 326,827 |
|--|---------|---------|

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

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|-----------|-----------|
| 16. Share capital | | |
| Authorised | | |
| 4000 No par value shares | - | - |
| Reconciliation of number of shares issued: | | |
| 120 No par value shares | 120 | 120 |
| Issued | | |
| 120 No par value fully paid shares | 120 | 120 |
| 17. Rental income | | |
| Land and Premises | | |
| Premises | 2,592,732 | 2,889,040 |
| Included in the above rentals are operating lease rentals at straight-lined amounts of R 373,867 (2022: R 825,332) as well as contingent rentals of R 8,500 (2022: R 639,816). | | |
| The company lease land and facilities out and the current agreement period varies between month-to-month and 23 years. Long term leases has a annual escalation. | | |
| 18. Investment revenue | | |
| Interest revenue | | |
| Bank | 2,928,748 | 2,593,378 |

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

19. Government grants & subsidies**Operating grants**

| | | |
|---|-------------------|-------------------|
| Department of Economic Development and Tourism | 36,631,952 | 34,882,947 |
| Enterprise and skills development - DTI and DEDAT | 2,319,773 | 25,800 |
| Merseta - Skills Development | 286,500 | 2,966,775 |
| Schools' Development Programme | 1,304,348 | - |
| Skills development - CHIETA and LG SETA | 4,152,761 | 4,335,139 |
| | 44,695,334 | 42,210,661 |

Capital grants

| | | |
|---|-------------------|--------------------|
| Department of Trade and Industry - SEZ fund | 14,865,629 | 105,321,738 |
| | 59,560,963 | 147,532,399 |

Department of Trade and Industry - SEZ fund

| | | |
|---|-------------------|--------------------|
| Balance unspent at beginning of year | 107,756,504 | 206,877,561 |
| Conditions met - transferred to revenue | (14,865,627) | (105,321,738) |
| Interest received | 6,331,362 | 6,200,681 |
| | 99,222,239 | 107,756,504 |

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.

Department of Economic Development and Tourism

| | | |
|---|--------------|--------------|
| Current-year receipts | 36,501,739 | 34,829,565 |
| Conditions met - transferred to revenue | (36,631,951) | (34,882,947) |
| Interest received | 130,212 | 53,382 |
| | - | - |

Department of Economic Development and Tourism grant is funding for operational expenditure. Interest earned on investment grant funding is treated in accordance with the stipulations and conditions set out in the funding agreement.

Enterprise and skills development - DTI and DEDAT

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 6,323,644 | 6,020,728 |
| Current-year receipts | 121,052 | 328,716 |
| Conditions met - transferred to revenue | (2,319,772) | (25,800) |
| | 4,124,924 | 6,323,644 |

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

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

| | | |
|---|--------------|----------------|
| Balance unspent at beginning of year | 209,640 | - |
| Current-year receipts | 86,790 | 3,176,415 |
| Conditions met - transferred to revenue | (286,500) | (2,966,775) |
| | 9,930 | 209,640 |

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.

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|----------------|-------------|
| 19. Government grants & subsidies (continued) | | |
| Skills development - CHIETA and LG SETA | | |
| Balance unspent at beginning of year | - | 148,263 |
| Current-year receipts | 4,953,474 | 4,186,875 |
| Conditions met - transferred to revenue | (4,152,761) | (4,335,138) |
| | 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.

Schools' Development Programme

| | | |
|---|-------------|----------|
| Current-year 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.

20. Revenue

| | | |
|---|-------------------|--------------------|
| Rental income (refer note 17) | 2,592,732 | 2,889,040 |
| Sundry income | 13,250 | 5,250 |
| Interest accrued on financial asset at amortised cost (refer note 18) | 2,928,748 | 2,593,378 |
| Government grants & subsidies (refer note 19) | 59,560,963 | 147,532,399 |
| | 65,095,693 | 153,020,067 |

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

| | | |
|---|------------------|------------------|
| Rental income (refer note 17) | 2,592,732 | 2,889,040 |
| Sundry income | 13,250 | 5,250 |
| Interest accrued on financial asset at amortised cost (refer note 18) | 2,928,748 | 2,593,378 |
| | 5,534,730 | 5,487,668 |

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

| | | |
|---|------------|-------------|
| Taxation revenue | | |
| Transfer revenue | | |
| Government grants & subsidies (refer note 19) | 59,560,963 | 147,532,399 |

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.

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|-------------------|-------------------|
| 21. Employee related costs | | |
| Basic | 33,305,673 | 33,513,658 |
| UIF | 81,807 | 80,408 |
| WCA | 109,936 | 106,151 |
| Leave pay provision charge | 31,299 | 308,881 |
| Other allowances | 250,000 | 224,554 |
| Directors' fees (refer note 30) | 140,788 | 126,363 |
| | 33,919,503 | 34,360,015 |
| Remuneration of chief executive officer | | |
| Annual Remuneration | 2,741,565 | 2,747,244 |
| Contributions to UIF and Group life | 72,211 | 66,474 |
| Other | 12,000 | 12,000 |
| | 2,825,776 | 2,825,718 |
| Remuneration of chief finance officer | | |
| Annual Remuneration | 1,950,693 | 1,950,959 |
| Contributions to UIF and Group life | 51,896 | 47,806 |
| Other | 12,000 | 12,000 |
| | 2,014,589 | 2,010,765 |
| 22. Depreciation and amortisation | | |
| Property, plant and equipment | 28,418,796 | 28,150,829 |
| Investment property | 9,191,648 | 3,126,809 |
| Intangible assets | 142,862 | 315,600 |
| | 37,753,306 | 31,593,238 |
| 23. Lease rentals on operating lease | | |
| Premises | | |
| Contractual amounts | 28,250,740 | 28,557,620 |
| Equipment | | |
| Contractual amounts | 227,272 | 229,741 |
| | 28,478,012 | 28,787,361 |

The entity has an operating lease with Eigelaar en Seun for letting office space in Saldanha Bay. The agreement is for a period between 3-5 years and has an fixed annual escalation. Refer to note 3 for operating lease liability. The Transnet National Ports Authority (TNPA) lease period is 15 years with an option to renew. The first 5 years have a fixed annual escalation. The lease agreement will be reviewed and adjusted for market-related rental for years 6-15.

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 | 2023 | 2022 |
|--|-------------------|-------------------|
| 24. General expenses | | |
| Assessment rates & municipal charges | 844,903 | 949,230 |
| Consulting and professional fees | 1,567,870 | 2,104,563 |
| Consulting fees - Innovation campus | 170,158 | 2,084,817 |
| Electricity and water | 1,946,107 | 1,823,475 |
| Exhibitions | 440,137 | - |
| External audit fees | 1,555,425 | 1,497,983 |
| IT expenses | 2,566,082 | 2,666,964 |
| Insurance | 435,546 | 321,066 |
| Internal audit | 570,127 | 955,036 |
| Marketing and advertising | 1,152,547 | 1,870,333 |
| Printing and stationery | 297,643 | 188,804 |
| Repairs and maintenance | 1,039,170 | 416,369 |
| Reversal of operating lease asset | 1,149,078 | - |
| Security | 2,174,246 | 1,393,215 |
| Subscriptions and membership fees | 18,846 | 101,553 |
| Sundry expenses | 2,341,340 | 1,075,066 |
| Training | 80,417 | 471,069 |
| Training - Short skills project | 4,439,261 | 7,261,180 |
| Transfer of asset to Saldanha Bay Municipality | 8,392,525 | - |
| Transport and freight | - | 28,950 |
| Travel - local | 695,743 | 468,267 |
| Travel - overseas | 232,061 | 198,306 |
| Venue expenses | 64,742 | 33,321 |
| | 32,173,974 | 25,909,567 |

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

| | | |
|---------------------------------------|-------------------|-------------------|
| General expenses | 23,781,449 | 25,909,567 |
| Transfer to Saldanha Bay Municipality | 8,392,525 | - |
| | 32,173,974 | 25,909,567 |

25. Cash used in operations

| | | |
|---|---------------------|---------------------|
| (Deficit) surplus | (67,211,113) | 32,416,811 |
| Adjustments for: | | |
| Depreciation and amortisation | 37,753,306 | 31,593,238 |
| Loss on sale of assets and liabilities | (17,989) | (46,925) |
| Movements in operating lease assets and accruals | 2,188,981 | (13,978,536) |
| Movements in employee benefits | 44,335 | 232,626 |
| Impairment Investment Property | 94,579 | - |
| Transfer of asset to Saldanha Bay Municipality | 8,392,525 | - |
| Movement in employee benefits included in infrastructure assets | - | 136,535 |
| Changes in working capital: | | |
| Receivables from exchange transactions | (341,298) | 799,139 |
| Other receivables from non-exchange transactions | 735,280 | (894,719) |
| Prepayments | 435,263 | 7,260,466 |
| Payables from exchange transactions | 10,252,851 | (16,177,976) |
| Value added tax | 672,749 | 13,291,990 |
| Unspent conditional grants and receipts | (10,131,982) | (98,756,764) |
| Property, plant and equipment and Investment property payables | 2,944,253 | 17,411,674 |
| Investment Property prepayment | - | (5,000,000) |
| | (14,188,260) | (31,712,441) |

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

26. Financial instruments disclosure**Categories of financial instruments****2023****Financial assets**

| | At amortised cost | Total |
|--|--------------------|--------------------|
| Trade and other receivables from exchange transactions | 673,275 | 673,275 |
| Other 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 |
|---|--------------------|--------------------|
| Trade and other payables from exchange transactions | 18,002,550 | 18,002,550 |
| Trade and other payables from non-exchange | 346,504 | 346,504 |
| Unspent conditional grants and receipts | 129,570,591 | 129,570,591 |
| | 147,919,645 | 147,919,645 |

2022**Financial assets**

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

Financial liabilities

| | At amortised cost | Total |
|---|--------------------|--------------------|
| Trade and other payables from exchange transactions | 7,769,378 | 7,769,378 |
| Trade and other payables from non-exchange | 326,827 | 326,827 |
| Unspent conditional grants and receipts | 139,702,573 | 139,702,573 |
| | 147,798,778 | 147,798,778 |

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|-------------------|------------------|
| 27. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | - | 6,432,838 |
| • Investment property | 26,663,738 | 181,996 |
| | 26,663,738 | 6,614,834 |
| Total capital commitments | | |
| Already contracted for but not provided for | 26,663,738 | 6,614,834 |

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

Operating leases - as lessee (expense)

| | | |
|-------------------------------------|------------------|-------------------|
| Minimum lease payments due | | |
| - within one year | 1,723,253 | 24,569,389 |
| - in second to fifth year inclusive | 1,173,574 | 2,896,826 |
| - later than five years | 10 | 11 |
| | 2,896,837 | 27,466,226 |

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

Operating leases - as lessor (income)

| | | |
|-------------------------------------|-------------------|-------------------|
| Minimum lease payments due | | |
| - within one year | 3,288,643 | 1,615,785 |
| - in second to fifth year inclusive | 28,208,780 | 4,268,707 |
| - later than five years | 27,265,342 | 25,201,523 |
| | 58,762,765 | 31,086,015 |

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

28. Contingencies

No contingencies identified.

29. Related parties

| | |
|---------------------------|--|
| Relationships | |
| Directors | Refer to directors' note 30 |
| Controlling entity | Department of Economic Development and Tourism |
| Members of key management | Refer to note 21 |

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

Related party balances

| | | |
|--|------------|------------|
| Unspent conditional grants - Owing to related parties | | |
| Department of Economic Development and Tourism | 25,412,785 | 25,412,785 |
| Conditions met - transferred to revenue | | |
| Department of Economic Development and Tourism | 36,631,952 | 34,882,947 |

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

30. Directors' and co-opted members' fees**Non- executive/Co-opted****2023**

| | Fees | Total |
|--|----------------|----------------|
| Edwin Obiri (Non-Executive) | 22,969 | 22,969 |
| Irvin Esau (Non-Executive) | 43,094 | 43,094 |
| John Smelcer (Non-Executive) | 6,278 | 6,278 |
| Harris Talmakkies (Non-Executive) | 2,004 | 2,004 |
| Neil Jansen (Human Resources, Remuneration, Social and Ethics Committee) | 10,456 | 10,456 |
| 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 |

2022

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

31. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and the note to the cash flow statement that have been affected by prior-year adjustments. The accounts have been adjusted to include a operating lease creditor.

Statement of financial position**2022**

| | Note | As previously reported | Adjustment | Restated |
|-------------------------------------|------|------------------------|--------------------|--------------------|
| VAT receivable | 5 | 2,967,318 | 275,520 | 3,242,838 |
| Payables from exchange transactions | 12 | (5,657,060) | (2,112,318) | (7,769,378) |
| | | (2,689,742) | (1,836,798) | (4,526,540) |

Statement of financial performance**2022**

| | Note | As previously reported | Adjustment | Restated |
|---|------|------------------------|------------------|-------------------|
| Lease rentals on operating lease | 23 | 26,970,361 | 1,817,000 | 28,787,361 |
| General expenses - Electricity and water | 24 | 1,816,221 | 7,254 | 1,823,475 |
| General expenses - Assessment rates & municipal charges | 24 | 936,686 | 12,544 | 949,230 |
| Surplus for the year | | 29,723,268 | 1,836,798 | 31,560,066 |

Notes to the Annual Financial Statements

| Figures in Rand | | 2023 | 2022 | |
|---|------|------------------------|-------------|--------------|
| | | | | |
| 31. Prior-year adjustments (continued) | | | | |
| Cash flow statement | | | | |
| 2022 | | | | |
| | Note | As previously reported | Adjustment | Restated |
| Adjustments to note 25 - Cash generated from operating activities | | | | |
| Surplus | | 34,253,608 | (1,836,797) | 32,416,811 |
| Payables from exchange transactions | | (18,290,293) | 2,112,317 | (16,177,976) |
| VAT receivable | | 13,567,510 | (275,520) | 13,291,990 |
| | | 29,530,825 | - | 29,530,825 |

32. Risk management**Financial risk management**

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

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The entity uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting authority. Entity treasury identifies, evaluates and hedges financial risks in close co-operation with the entity's operating units. The accounting authority provide written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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

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

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

| At 31 March 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 | - | - |
| Trade and other payables | 18,002,550 | 346,504 | - | - |
| At 31 March 2022 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
| Unspent conditional grants and receipts | 55,972,199 | 83,730,374 | - | - |
| Trade and other payables | 7,769,378 | 326,827 | - | - |

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

32. Risk management (continued)**Credit risk**

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

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

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

| Financial instrument | 2023 | 2022 |
|--|-------------|-------------|
| Receivables from non-exchange transactions | 956,008 | 1,691,288 |
| Receivables from exchange transactions | 673,275 | 331,977 |
| Cash and cash equivalents | 142,771,381 | 175,611,477 |

Market risk**Interest rate risk**

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

At 31 March 2023, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R 142,771 (2022: R 175,611) 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 | 7.00 % | 142,771,381 | - | - | - | - |

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

Price risk

The entity is not exposed to price risk.

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.

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

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

Budget and actual differences are mainly due to expenditures for the conditional special projects grant that did not materialize. These projects are ongoing and will continue in the new fiscal year. As a result, the budget has been adjusted from the approved to the final budget.

Investment property budget adjustments resulted from constructing two facilities that started late in the year. The construction will be completed in 2024.

37. Broad-Based Black Economic Empowerment Act

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

In terms of B-BBEE regulations 12(2), the public entity is required to file the audited annual financial statements and annual report compiled in terms of section 13G (1), with the Commission, in the prescribed FORM B-BBEE 1 within thirty (30) days of the approval of such audited annual financial statements and annual report. The 2021/22 audit financial statements and 2021/22 annual report were submitted to the Commission.

38. Segment information

General information

Identification of segments

The entity is organised and reports to management on the basis of three major functional areas: primary, secondary and tertiary educational services. The segments were organised around the type of service delivered and the target market. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes. Statement of financial position are not reported on a segment level in management reports and therefore not included in annual financial statements.

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|-----------------|------|------|
|-----------------|------|------|

38. Segment information (continued)**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

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 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.

| Figures in Rand | | | | | |
|--|---------------------|----------------------|-------------------------------|------------------|---------------------|
| 38. Segment information (continued) | | | | | |
| Segment surplus or deficit | | | | | |
| 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 |
| Rental income (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 | | | | | |
| Salaries and wages | 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 surplus/(deficit) | (12,177,674) | (70,008,671) | 14,865,629 | 109,603 | (67,211,113) |

Figures in Rand

38. Segment information (continued)**2022****Revenue**

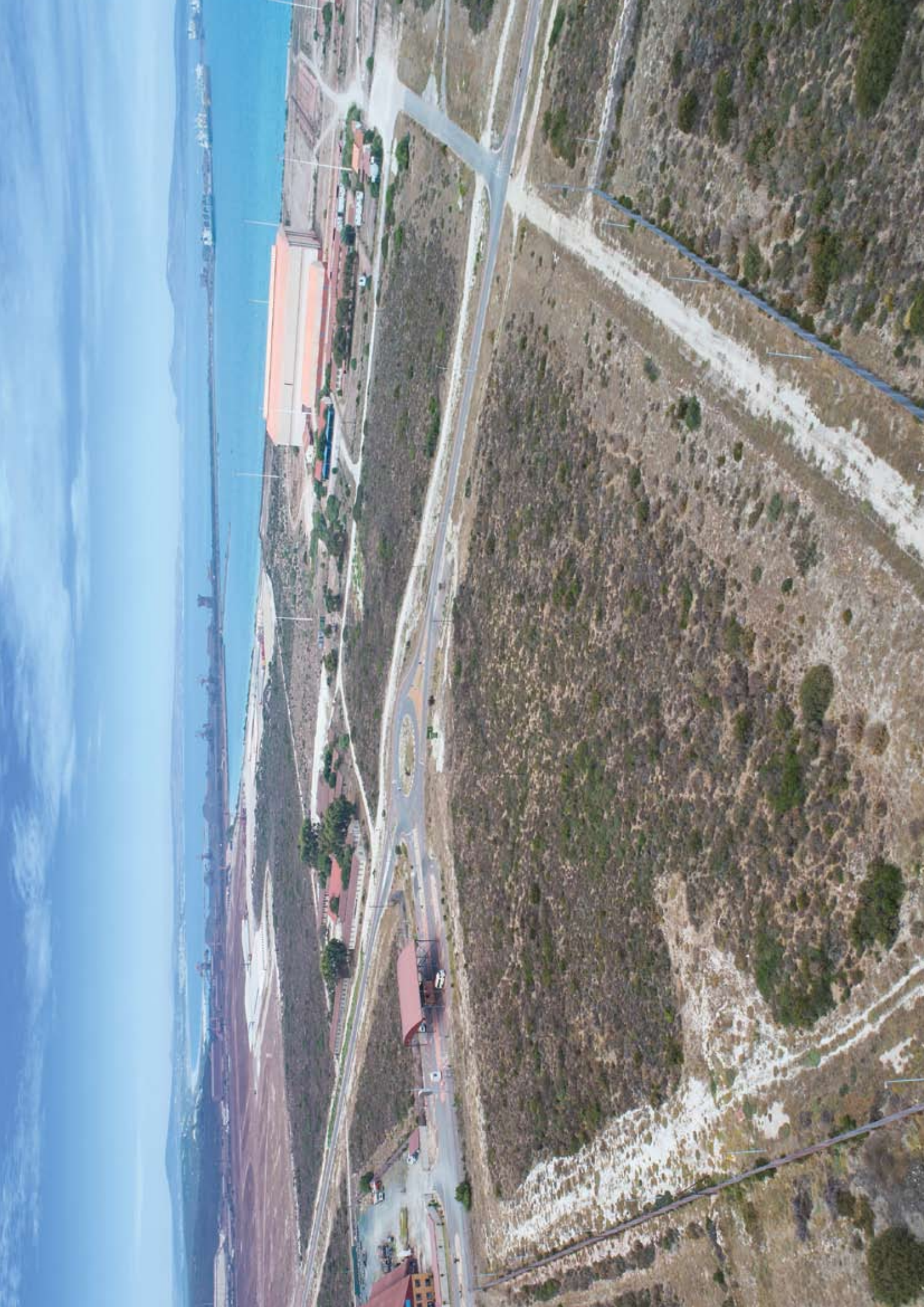
Revenue from non-exchange transactions
 Rental income (exchange transactions)
 Sundry income
 Interest revenue
 Gain on disposal

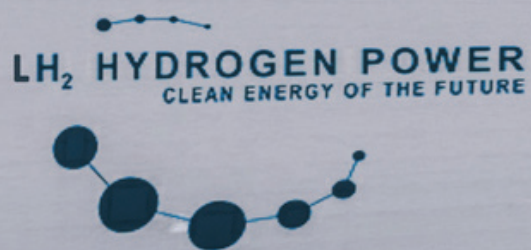
| | Corporate Services | Operational Services | Infrastructure implementation | Special Projects | Total |
|------------------------------|-----------------------|-------------------------|----------------------------------|---------------------|--------------------|
| | 7,334,104 | 27,548,843 | 105,321,738 | 7,327,714 | 147,532,399 |
| | - | 2,889,040 | - | - | 2,889,040 |
| | - | 5,250 | - | - | 5,250 |
| | 2,593,378 | - | - | - | 2,593,378 |
| | 46,925 | - | - | - | 46,925 |
| Total segment revenue | 9,974,407 | 30,443,133 | 105,321,738 | 7,327,714 | 153,066,992 |
| Entity's revenue | | | | | 153,066,992 |

Expenditure

Employee related costs
 Depreciation and amortisation
 Lease rentals on operating lease
 General expenses

| | Corporate Services | Operational Services | Infrastructure implementation | Special Projects | Total |
|--|-----------------------|-------------------------|----------------------------------|---------------------|--------------------|
| | 12,903,849 | 21,456,166 | - | - | 34,360,015 |
| | 859,896 | 30,733,342 | - | - | 31,593,238 |
| | 2,314,923 | 26,472,438 | - | - | 28,787,361 |
| | 6,993,451 | 11,625,986 | - | 7,290,130 | 25,909,567 |
| Total segment expenditure | 23,072,119 | 90,287,932 | - | 7,290,130 | 120,650,181 |
| Total segmental surplus/(deficit) | (13,097,712) | (59,844,799) | 105,321,738 | 37,584 | 32,416,811 |





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