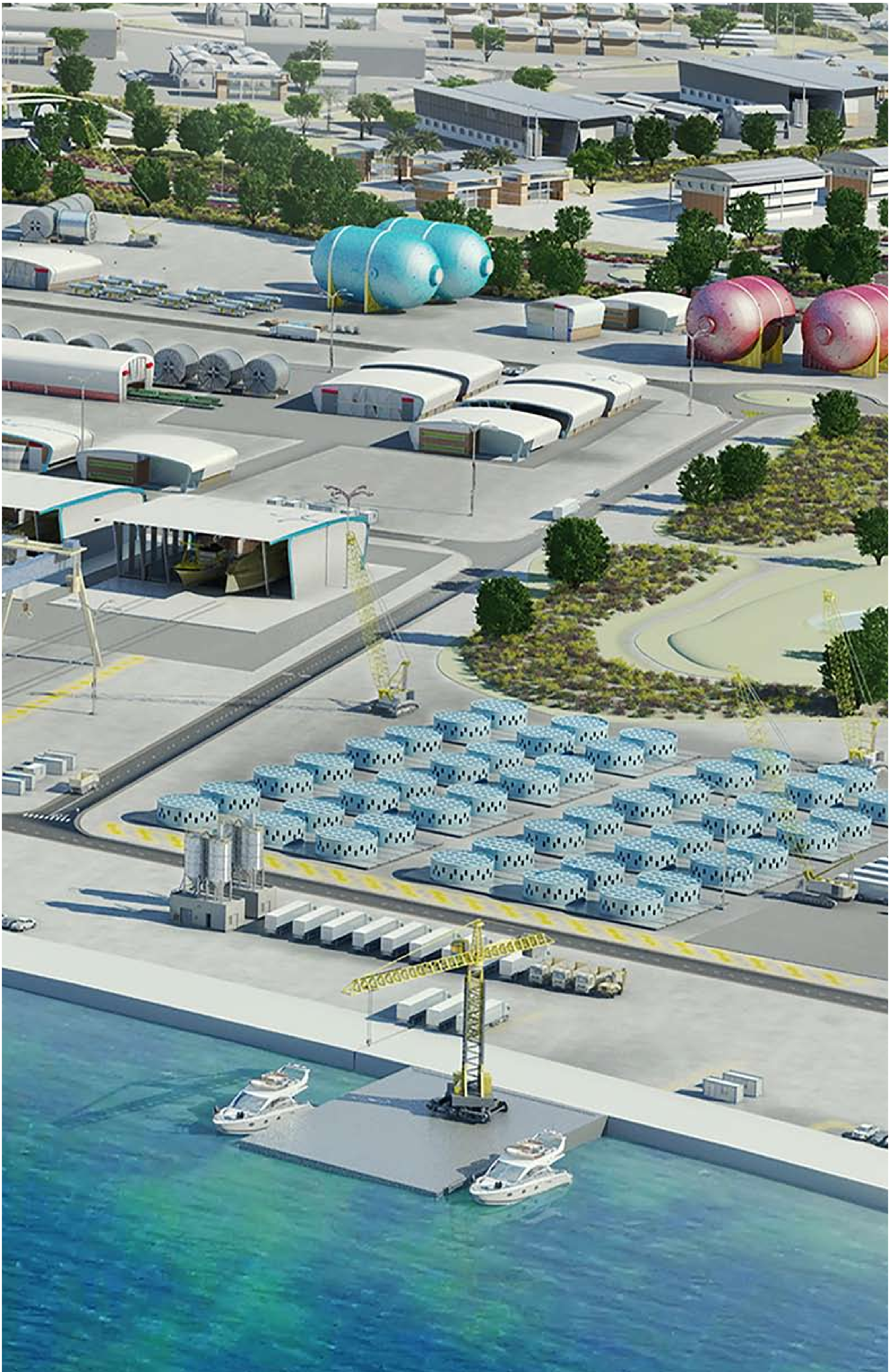
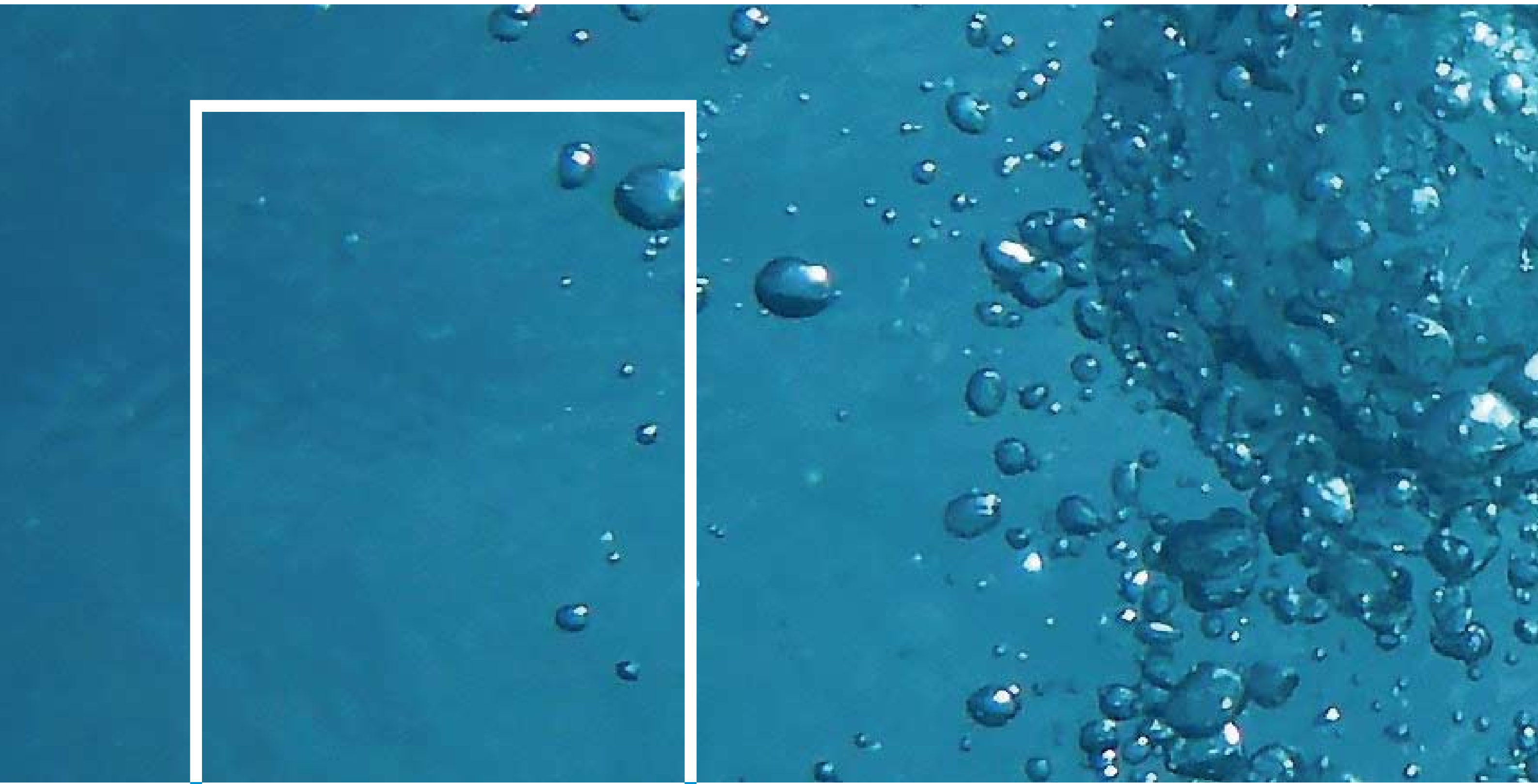
SALDANHA BAY
INDUSTRIAL DEVELOPMENT ZONE

ANNUAL REPORT 2020 / 21

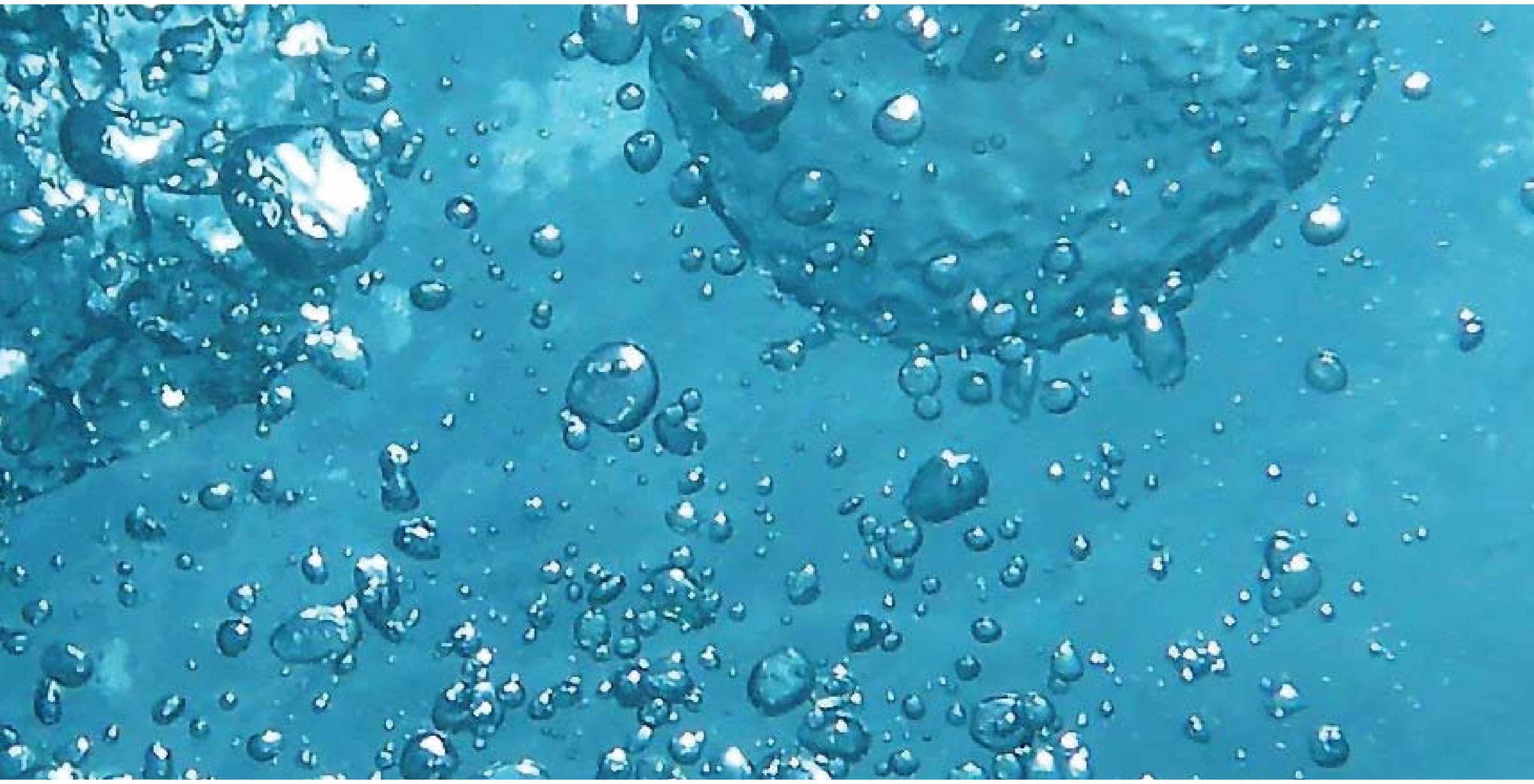
Saldanha Bay IDZ Licencing Company SOC Ltd

www.sbidz.co.za
+27 (0) 87 095 0261





CONTENTS



PART C: CORPORATE GOVERNANCE REPORT 57

PART D: HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT 71

PART E: FINANCIAL INFORMATION 77

A

GENERAL INFORMATION

1. PUBLIC ENTITY'S GENERAL INFORMATION

REGISTERED NAME:	Saldanha Bay IDZ Licencing Company SOC Ltd
REGISTRATION NUMBER:	2012 / 035625 / 30
PHYSICAL ADDRESS:	24 Main Road Saldanha Bay 7395
POSTAL ADDRESS:	PO Box 304 Cape Town 8000
TELEPHONE NUMBERS:	+27 22 714 0206 +27 87 095 0261
EMAIL ADDRESS:	info@sbidz.co.za
WEBSITE ADDRESS:	www.sbidz.co.za
EXTERNAL AUDITORS:	Auditor-General of South Africa 19 Park Lane Building Park Lane Century City
BANKERS:	Nedbank 5th Floor, Nedbank Building Silo District V&A Waterfront Cape Town 8001
COMPANY SECRETARY:	Sollie Marthinus

2. LIST OF ABBREVIATIONS/ ACRONYMS

AGSA	Auditor-General of South Africa
CBA	Cost-Benefit Analysis
CCA	Customs Control Area
CHIETA	Chemical Industries Education and Training Authority
DEA&DP	Department of Environmental Affairs and Development Planning
DEDAT	Department of Economic Development and Tourism
DEFF	Department of Environment, Forestry and Fisheries
DHA	Department of Home Affairs
DOE&L	Department of Employment and Labour
DOH	Department of Health
DotP	Department of the Premier
dtic	Department of Trade, Industry and Competition
DTPW	Department of Transport and Public Works
EIA	Environmental Impact Assessment
ERRP	Economic Reconstruction and Recovery Plan
GTAC	Government Technical Advisory Centre
IDC	Industrial Development Corporation
IDZ	Industrial Development Zone
KPI	Key Performance Indicator
MEC	Member of the Executive Council
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
NDA	Non-Disclosure Agreement
NT	National Treasury
OHS	Occupational Health & Safety
PCC	Port Consultative Committee
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PT	Provincial Treasury
RIS	Reimagined Industrial Strategy
RoFR	Right of First Refusal
SAOGA	South African Oil and Gas Alliance
SAMSA	South African Maritime Safety Authority
SAPS	South African Police Service
SARS	South African Revenue Service
SBIDZ	Saldanha Bay Industrial Development Zone
SBIDZ-LC	Saldanha Bay IDZ Licencing Company SOC Ltd
SBM	Saldanha Bay Municipality
SCM	Supply Chain Management
SIP5	Strategic Integrated Project 5
SEZ	Special Economic Zone
SOC	State-Owned Company
SWOT	Strength, Weaknesses, Opportunities and Threats
TNPA	Transnet National Ports Authority
TPT	Transnet Ports Terminal
WCDM	West Coast District Municipality
WCG	Western Cape Government

3.

FOREWORD BY THE CHAIRPERSON

Introduction

Maritime policy in the country has long recognised the potential of the South African maritime industry to contribute to the growth and radical transformation of the South African economy, given its long coastline and location straddling a major shipping route.

The maritime industry is international in nature and that makes adequate port infrastructure and efficient operations, competitive regulatory frameworks and skilled labour important for countries to attract and retain business.

"In today's world, particularly for the maritime industry, cities are to an increasing extent competing to attract the best companies, start-ups and most talented people. The winners in this race for attractiveness are – and will continue to be – the leading maritime centres of the world."[1]

In order to exploit the potential of its maritime industry, South Africa needs enabling policies that seek to drive industry competitiveness through investments in port infrastructure and operational efficiencies, as well as increase its capacity to develop skills.

The challenge for the SBIDZ in this context will be how it utilises the limited resources at its disposal to ensure it realises its socio-economic development programme.

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

As captured in our Five-Year Strategic Plan 2020–2024, our vision is to become a world-class marine and energy services centre and shipyard in Africa. This is informed by the ability of the energy and marine sectors to offer South Africa a chance to increase its industrial capability, because these sectors stimulate the creation of a host of engineering, manufacturing and fabrication businesses, that sell their services and products on very diverse and long value chains.

Our current investor pipeline, with a value of more than R21 billion, cannot be served on the current landside footprint. In support of the marine manufacturing, repair and services

[1] Menon Economics-DNV GL. 2019. The leading maritime capitals of the world 2019, p. 4.

mandate of the SBIDZ, as well as a national requirement for dedicated port infrastructure to support ship building and ship repair, new port infrastructure is needed in the Port of Saldanha Bay. To this end, Management commissioned the Marine Infrastructure Environmental Impact Assessment and completed a cost-benefit analysis on port infrastructure that would support our investor pipeline.

The proposed infrastructure comprises a lay-by jetty, ship lift, boat hoist, pier and jetty in the southwest precinct of the SBIDZ. Preliminary results indicate a viable business case. As a delivery partner for South Africa's National Development Plan (NDP) goals, this initiative can be viewed as supporting key programmes such as Operation Phakisa, which aims to unlock the potential of the Oceans Economy. Our initiative will be driven in close collaboration with the TNPA, emphasising the need for a much stronger relationship with Transnet.

Our pipeline continues to reflect a diverse commercial offering developing within the zone, varying from long-term leases, project leasing facilities, an office complex for commercial rental, and an emerging innovation and research facility. As we move towards operationalisation, construction activity is expected to increase, as evidenced by the number of warehouses under construction. The construction of the Access Complex commercial office building was completed in the current financial year and Management's focus is to ensure that it is fully tenanted. The completion of this and our first tenant facility during the year marked a huge milestone in the company's drive to achieve commercial sustainability.

As mentioned in last year's feedback, two main issues that still require finalisation are the signing of the TNPA leases and finding a long-term, mutually satisfactory arrangement with the Department of Environmental Affairs and Development Planning (DEA&DP) as regards a range of environmental issues that could seriously impair the commercial potential of the zone.

All targets set out in the 2020/21 Corporate Plan were achieved with the exception of the number of page views on the SBIDZ-LC website, which was partially achieved. Management is working on strategies to increase visits to the website.

During our five-year strategic planning for 2020–2024, we committed ourselves to good governance which was a strong feature of the preceding five years. As part of that commitment, the Board and Management undertook a governance framework review process which is nearing its conclusion. The commitment to good governance has yet again yielded a clean audit for the SBIDZ-LC.

Lastly, like many other businesses, we had to respond to the COVID-19 pandemic challenge to safeguard employees, customers and the business to ensure the continuity of the company, to our investors and in our markets. Despite having to initially offer rental relief and construction stoppages, the financial impact of the pandemic and lockdowns was minimal, with the SBIDZ-LC covering its losses through the prudent management of its budget during the year.

Strategic relationships

Maintaining the relationships that we have developed with our key programme partners is vital to the success of the SBIDZ. Our key programme partners include our shareholder – the Department of Economic Development and Tourism (DEDAT), The Department of

Trade Industry and Competition (dtic), Transnet National Ports Authority (TNPA), Saldanha Bay Municipality (SBM), local businesses and the community. We also partner with key departments within the Western Cape Government, such as the Departments of Transport and Public Works (DTPW), Department of Environmental Affairs and Development Planning (DEA&DP), and the Department of Health (DoH); National Government departments such as National Treasury (NT), the dtic and the Department of Employment & Labour (DoE&L); organised labour (unions); South African Revenue Services (SARS); financial institutions; industry associations; and most crucially, actual and potential investors/ tenants within the zone itself. The Management team regularly engages with partners to address issues, for example, relating to the unlocking of land earmarked for development through offsetting to unlocking funding/ resources necessary to enable the development of catalytic infrastructure at the Port of Saldanha.

Challenges faced by the Board

As mentioned last year, the greatest challenge facing the Board is the revitalising of the South African maritime industry. With a significant number of ports available, the maritime industry presents an ideal opportunity to facilitate growth. At least 30 000 vessels passing by South Africa's waters every year and only 13 000 dock in South African ports. As identified by Operation Phakisa, we only do maintenance on 5% of them due to limited capacity in our ports. Improving this will require investments in new port infrastructure, increased capacity to develop skills and market growth through strategic marketing to bring new business and opportunities to our ports.

The second-biggest challenge facing the Board is ensuring alignment in the zone with port strategic planning and operations. The current National Ports Plan (2019) will increase capacity, but it has a 28-year timeline. Because of the reliance of the SBIDZ investor pipeline on port infrastructure and the requirement for the SBIDZ to reach financial self-sufficiency by 1 April 2023, the SBIDZ-LC must act proactively to have the catalytic port infrastructure in place in support of the investor pipeline.

The SBIDZ-LC relies on the WCG to fund its operational activities and has high exposure to SEZ Fund grant funding for capital infrastructure and tenant top structures. The impact of the COVID-19 pandemic has led to the rationalisation of these sources of funds and the constrained fiscal environment due to the pandemic is likely to result in more budget adjustments. This will require Board and Management to be proactive in investigating alternative funding sources.

Acknowledgements and Appreciation

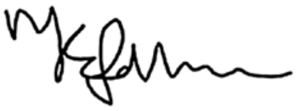
We owe special gratitude for the massive support we receive from DEDAT, our shareholder representative in the WCG, under the leadership of Minister David Maynier and, from his Department, Head of Department Mr Solly Fourie, Ms Jo-Anne Johnston and Mr Herman Jonker.

I wish to thank the Board, its Committees and our Executive Management team for achieving the targets set for the 2020/21 financial year despite a challenging economic environment. I specifically want to thank our previous Board Chairperson, Dr Johann Stegmann, for his sterling work in helping to steer the SBIDZ to where it is today. We will continue to rely on the commitment and dedication of the SBIDZ-LC employees demonstrated in the previous years. I wish everyone all of the best as we strive for commercial sustainability and growth in the coming years.

I wish to thank the following key partners who continue to give us the support we need to achieve our goals: the SBM, particularly the Municipal Manager Mr Heinrich Mettler and his team; the dtic, for its unwavering support during the past financial year; Transnet, with whom we work together to ensure an integrated approach to developing the SBIDZ and the Port; and the WCG (DEDAT, DTPW, Provincial Treasury (PT) and the DoH).

Conclusion

Despite a challenging global trading environment and subdued growth in the South African economy, the goals we have set ourselves are clear and doable. With our very capable Management team under the leadership of our CEO, Ms Kaashifah Beukes, I have no doubt that we will fulfil our commitments to our shareholder, the Saldanha Bay community and our funder, the dtic.



Thembisile Salman
Board Chairperson
3 September 2021

4. CHIEF EXECUTIVE OFFICER'S OVERVIEW

Introduction

The 2020/21 financial year tested all our newly minted strategies and plans, being the first year of our new five-year Strategic Plan 2020–2024 and the first annual Corporate Plan thereof. I am immensely humble and grateful that the work we put in with our stakeholders during 2019 held us steady despite fierce headwinds and immense personal and professional tolls.

Our Strategic Plan was based on a sound analysis of our operational environment, stakeholder expectations, the shifting trends in our markets and the sentiment to Special Economic Zones (SEZs) locally, nationally and abroad. It set four strategic priorities that are equally reactive and deliberate in leading where the SBIDZ-LC Board and staff aim to go and how they intend to get there: firstly, to fully operationalise and become commercially sustainable; secondly, to provide catalytic, growth enabling and accessible infrastructure and facilities; thirdly, to secure effective business, government and society partnerships; and fourthly, to ensure communities and businesses are engaged and effectively supported with skills, practice and knowledge to compete regionally and globally.

The various analyses conducted and engagements held during 2020 tested and refined these priorities further into the unified view of the Board and Management that, considering our country's fiscal and other challenges, we would have to adopt a more aggressive stance to capitalise on opportunities opening up around us.

We have to apply our resources in the most practical and effective way to move forward with our vision – a vision that still has unique relevance to the country, as succinctly and eloquently put by our new Board Chairperson, Mr Thembisile Salman, in his foreword.

We submit our annual report to our stakeholders and statutory bodies in the spirit of our values: being pioneering, partnership-focused, accountable and sustainability-driven.

Annual Performance

In accordance with our fundamental role to grow the economy and stimulate employment creation, and the economic model we instituted to track this impact, we originally set indicators for 2020/21 of R1,7 billion GDP, R1,38 billion GGP and 2 980 jobs in South Africa for the financial year, based on forecasts of expenditure and its contribution to economic activity and employment. However, due to the COVID-19 pandemic, we adjusted our targets downwards by 40% midway in the year, setting new targets of R1,02 billion GDP, R833 million GGP and 1 788 jobs in South Africa for the period under review.

During the year under review, the SBIDZ contributed R1,11 billion to South Africa's GDP, R893m to the Western Cape GGP and sustained 1 644 jobs throughout the Western Cape – of which 745 were directly due to the activities of the SBIDZ and a further 898 resulted from indirect and induced effects in the province – and sustained 1 960 jobs throughout South Africa.

The company, on average, exceeded its adjusted targets by 9% for the year under review. This was achieved through the diligent, proactive work we undertook to re-open the zone as soon as allowed, putting constructive measures in place like a COVID-19 Occupational Health and Safety (OHS) Advisor for our tenants and contractors, and strengthening our customer management with our investment pipeline and key role-players such as the SBM, WCG PT, DEDAT, the Department of the Premier (DotP), and the dtic.

Overall the company achieved three out of four Administration Programme indicators, with 'website views' achieving 62% of its target for the year. Management is undertaking a review and strengthening of marketing strategies and plans in this area. The Operations Programme achieved all seven of its indicators, and actually overachieving three indicators, namely the two Standard Operating Protocols established with SARS and DHA; an average of 22 days' turnaround time on building plan approval with the SBM; and 35% of space tenanted with contracts signed for long-term and short-term tenants, exceeding the target of 25%.

Financial

For the year under review, the company received R38,7 million (PY20: 248,1 million) in conditional grant funding. The total grant revenue recognised for the year was R193 million (PY20: R356,9 million): 74% relates to the dtic SEZ Fund grants, 22.7% to DEDAT's allocated operating grant and the rest is recognised from various special project grants. Rental revenue increased from R3,8 million in 2020 to R7,2 million in 2021.

Total expenditure increased by 13.6%. This is due to the increase in operational activities needed proportional to increasing activities in the zone and an increase in the depreciation expense. Total expenditure for the Operations segment amounted to R67,1 million (PY20: 53,4 million), Corporate Services was R23,3 million (PY20: R22,5 million) and R6,3 million (PY20: R9,1 million) for the Special Projects segment.

As at 31 March 2021, total company assets exceed R1,1 billion. The increase in the SBIDZ assets reflects its capital investment programme. Management's primary focus was to complete the Access Complex facility and one investor top structure. The successful achievement of this objective recognised a transfer of R173,6 million from work in progress to buildings and investment property. Work in progress projects totalled R121,9 million, including investor top structures and infrastructure projects.

Capacity constraints and challenges facing the company

The pandemic has changed the way people live and spend in the economy and how they think about and treat their environment, including an accelerated decarbonisation and digitisation agenda and awareness of equitable participation in the economy.

The SBIDZ is no different from other companies around the world dealing with these mega-trends. The SBIDZ is a service hub for offshore Exploration & Production (E&P) vessels (such as oil rigs). This market has changed. This is obvious in the investments deferred from new offshore oil wells and into gas, offshore wind and onshore renewable energy alternatives. The take-up of this transition in Africa is questionable, being the least carbon contributor but suffering the most energy poverty.

The SBIDZ is a service hub for all maritime vessels, repairing and manufacturing vessels and supplying them with value-added services while in port. This market has also changed. Africa needs smaller vessels as well as bigger vessels; the decarbonisation of shipping requires changes to manufacturing know-how and supply chains; circular economy systems in industrialisation are deepening; digitisation and autonomous vessel technologies are being proven; and the role of ports in leading and contributing to thriving people, economies and environments is becoming common practice.

The SBIDZ will have to evolve to remain relevant to its purpose, the market and the opportunities it sees over the coming years. Hopefully, legislative reform and implementation keeps apace or, at the least, does not impede what is meant to be a dynamic, agile and experiment-leading programme in our economic and industrial policy toolkit.

Discontinued activities/ activities to be discontinued

Not applicable.

New or proposed activities

One area to highlight is the direction given by the Board to maintain its commitment to the SBIDZ becoming commercially sustainable by 1 April 2023 and to do all within its powers to fulfil that compact with the WCG. This requires the company to prioritise revenue-generating investments, including investing in the marine environmental impact assessment (EIA) and cost-benefit analysis for new port infrastructure for ship building and associated value chains, serving the fishing industry, maritime defence, circular economies, shipping, surveying, E&P, commercial boat building, etc.

Requests for rollover of 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 key objectives.

Unsolicited bids

No unsolicited bids were awarded during the financial period.

Audit report matters in the previous year and how they would be addressed

There were no matters raised in the Audit Report of the 2019/20 Annual Report.

Events after the reporting date

The annual Port Consultative Committee (PCC) of the Port of Saldanha Bay's Port Performance Roadshow was not held in the reported year. The roadshow is used to invite port users to review port plans, Capex plans and port performance and how these link back to the cost of doing business from a port perspective and the tariff process. Therefore, key information detailing past port expenditures was not available for inclusion and reflection in this Annual Report.

Outlook

Our outlook is brutally realistic regarding the complexity of the programme and the business we are executing. We also appreciate the complexities within the various stakeholders in business, government and society. We remain steadfast in our values to be partnership-focused, recognising the value of collaboration and synergies.

Appreciation

My sincere appreciation goes first and foremost to all my co-workers, my Executive Management team and the Board. This has been a year like no other, and my first as the appointed CEO. We pulled through due to the breadth of experience in the team, a curious mindset and a deep appreciation and trust in each other.

We could not have weathered these storms without the continual commitment of our programme partners, the SBM, WCG, the dtic, and Transnet and its operating divisions, as well as the IDC, SARS, DHA, DOE&L, DEFF, DTPW, DEA&DP, SAMSA, WCDM and many more.

Lastly, I especially express our appreciation of our shareholder representative, Minister for Finance and Economic Opportunities Mr David Maynier, for his attentive support in maintaining the SBIDZ on its pioneering and bold journey.

Kaashifah Beukes
Chief Executive Officer
3 September 2021

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 is free from any omissions.

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

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

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

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

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

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public company for the financial year ended 31 March 2021.

Yours faithfully

Chief Executive Officer
Kaashifah Beukes
3 September 2021

Chairperson of the Board
Thembisile Salman
3 September 2021

6. STRATEGIC OVERVIEW

6.1. Vision

Vision for the Zone

We are Africa's premier marine and energy services centre and shipyard, offering a world-class integrated engineering, fabrication, logistics and free port 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 foster responsible investment in the zone as an inclusive and sustainable economic catalyst that sees Saldanha Bay transform over the next 20 years from a fishing village to a thriving city built on a maritime economy creating prosperity for all who live and work here.

6.3. Values

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

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

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

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

7.

LEGISLATIVE AND OTHER MANDATES

7.1 Constitutional Mandate

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

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

Section 81 of the Constitution of the Western Cape, 1997, provides that the WCG must adopt and implement policies to actively promote and maintain the welfare of the people of the Western Cape, including policies aimed at the creation of job opportunities and the promotion of a market-orientated economy. The SBIDZ fulfils the purpose of a SEZ 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 to become commercially sustainable.

7.2 Legislative and Policy Mandates

7.2.1 National Legislative Mandates

Manufacturing Development Act, No. 187 of 1993

GENERAL NOTICE 31 OCTOBER 2013 No. 36988 3 NOTICE 1081 OF 2013

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

Special Economic Zones Act, 2014 (Act No. 16 of 2014)

The Special Economic Zones Act, 2014 (Act 16 of 2014) (SEZ Act) provides for the designation, promotion, development, operation and management of Special Economic Zones (SEZs), inclusive of the establishment of a provincial government business enterprise to manage an SEZ. The SEZ Act also provides for the functions of the SEZ’s operator.

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

- attracting foreign and domestic direct investment;
- providing the location for the establishment of targeted investments;
- taking advantage of existing industrial and technological capacity, promoting integration with local industry and increasing value-added production;
- promoting regional development;
- creating decent work and other economic and social benefits in the region in which

it is located, including the broadening of economic participation by promoting small, micro and medium enterprises and co-operatives, and promoting skills and technology transfer; and
- the generation of new and innovative economic activities.

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

The Broad-Based Black Economic Empowerment Act 2003 (Act 53 of 2003) establishes a legislative framework for the promotion of black economic empowerment. Our vision is to promote sustainable economic growth and job creation within the broader SBM. The company has embraced the principles and objectives 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 enhanced by the following legislation:

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

7.2.2 Provincial Legislative Mandates

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

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

a. promoting, managing and marketing the SBIDZ;
b. providing internal infrastructure in the SBIDZ area;
c. facilitating the ease of doing business in the SBIDZ area; and
d. acquiring and leasing land incidental to the company's business.

7.2.3 National Policy Context

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

- The National Development Plan;
- The National Infrastructure Plan;
- The Economic Reconstruction and Recovery Plan;
- The Presidential Infrastructure Coordinating Commission (PICC) Rollout Programme;
- The Reimagined Industrial Strategy;
- Operation Phakisa; and
- National Infrastructure Plan (SIP5).

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

7.2.4 Overarching Policy Environment

National Development Plan Vision 2030

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

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

7.2.5 Leading Economic Policy

The Economic Reconstruction and Recovery Plan

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

The ERRP includes measures to:

- achieve sufficient, secure and reliable energy supply within two years;
- create mass employment;
- increase infrastructure investment;
- reduce data costs;
- increase localisation for reindustrialisation and growth; and
- resuscitate vulnerable sectors such as tourism, which have been hard hit by the pandemic.

7.2.5.1 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 is articulated in the new Reimagined Industrial Strategy (RIS). The 6th South African Democratic Administration led by President Ramaphosa has stressed the importance of policy implementation as a central feature over the next five years. 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 through supporting improved industrial performance, dynamism and competitiveness. A key pillar of the RIS is the development of Master Plans and a strong social compact between government, industry and organised labour is central to these Master Plans, whereby each social partner commits to implementing interventions to transform and build the economy.

Master Plans, each led by an identified national department, are currently at various stages of development. 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 government;
- Proposing programmes for collective action (industry, government and labour);
- Developing development targets for industry; and
- Establishing an institutional structure to drive implementation.

Once developed, Executive Oversight Committees (EOCs) and Industry Reference Groups (IRGs) will be set up to monitor the implementation of the commitments reflected in each Master Plan.

The dtic is responsible for the development and execution of Master Plans for the following sectors:

- Car manufacturing;
- Clothing, textile, leather and footwear;
- Poultry;
- Sugar;
- Steel and furniture; and
- Chemicals and plastics.

Additional Master Plans will be developed over the next financial year to help create conducive conditions for industries to grow.

7.2.6 Provincial Policy Context

The SBIDZ is linked to broader provincial strategies and policies, including the Western Cape Infrastructure Framework and the Western Cape Spatial Development Framework by virtue of DEDAT being the overseeing governing body. Specifically, the SBIDZ falls under Provincial Strategic Goal VIP2, focusing on exports, employment and GDP, as per the WCG Provincial Strategic Plan 2019–2024. The SBIDZ also aligns with the SBM Local Economic Development Strategy and the Growth Potential Study of Towns (GPS), 2014.

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

7.3.1 Policies

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

The Saldanha Bay 4th generation 2017–2022 Integrated Development Plan (IDP) is the 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 of five years, it is reviewed annually in consultation with the local community as well as interested organs of state and other role-players. The IDP should guide and inform all planning and development that the SBM undertakes towards the fulfilment of the Municipality's constitutional, legislative and developmental mandate within the municipal area.

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

Clear linkages can be drawn between this strategic objective and the SBIDZ's stated purpose of, among others:

- attracting foreign and domestic direct investment;
- taking advantage of existing industrial and technological capacity, promoting integration with local industry and increasing value-added production; 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 thus the SBM's economic, sectoral, spatial, social, institutional and environmental vision. It is the principal tool the municipality uses to achieve its desired spatial form. The SDF identifies the SBIDZ as part of a number of development initiatives that influenced industrial development and contributed to the broadening of the economic base of the municipal area.

As such, the SDF reflects 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 high-tech economic development, to take advantage of global demand opportunities and encourage local employment and capacity building". This becomes especially pertinent when taking into account the future growth of the port facility and expected pressures on the industrial land supply, given the potential of the growth in backward and forward linkages.

Saldanha Bay Municipal Infrastructure Growth Plan (SBM IGP)

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

Western Cape Infrastructure Framework (WCIF)

The WCG is mandated to coordinate provincial planning under Schedule 5A of the Constitution. As part of this mandate, the Western Cape Infrastructure Working Group produced the WCIF, which was adopted in 2013. The WCIF is intended to align the planning, delivery and management of infrastructure provided by all stakeholders (national government, provincial government, local government, SOEs and the private sector), to the strategic agenda and vision for the province. The WCIF anticipates 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; and
- Communities and the private sector have greater certainty over where development and investment are heading, and so can respond to opportunities arising.

The PSDF's spatial policies cover three interrelated themes, namely "resources", "space economy" and "settlement". In adopting a strategic view of the provincial space economy, the PSDF identifies three functional regions where significant development trends and/or development 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 National Development Plan (NDP) indicated that by 2030, South Africa should have made meaningful and measurable progress to create more functionally integrated, balanced and vibrant urban settlements. To attain 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. It aims to foster a shared understanding across government and society about how best to manage urbanisation to create resilient and inclusive cities and towns, such as Saldanha and Vredenburg. Ultimately, in relation to the mandate of the SBIDZ-LC, the IUDF calls for the government and society to adopt a more resolute, holistic and coordinated approach to deciding the most appropriate urban locations for business and industrial development.

7.3.2 Strategies

dtic SEZ Strategic Framework 2020–2030: Draft

The draft SEZ Strategic Framework 2020–2030 draws on best practice research from the United Nations Conference on Trade and Development

(UNCTAD), the World Bank, the United Nations Development Programme (UNDP), as well as SEZ case studies across the globe.

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

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

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

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

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

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

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

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

- **VIP 1:** Safe and Cohesive Communities;
- **VIP 2:** Economy and Jobs;

- **VIP 3:** Empowering People;
- **VIP 4:** Mobility, Spatial Transformation and Human Settlements; and
- **VIP 5:** Innovation and Culture.

Due to its mandate and nature of work, the SBIDZ-LC 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 GGP through increasing value-added production and the generation of new and innovative economic activities within the oil, gas and marine services industries. The PSP recognises the oil, gas and marine services sectors as priority sectors based on their potential to create jobs and unlock further economic opportunities and competitive advantage. The PSP has identified the SBIDZ-LC as playing a catalytic role in unlocking the industrial and economic potential of the West Coast.

Western Cape Recovery Plan (WCRP)

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

The WCRP is built on four themes, namely 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 themes.

The SBIDZ resides within the 'Jobs' theme of the WCRP and contributes to all five focus areas of the theme. The focus areas are:

- Accelerate Ease of Doing Business.
- Boost infrastructure.
- Boost investment and exports.
- Scale up work opportunities and skills for people without jobs.
- Economic resilience.

The contribution to the five focus areas is evidenced by the company's investment promotion mandate, the investment pipeline established and infrastructure developed, where some investments are already realised and in operation in the zone. In addition, the SBIDZ-LC Strategic Plan and Corporate Plan commit the company to take a more activist role in enabling catalytic marine infrastructure in the zone and port, through the CBA and EIA for marine services infrastructure currently underway. Lastly, investors in the zone will be import and export facing, as their operations come on line over the next years.

The SBIDZ-LC also contributes to 'Scale up of work opportunities and skills for people without jobs' through its development programmes. This is to a lesser degree as the SBIDZ-LC undertakes industry-targeted skills development as a strategic link between local citizens and the maritime and energy markets in the SBIDZ to create a pipeline of competent, accessible and competitive skills capacities.

In the long term, through the Innovation Campus programme, the SBIDZ-LC will also contribute to the 'Economic Resilience' focus area, 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 SBIDZ.

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

Saldanha Bay Municipality Local Economic Development Strategy (SBM LED)

The SBM LED Strategy provides 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 focuses 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 SBIDZ:

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

This theme of close alignment with the SBIDZ within the SBM LED Strategy extends to the actual strategies that the Municipality will employ towards achieving its economic objectives. These are:

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

It is thus clear that a significant part of the Municipality's economic strategy is closely aligned to the mandate and work of the SBIDZ-LC.

Growth Potential Study of Towns (GPS) 2014

The Western Cape Growth Potential Study of Towns was drafted in 2014 to determine the growth potential of settlements in the Western Cape outside the Cape Town metropolitan area and their socio-economic needs, using quantitative data (e.g. factors relating to socio-economic, economic, physical-environmental, infrastructure and institutional aspects). The GPS found 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 that would unlock latent development potential, and assist or influence the local, provincial and national government to make crucial and informed decisions on where to invest in the future, were identified. The GPS identifies "business, marketing and skills development" as a key lever to unlock 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 potential.

Saldanha Bay Municipal Economic Recovery Plan 2020 (MERP)

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

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

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

As the most important development that will take place in the Saldanha Bay municipal area over the next 10 to 20 years, the SBIDZ is a catalytic and critical short, medium and long-term recovery mechanism 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 the SBIDZ-LC or may have a significant impact on its operations.

8. ORGANISATIONAL STRUCTURE

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

Administration has the overarching objective of implementing best practice governance in support of the operations of the company. The programme has a complex role due to its need to balance agile business needs and 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.

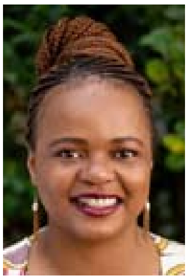
Operations has the overarching objective of attracting, servicing and maintaining tenants and investors to the zone. The programme must lead proactively to ensure a business-friendly environment that addresses the needs of the industry and all its role-players and stakeholders of the company.

Executive Management

Kashifah Beukes
Chief Executive Officer

Doug Southgate
Chief Operating Officer

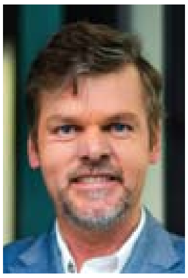
Herman Boneschans
Chief Financial Officer



Bernedicta Durcan
Ease of Doing Business

Laura Peinke
Business Development
Resigned: 30 August 2020

Adinda Preller
Transaction & Investor Support

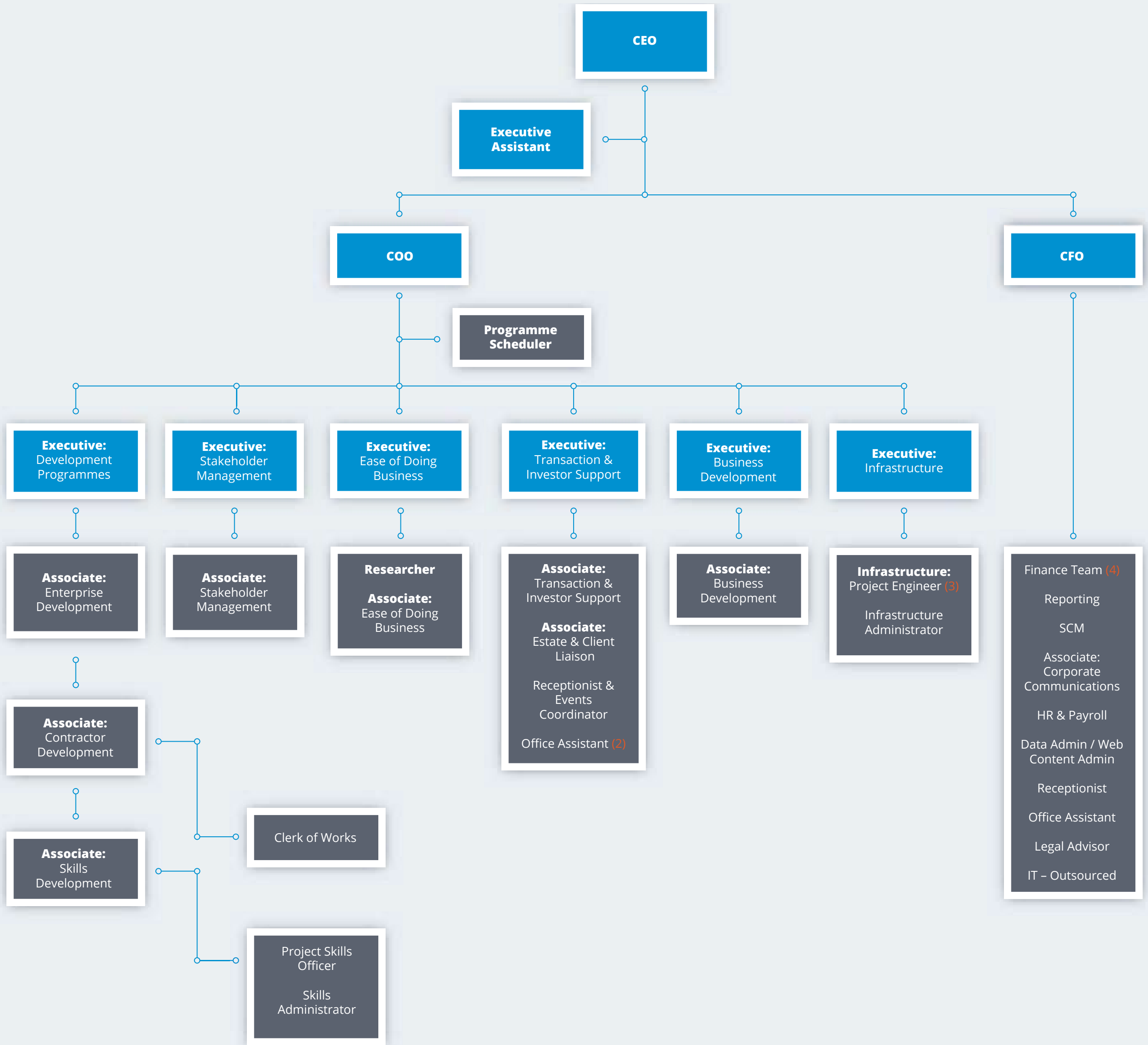


Hannes Marais
Infrastructure & Environment

Patrick Lakabane
Development Programmes

Danielle Manuel
Stakeholder Management

ORGANISATIONAL STRUCTURE



9.

BOARD OF DIRECTORS

The Board is composed of representatives of the founding partners from the three spheres of government, namely the SBM, WCG 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.

Thembisile Salman
Board Chairperson
Appointed: June 2018

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

Johann Stegmann
Deputy Chairperson
reappointed: February 2021

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

Jacqueline Brown
Appointed: November 2019

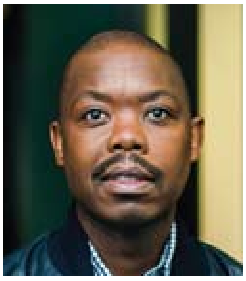
Ms Jacqueline Brown obtained a BA Social Work degree from the University of the Western Cape and later completed a Postgraduate Certificate in Engineering Business Management at the University of Warwick in the UK.

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

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

Heinrich Mettler
Appointed: June 2019

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



Justice Ngwenya
Appointed: January 2019

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

Irvin Esau
Appointed: April 2019

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
Appointed: March 2019

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
Appointed: April 2019

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

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

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

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

Ms Kaashifah Beukes is the Chief Executive Officer of the Saldanha Bay IDZ Licencing Company SOC Ltd and is responsible and accountable to the Board of Directors for the management of the company and the delivery of the SBIDZ-LC's mandate and operationalisation strategy. Ms Beukes has been with the SBIDZ-LC since its start-up in 2014. She has 18 years' experience of leading people and teams through complexity and risk, and just under a decade of experience in design, construction and project management of civil engineering infrastructure. She is passionate about making a sustainable, transformative impact, especially at the community level. Ms Beukes holds a BSc in Civil Engineering and 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 12 years. He was appointed as Chief Financial Officer of the SBIDZ-LC in 2014.

Sollie Marthinus
Company Secretary

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

B

PERFORMANCE INFORMATION

1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

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

Refer to page 81 of the Report of the Auditor-General, published in Part E: Financial Information.

2. SITUATIONAL ANALYSIS

2.1. Service Delivery Environment

Context

SBIDZ and Saldanha Bay

Reflecting on the year under review, the SBIDZ-LC 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:

1. As a 'free port', the SBIDZ is the only SEZ in a port with a Customs Control Area status and offers these financial and non-financial benefits to its tenants and users of the port and zone[2].
2. As an SEZ, the SBIDZ has serviced land with environmental authorisations[3] on most of the (previously greenfield) site.
3. As an SEZ, the SBIDZ is designed to enable and secure dynamic and responsive private sector investment in the zone and in the country.
4. As an SEZ targeting the marine and energy sectors, the SBIDZ enables sustainable, comprehensive industrialisation and structural transformation of the economy by catalysing the establishment of competitive South African value chains through investment attraction and retention, enterprise and supplier development, skills development, research & development and innovation.
5. Based in the Port of Saldanha, the SBIDZ has the natural advantage of a location at the deepest and largest bay in the Southern Hemisphere.

The Saldanha Bay municipal area, together with the Swartland, provided the bulk of employment opportunities in the West Coast District in 2018. The SBM area also contributed the largest share of the District economy from agriculture, forestry, fishing and the most manufacturing activity in that year (Provincial Treasury, 2020). However, Saldanha Bay also had the highest unemployment rate in the District in 2018 and, due to the COVID-19 pandemic, the municipal area was expected to contract by 5.3% in 2020.

Marine

Shipping has had to face a new reality of healthcare measures, safety concerns, lower volumes and social distancing. Normal trade flow patterns were interrupted as goods are required to stay in transit for longer, and it is estimated that 150 000 seafarers were in need of crew change by 15 May 2020 due to the forced inability to rotate seafarers on and off ships[4].

The shipping industry responded to the lower demand and heightened healthcare and safety environments with an increasing interest in freight technologies (companies providing data analysis, artificial intelligence software and overall end-to-end supply chain management, robotics, etc.) for the long-term building of resilience. In addition, the industry expects to see a heightened need for demolition of vessels in an oversupplied market, as well as in the short-term to address their supply chain risk and find local partners to provide expertise and equipment needed to keep ports and terminals open.

---

[2] As applicable and subject to regulatory frameworks.

[3] Within set scopes defined in the EAs.

[4] International Association of Ports and Harbours. Business as unusual - adapting port business models to survive and thrive in the post COVID-19 era, 13 May 2020.

Oil and Gas

With regard to market contexts, the oil and gas sector saw unprecedented upheaval due to the pandemic and the global lockdowns on travel coming into effect during the year. Although travel restrictions are lifting, there remains uncertainty on the timing thereof and the likelihood of rebound infections occurring. Understandably, capital and operational expenditures are being reassessed in existing and new projects. However, due to licence conditions in many countries, some oil majors must mobilise their capital and drill wells to retain their exploratory licences. South Africa is one such beneficiary. Also, for operational wells that must be kept open, many operators must maintain skeleton crews to prevent the well operation from falling below health and safety regulations and operator standards.

With storage at a premium of late and demand low, countries and operators need to balance the risk of shutting too many wells and demobilising workforces and supply chains should demand pick up more than currently projected. To address some of the uncertainty in the market, companies will be looking for local supply chains and workforces to find solutions to their supply chain risk from the limited travel and import/ export rules in many countries. Trusted partners will have to be found and this presents an opportunity for the government and the SBIDZ-LC to explore.

Lastly, for South Africa especially, with its nascent oil and gas industry, the consequences of the drop in demand for oil presents an opportunity to progress with its comprehensive petroleum legislation, focus on skills development and supplier development and exploit the heightened awareness of energy resilience and transition to lower-carbon technologies. The Innovation Campus presents one such delivery channel to exploit, in terms of energy consumer education, industry collaboration, technology incubation and investments.

Engineering and Manufacturing

One of the lasting effects of the pandemic will be the long-lasting changes to the workplace and shop floor. As many countries phase in different regulations to limit the spread of the disease – or fend off a resurgence – manufacturing and engineering firms need to assess their risks and choices between health, wellness, quality and financial standing in trying to ensure their continued operation.

This will probably be the most challenging aspect of manufacturing firms going forward, as implementing and maintaining enhanced hygiene and physical distancing measures comes at a cost that must be balanced against productivity margins – which is especially difficult with uncertainties of demand and supply.

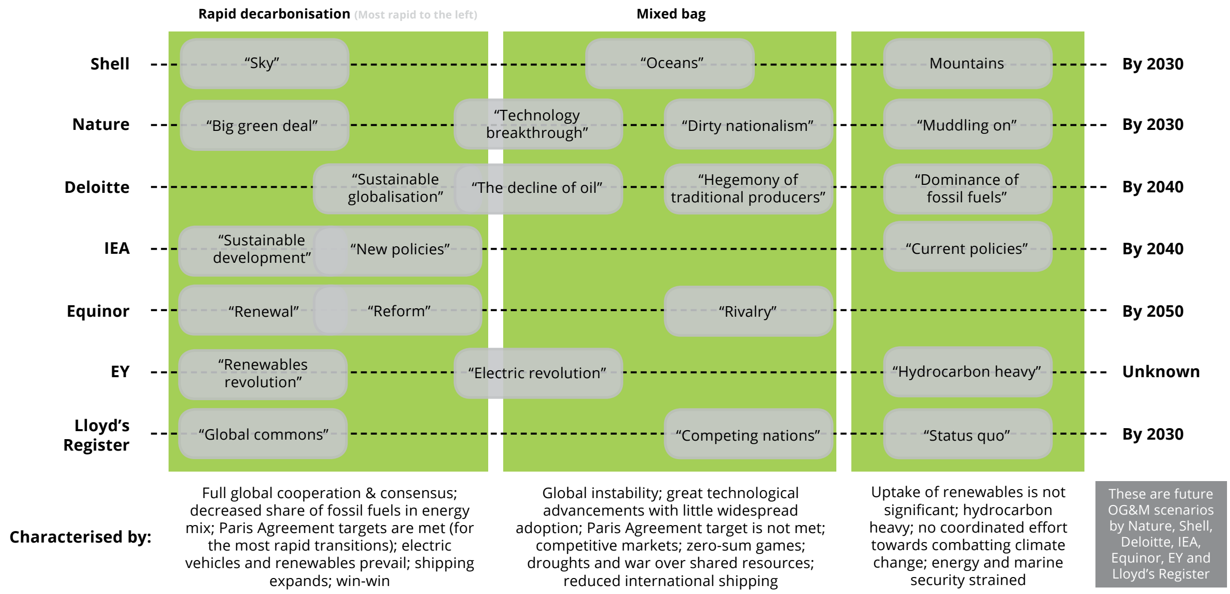
Some subsectors' financials remain sound as orders were confirmed well before the lockdown and, due to the necessity of their products, commitments will remain once logistics regulations allow. Some have been able to diversify their service/ product offerings to opportunities in the market and maintain some productivity, but this is largely the case for firms that had good competence, capacity and sufficient raw materials on hand before the lockdown and thus had fewer supply chain disruptions in pivoting their business.

Notwithstanding the uncertainties of supply and demand, the sector must first address the operational challenges of protecting a workforce during a health calamity. In this regard, the pre-emptive measure of a zone-wide COVID-19 OHS Advisor was the best means to ensure that the zone leads in finding solutions for its tenants.

In addition, the local cluster work being initiated in development programmes and other areas will also bear fruit for the creation of local supply chain networks and the capability to buffer the risk of supply chain disruptions over the coming medium to long term.

Key market trends

Existing global industry scenarios can be grouped into three common scenarios – Rapid Decarbonisation, Mixed Bag and Business as Usual – with the following characteristics:



Key findings of the scenario synthesis:

Scenario synthesis
The 23 existing global scenarios from various sources for the OG&M sector were broadly categorised into 3 main scenarios: 1) Rapid decarbonisation (characterised by *increased global cooperation and cordination*; 2) Mixed bag (characterised by *increased competitiveness; zero-sum games*); 3) Business as usual (*hydrocarbon dominance will remain into the future*)
A futute with increased geopolitical instability is likely to have the most adverse on African regions due to increased competitiveness between regions and increased nationalism. Infant industries with limited skills and reserves of their own, like South Africa, are likely to suffer
The future state of the global marine industry is technologically advanced and SA and African regions are likely to remain importers of marine technology and skills (if there are no significant intervention) as they currently lack the necessary infrastructure and innovation ecosystems to support the required level of innovation to be globally competetive
Irrespective of a future scenario that is hydrocarbon heavy or decarbonised, investment in the exploration and production of O&G will continue to assist in meeting a rising global energy demand
Despite climate change legislation, SA's carbon intensity is likely to remain high. Other pressing concerns such as energy security and job creation seem to have surpassed the urgency of addressing climate change. Reactive climate change mitigation measures may be detrimental to the local OG&M services sector in the long run
The Western Cape is well-positioned to benefit from the future state of the O&G industry

Current and Anticipated Risks and Opportunities

Current market opportunities for the Western Cape for the global O&G and marine market, based on market trends[5]:

[5] A Global, African, South African and Western Cape Oil & Gas, and Marine Fabrication & Repair Situation Analysis, RIIS, 2019.

Analysis of the "As is" Situational report as well as the global, O&G, and marine market trends sheds light on several, key, current market opportunities for the Western Cape O&G and marine manufacturing sectors

- The global commercial value that is obtainable from the Blue Economy (US$ 3 - 6 trillion p.a. with 90% of trade occuring through sea trade)
- Developing the South African OG&M industry: for every additional R1 billion in GDP generated by the industry, 2 409 jobs are created (based on 2019 predictions from Operation Phakisa)
- The net worth of the top 18 leading marine manufacturing companies is approximately worth US$ 130 billion, and growing - with no notable marine manufacturing capabilities in Africa aside from South Africa
- Increased global investement into sustainability of O&G production - with a collective investment of approximately US$ 260 billion in low-carbon energies
- African free trade agreement estimated to increase intra-regional trade by 52%: 90% of trade tariffs from African imports will be cut, which could be worth US$ 2.5 trillion

In addition to the current market opportunities, there are several anticipated (future) opportunities that may result as an outcome of global market trends today and future global industry scenarios. The anticipated market opportunities have been classified within the short term (3–5 years), the medium term (5–10 years) and the long term (over 10 years):

Short Term	Medium Term	Long Term
Increased training capabilities due to technological advances in digital representation of physical assets	Potential increase in the number of jobs available for the unemployed population of South Africa as the OG&M sector develops	Increased natural gas exploration and production and export of LNG as a commodity would materially impact on South Africa's total ecomonmic output. Total's find of 500 million to 1 billion barrels of gas condensate (barrels of oil equivalent) could equate to US$ 6.5 billion to US$ 13.1 billion in revenue (1.8% - 3.6% of SA GDP)
Growth of luxury and leisure boating industry as an investement for tax breaks. The luxury boat export industry is worth R1.5 billion (90% of value is created in Cape Town)	Increased tension within the Strait of Hormuz would alter trade routes of shipping vessels to travel around South Africa as trade occurs between East and West	Potential savings associated with importing less crude oil and natural gas for South Africa's energy needs. A 10% decrease in crude oil imports could represent a R83.7 million saving on import costs
	Skills and knowledge transfer as a result of the migration of Eastern populations in search of improved quality of life and employment opportunities	Projected energy demand for 2030 is predicted toincrease by 40% relative to 2010

The current risks are based on the 'Business as usual' scenario, where current conditions prevail. Future risks were identified for each of the future scenarios:

- Rapid decarbonisation scenario: Characterised by full global cooperation and consensus; a decreased share of fossil fuels in the energy mix; Paris Agreement targets are met (for the most rapid transitions); electric vehicles and renewables prevail; shipping expands; win-win.

- Mixed bag scenario: Characterised by global instability; great technological advancements with little widespread adoption; Paris Agreement targets are not met; competitive markets; zero-sum games; droughts and wars over shared resources; reduced international shipping.

The top risks identified per scenario are as follows:

Current risks	Future risks	
Business as usual	**Rapid decarbonistion**	**Mixed bag**
1. Climate change Scale, risk and location of effects of climate change not well understood **2. Energy security** Eskom recovery plan fails **3. Water security** Water conservation and water demand management strategies fail	**1. Labour** Unemployment rate rises **2. Relevance of local workforce** South African labour force incapable of meeting service needs of decarbonised technologies	**1. Oil supply** OPEC partnership collapse **2. Energy transition** SA does not meet its Paris Agreement pledge **3. Nationalism and protectionism** Barriers to entry worsen

Strategy

The outlook for the SBIDZ-LC business model is positive based on its resiliency, despite the immediate financial impacts of the pandemic:

- The SBIDZ-LC operates in diverse markets (oil, gas, manufacturing, storage, logistics, support services) and it is not dependent on the oil price for its value proposition.
- The SBIDZ-LC has investments and interests in business operations within the circular economy, such as the recycling of oil and lubricants, green ship recycling and pyrolysis plants.
- The SBIDZ-LC has distributed strategies that meet short-term shocks and opportunities and long-term trends, from having serviced, accessible land available with access to government incentives, to future-proof responsive themes such as the Innovation Campus and new port infrastructure that will increase the capacity of the port and industrial hinterland to accommodate different industrial potential.
- The SBIDZ-LC has redundancies that can be called upon to expand into other sectors should the business case for these be established, such as the CCA status, its SEZ status and its footprint in the port.
- It is a lean organisation and geared for remote and agile working.

2.2. Organisational Environment

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

By using the vehicle of an IDZ to facilitate sustainable economic growth in the Saldanha Bay area, the SBIDZ-LC will enable the levels of infrastructure development and support required to capitalise on the unique value proposition of an upstream oil, gas and marine repair, fabrication, logistics and related servicing cluster to support the African continent, thus ensuring sustainable economic development not only for the area, but a sizeable contribution to the national GDP.

The SBIDZ designated areas include a component of the TNPA land for direct access and usage, governed by a Memorandum of Understanding (MoU) between the SBIDZ-LC and the TNPA that will enable the creation of the first free port in South Africa.

2.3. Key Policy Developments and Legislative Changes

The SBIDZ-LC functions under the Special Economic Zones Act, 2014 (Act 16 of 2014), on a national level and the Saldanha Bay Industrial Development Zone Licencing Company Act, Act 1 of 2016, on a provincial level.

2.4. Progress towards Achievement of Institutional Impacts and Outcomes

Impact

To create an enabling, inclusive, sustainable environment.

Outcome

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

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

Planned targets as per the original tabled 2020/21 Corporate Plan

Outcome	Output	Output Indicator	Actual Performance 2018/19	Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement 2020/21	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	-	-	R1,7 billion	-	-	-
	GGP	A cumulative contribution to the Western Cape GGP by investment within the IDZ by the end of the financial year 2024/5	-	-	R1,389 billion	-	-	-

Outcome	Output	Output Indicator	Actual Performance 2018/19	Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement 2020/21	Reason for deviation
To promote sustainable economic growth and job creation	Jobs	The creation of direct, indirect and induced jobs throughout South Africa by the end of the financial year 2024/5	-	-	2 980	-	-	-

In-Year Changes – Re-tabled 2020/21 Corporate Plan

Outcome	Output	Output Indicator	Actual Performance 2018/19	Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement 2020/21	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.	-	-	R1,02 billion	R1,11 billion	R90 million	Estimated that the four-month site shutdown due to the national lockdown and intermittent disruption of progress of the investment pipeline due to the pandemic would have a 40% decline impact on planned targets.

In-Year Changes – Re-tabled 2020/21 Corporate Plan (continued)

Outcome	Output	Output Indicator	Actual Performance 2018/19	Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement 2020/21	Reason for deviation
To promote sustainable economic growth and job creation	GGP	A cumulative contribution to the Western Cape GGP by investment within the IDZ by the end of the financial year 2024/5.	-	-	R833 million	R893 million	R60 million	Estimated that the four-month site shutdown due to the national lockdown and intermittent disruption of progress of the investment pipeline due to the pandemic would have a 40% decline impact on planned targets.
	Jobs	The creation of indirect and induced jobs throughout South Africa by the end of the financial year 2024/5.	-	-	1 788	1 960	172	Estimated that the four-month site shutdown due to the national lockdown and intermittent disruption of progress of the investment pipeline due to the pandemic would have a 40% decline impact on planned targets.

3.

PERFORMANCE INFORMATION

Programme 1: Administration

Purpose

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

The programme has a complex role due to its need to balance the business needs and requirements of the operations while undertaking a crucial governance function within the company. It also provides a treasury function to ensure optimum spending and utilisation of financial resources.

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

Programme Structure

The programme includes the following functions:

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

Funding

Operations are currently funded by the WCG, while infrastructure is funded by the National Government by way of the Special Economic Zone (SEZ) Fund. The WCG also funded the purchase of the Saldok land from the IDC. Development Programmes are funded from various sources as they do not form part of the formal funding programme.

Outcome, Output Indicators, Targets and Actual Achievements

PROGRAMME: ADMINISTRATION

Outcome	Output	Output Indicator	Actual Performance 2018/19	Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement 2020/21	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	-	
To promote sustainable economic growth and job creation	Institutional agreements monitored	Number of institutional agreements reviewed	4	2	3	3	-	
To promote sustainable economic growth and job creation	Number of frameworks created and/ or reviewed to monitor and manage tenant lease agreements	Number of frameworks reviewed	1	1	5	5	-	
To promote sustainable economic growth and job creation	Website performance	Number of page views on the SBIDZ website	-	-	36 000	22 425	(13 575)	COVID-19 had an impact on businesses and the general public, hence the appetite for enquiries, engagements and transacting via the website was less than anticipated.

Strategy to overcome underperformance

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

Changes required to planned targets

None required.

3.2. Programme 2: Operations

Purpose

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

Programme Structure

The programme includes the following business units:

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

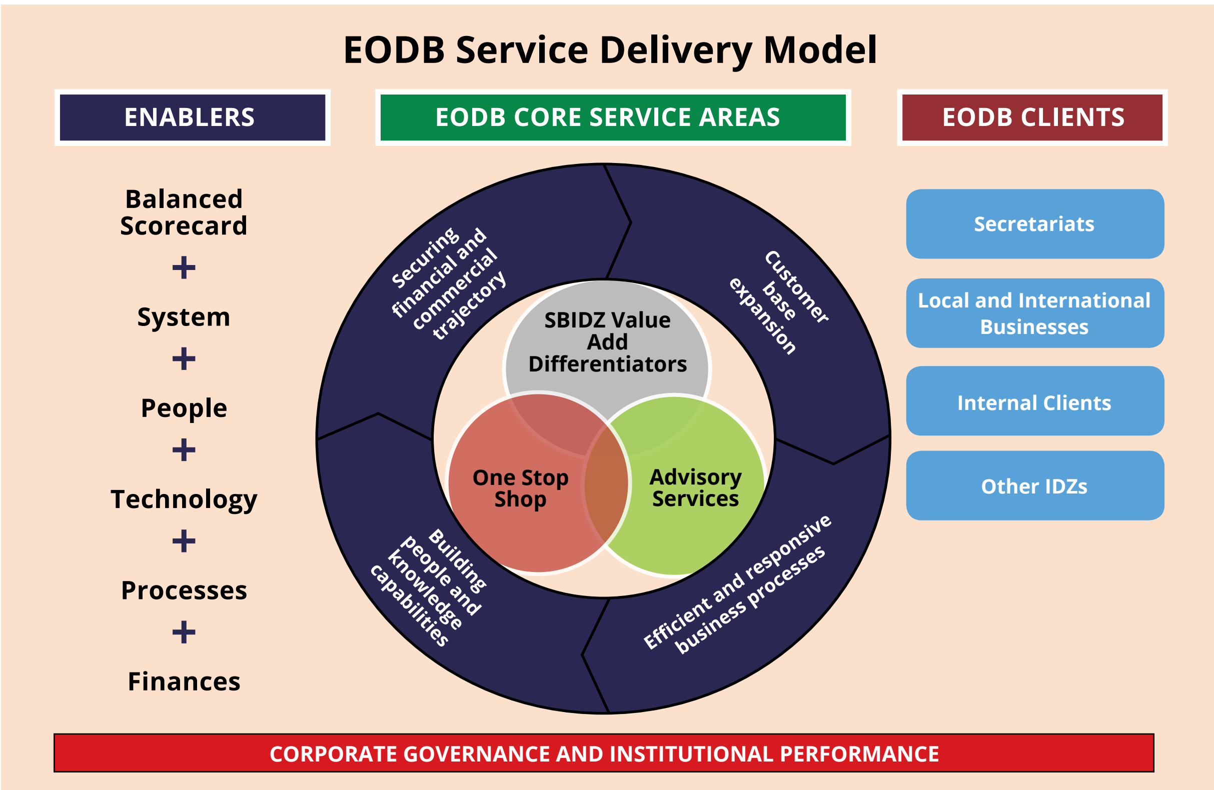
Highlights of each business unit for the year under review are shared below.

Ease of Doing Business

The Ease of Doing Business (EODB) Unit is continually looking to respond to investor needs. It is an investor-responsive approach to not only attract investment, but also facilitate retention and expansion as the whole ecosystem and sector is built together, recognising that this is largely a nascent industry in South Africa. Businesses need to remain profitable for the entire value chain to be sustainable. Our role is to facilitate this growth and expansion by enabling business partners to get on with their core business.

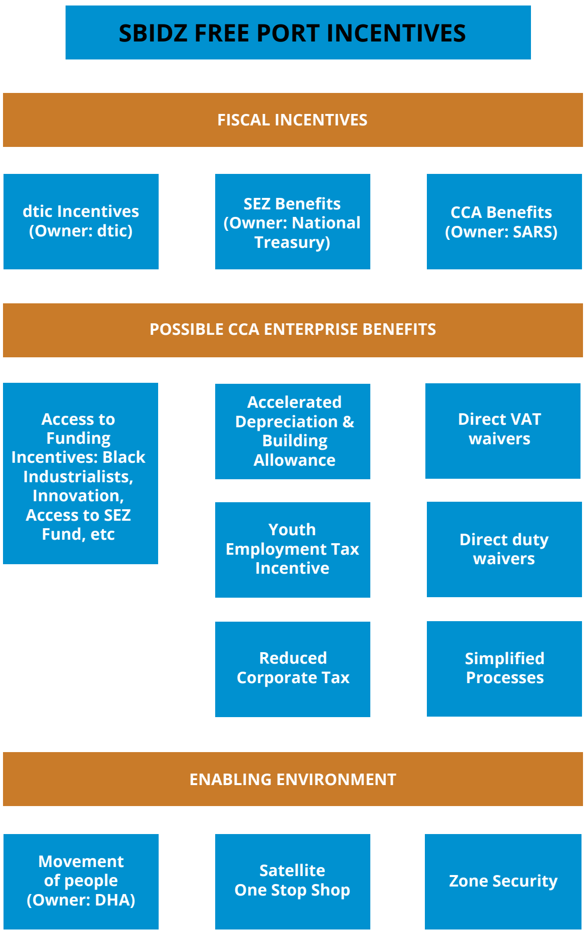
The EODB service delivery model was further developed during this financial year to respond to the commercial sustainability goals of the company as well as the changing market conditions. A Value-Add Differentiator Package has been developed which outlines the key areas of:

- The SBIDZ free port incentives
- Services for the single point of entry/'One-Stop Shop'
- Infrastructure
- Access to Saldanha/ West Coast markets for positive spillover effects
- Focus on sustainability



The SBIDZ free port incentives are one of the key value-add differentiators of the zone and pertinent to the marine and energy sectors that we attract.

The model has been packaged in a way that highlights what is on offer. This includes the fiscal incentive offering from National Treasury, SARS and the dtic, as well as the enabling environment offering bespoke services to the movement of people (visas and work permits), the satellite One-Stop Shop (ease of access to information and services) and state-of-the-art security infrastructure and protocols, such as the pending ISPS (International Ship and Port Security) node application.



Business Development

The Business Development unit focuses on investment promotion activities in the zone, as well as on concluding key memoranda of agreement with a specific focus on increasing the value proposition and future investment into the zone. The SBIDZ has established a robust and growing tenant pipeline and will continue to drive diversification for the resilience of the pipeline and the market positioning of the zone.

At the start of the COVID-19 pandemic, the unit focused on:

- Engagement with 21 significant investors to minimise the impact of COVID-19 on these projects in terms of project timelines.
- Providing incentives and grant funding support to investors. Two SBIDZ investors received conditional approval for the construction of their facilities subject to securing co-funding. Five SBIDZ investors have applied for the Black Industrialist Scheme incentive – the applications are at various stages of progress.
- Providing enabling project support to existing investor projects and to advance to final feasibility stage and financial close, such as the envisaged green ship recycling facility and bulk fuels project.

Furthermore, special projects were undertaken under Business Development, specifically, the Marine Infrastructure CBA, as new port infrastructure is needed in the Port of Saldanha in support of the marine manufacturing, repair and services mandate of the SBIDZ-LC, as well as a national requirement for dedicated port infrastructure in support of shipbuilding and ship repair. In terms of the SBIDZ-LC development, the zone is substantially built in the northern precinct and the focus has moved to operationalising the southern precinct.

An initial high-level probability analysis of the investor pipeline concerning investors' potential need for marine infrastructure was undertaken, as well as a broad review of current sectoral demand. Consideration was given to existing infrastructure in the Port of Saldanha, planned Operation Phakisa infrastructure and existing infrastructure in the Saldanha Small Bay. Different sectors were analysed in terms of current and potential future demand and market trends.

An indicative port design plan, scheduling and costing gave preference to a phased approach to the port development, taking into consideration investor demand and all previous port engineering work undertaken in Saldanha Bay. The recommended Master Plan for the port infrastructure comprises a lay-by jetty, a 220m ship lift, a 560-ton mobile boat hoist, a 250m x 150m pier and a 200m x 40m jetty in the Southwest precinct of the SBIDZ.

Utilising the costings for the master plan, a CBA was undertaken and the findings indicated the economic viability of the master plan. However, in the economic and financial analysis, it was concluded that only four of the seven phases are individually economically efficient. The project was therefore divided into two parts. Part 1 consists of phases 1, 2, 3 and 5, the four phases that are economically efficient. These are the ship lift, the Southwest precinct pier, the mobile hoist and the Southwest jetty.

The findings of the financial analysis complement the economic results. The proposed port development is financially sustainable operationally but will require a capital subsidy. It was found that Part 1 would be particularly robust financially. Part 1 of the project will make a major macroeconomic contribution with a cumulative contribution to national GDP of R67 billion by 2040. Nationally, 11 000 jobs would be created during the height of the construction period and 6 000 jobs would be sustained once all the port infrastructure is operational.

Following the economic and financial modelling of Part 1, a transactional and commercial modelling was completed, taking into account international best practices and the prevailing South African marine legislative and policy environment. Recommendations on the optimal project structure were made by conducting a qualitative analysis utilising a multi-criteria analysis (MCA), a value for money (VfM) analysis and an affordability analysis.

The consolidation of the various components of the analysis requires the port development to be taken forward for refined engineering, financial and capital raising and regulatory planning. In the year under review, the SBIDZ-LC also initiated a Marine EIA and specialist studies as part of this port infrastructure project that aims for completion in 18 months.

Transaction and Investor Support

The Transaction and Investor Support (T&IS) unit fulfils a vital role in realising the commercial interests of the tenant and the company. In synergy with the business development and the infrastructure development processes, T&IS undertook targeted tenant support activities, such as investments in generic top structures and estate management functions, to unlock the pipeline further and support the revenue-generating potential of the zone, building on the best practice leasing model previously developed. The key areas of focus for the unit going forward will be the development and tenanting of the Innovation Campus, the Access Complex and the Project Leasing Facility.

The T&IS team delivered the following strategic projects:

- **Innovation Campus.** T&IS appointed an implementation consultant to operationalise the Saldanha Bay Innovation Campus programme. During the first twelve months, the focus has been to foster collaboration across the marine and energy sector and build a network. The team has successfully delivered a series of webinars, podcasts, think tanks and industry sessions.
- **SBIDZ-LC Saldanha Bay Schools Development Programme.** The Universities of Witwatersrand and Stellenbosch designed and delivered an accredited 20-week short course to Grade 8 and 9 Mathematics teachers from several Saldanha Bay region schools entitled ‘Professional Practice: Applications of Dynamic Software for Secondary Mathematics Teachers’, in conjunction with the West Coast Education District of the Western Cape Education Department (WCED), to equip educators with a combination of strong pedagogical knowledge, digital skills, technical skills and leadership skills in the teaching of Mathematics with digital tools.
- **Spatial Development Report.** This report addressed the spatial considerations for the zone development including the layout of

precincts, utilities provision, traffic management, environmental best practices and tenant placement.
- **Architectural Guidelines.** This report, delivered in collaboration with the EODB and Infrastructure teams, outlines the architectural guidelines for the zone development and tenant facilities.
- **COVID-19 OHS Advisor.** A COVID-19 OHS Advisor was appointed to review and inspect SBIDZ facilities for COVID-19 compliance to support their safe re-opening and to ensure the SBIDZ remains compliant with relevant legislation and regulations.
- **E-Lease Workflow System.** The unit worked with the Administration programme and designed and implemented a lease management and repository system. All due diligence, contracts and lease requirements are approved via a bespoke workflow system.
- **Smartsheet.** The unit and the COO's office rolled out and implemented project management software, allowing a more agile approach to performance and project management, considering the scale and complexity of SBIDZ-LC projects and interfaces.

The unit reached significant operational and commercial milestones, as follows:
- **Security and Access:** Fidelity Services Group was appointed as a security and technology services provider for a duration of 36 months. The work entails the provision of physical guarding services as well as operationalising of security and access technology.
- **TNPA leases:** Conclusion of a 36-month lease with TNPA for the rental of a 1,3ha laydown area. This forms part of the SBIDZ's Project Leasing Facility and allows tenants access to wash-bay facilities.
- **Project Leasing Facility:** Enabled renewables energy projects, i.e. wind farms in the Northern and Western Cape, by leasing laydown areas to logistics businesses. The project leasing facility area was extended by two hectares, funded by a successful SEZ Fund grant.
- **Access Complex:** Operational, tenants since September 2020, with Access Complex work completion achieved during the year.
- **SEZ Facilities:** First operational tenant from October 2020.

Infrastructure & Environment Development

The unit previously focused on the provision of the relevant external and internal bulk services to enhance the zone's value proposition. The final phase, providing civil and electrical services to the zone land located in the port, was completed in August 2020 and March 2021 respectively.

One of the notable achievements of the past financial year was the completion of the Access Complex located in the Northern Precinct. This project was completed under challenging conditions caused by the COVID-19 pandemic. The site had to shut down under Level 5 of the national lockdown and only re-opened in June 2020 when the lockdown restrictions were lifted to Level 3. Despite the delay, the project was completed in August 2020.

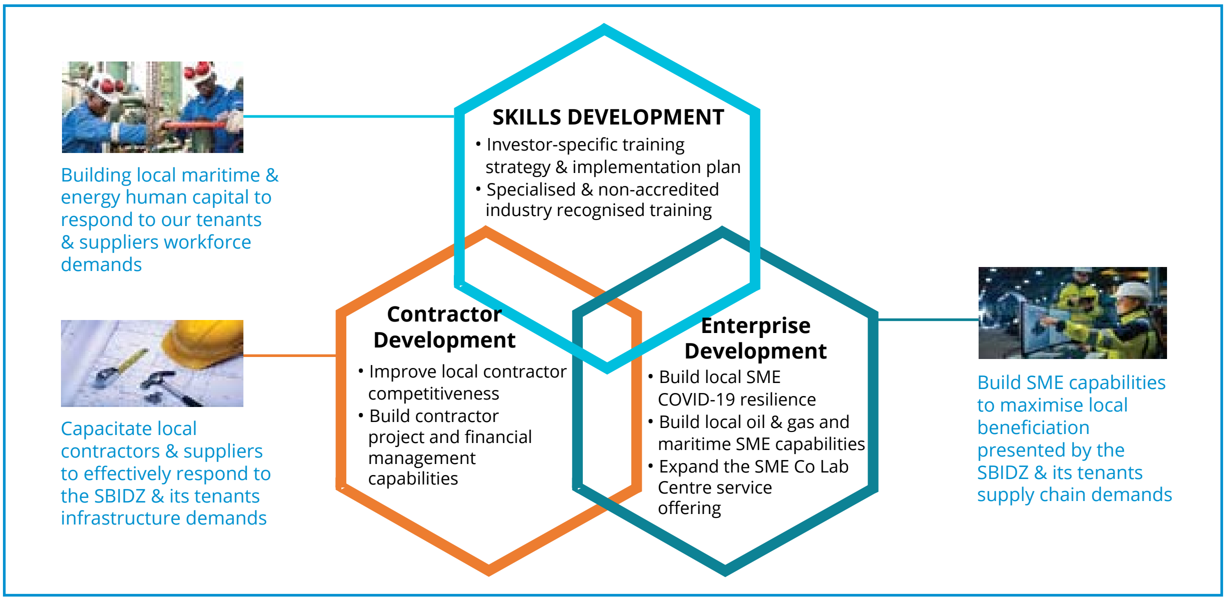
The current focus of the unit is on the construction of bespoke investor top structures, comprising factory warehouses and offices. Two projects commenced during the reported period, both scheduled for completion during the 2021/22 financial year. These projects are funded by the dtic's SEZ Fund.

In addition to physical construction, the unit continued related permitting and licensing activities, including an application for rezoning of land in the port from 'agricultural' to 'industrial', performing an EIA and applying for a Waste Licence to support the intended operations of one of the prospective key tenants in the port, and applying for subdivision of land and registering of servitudes where required to support future development.

Development Programmes

The Development Programmes unit aims to maximise local economic development and empowerment through increased participation and beneficiation of citizens and businesses in Saldanha Bay. It has three sub-programmes, namely, skills development, enterprise development and contractor development, functioning in a demand-driven context and informed by the opportunities that emerge from the global marine and energy sectors and value chains. The unit aims to prepare the workforce and business community appropriately to deliver world-class services to these global markets.

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



Stakeholder Management

The Stakeholder Management unit engages with and facilitates relationships with key stakeholders on behalf of the company, and assists the team in managing stakeholder approaches to build the strategic relationships required by the company's business model and strategic objectives.

During the financial year under review, the unit deepened its work by strengthening the company's relationships and strategic alignment with its key programme stakeholders, including the SBM, TNPA, dtic and WCG. Key achievements during the 2020/21 financial year included:

- The conclusion of a Socio-Economic and Environmental Memorandum of Agreement (MoA) signed by the SBIDZ-LC, SBM and the WCDM. It articulates the alignment of the three parties towards the strategic objective of developing, maintaining and pursuing an approach to the sustainable economic development of the West Coast district through industrialisation. The parties have established a working group to conduct a study seeking to set out a framework for developing an inclusive industrial-based economy in the West Coast region that is in balance with contextual social and environmental issues.
- The WCDM has now been added as a fifth member of the institutional structure between the SBIDZ-LC, SBM, TNPA and the DEDAT that meets fortnightly to address strategic and operational matters, which are tracked through an 'action dashboard' that was institutionalised during the 2019/20 financial year.
- The SBIDZ-LC and the dtic established an institutionalised structure to improve the dtic's account management concerning the

zone, as well as the status of SBIDZ-related funding applications to the dtic. With the support of the dtic and the other SEZs, the SBIDZ-LC's CEO was recently appointed as the Chairperson of the SEZ CEO Forum, a quarterly forum overseeing the engagement between the dtic's SEZ programme unit and the SEZs in terms of the SEZ programme legislative framework.

- The WCG is and remains a key stakeholder of the SBIDZ-LC, expressed through the collaboration of the two entities through the Whole of Society Approach (WoSA) initiative and the District Development Model (DDM). During the 2020/21 financial year, the unit was nominated and appointed by the SBM and stakeholder entities as the lead for the WoSA Social Cluster. This appointment reflects the trust that key stakeholders have in the SBIDZ-LC's commitment to assist in creating safe, socially connected, resilient and empowered communities within the municipal area.

SBIDZ-LC strengthened its relationship with the SAMSA during the financial year under review. This culminated in the conclusion of an MoU between the two parties, which will enable collaboration towards promoting South Africa's maritime interests. Similarly, SBIDZ-LC concluded an MoU with the South African Oil and Gas Association (SAOGA) to enable increased collaboration in promoting the upstream and midstream sectors of the oil and gas value chain in South Africa and specifically at the SBIDZ.

During the financial year under review, the unit worked closely with Transnet and other units within the company (as well as various engagements with the Infrastructure South Africa unit in the Office of the Presidency) to facilitate the submission of a project funding application to the Sustainable Infrastructure Development Symposium (SIDS) in the coming financial year. The funding application aims to unlock further project preparation funding for the marine infrastructure identified in the CBA.

Lastly, to enable the SBIDZ-LC to work in partnership with trade unions and business and create prosperous and sustainable labour relations in the zone, the SBIDZ-LC concluded a Zone Labour Charter (ZLC) with NUMSA, which follows the ZLC concluded with COSATU during the 2019/20 financial year.

Outcome, Output Indicators, Targets and Actual Achievements

PROGRAMME: OPERATIONS

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achievement 2020/21	Deviation from planned target to Actual Achievement 2020/21	Reason for deviation
To promote sustainable economic growth and job creation	Operationalisation of the Customs Control Area regime with key partners, such as the TNPA, SARS, DOL & DHA	Number of standard operating protocols in place	-	-	1	2	1	Due to the early completion of the SARS protocols, it was decided to put in place the SOPs for the DHA.

Outcome	Output	Output Indicator	Audited Actual Performance 2018/19	Audited Actual Performance 2019/20	Planned Annual Target 2020/21	Actual Achieve-ment 2020/21	Deviation from planned target to Actual Achieve-ment 2020/21	Reason for deviation
To promote sustainable economic growth and job creation	Maintain and improve the outcomes of the EoDB SLA with SBM	Turnaround time on building plans	-	-	42 days	22 days	20 days	Engagements to improve the turn-around time on building plans are ongoing.
	Tenant and operator leases signed	Number of signed tenant and operator lease agreements	-	-	8	8	-	
	Maintain contractor and professional panels	Number of contractor and profess-ional panels maintained	-	-	2	2	-	
	Develop strategic part-nerships for development programmes initiatives	Number of part-nership agreements established	-	-	5	5	-	
	Operationa-lisation of the Zone Labour Charter with trade unions, tenants and operators	Number of generic agreements agreed by trade unions for negotiation with investors	-	-	1	1	-	
	Operationa-lisation of the Access Complex, Pro-ject Leasing Facility and Innovation Campus	Percentage available space tenanted	-	-	25% available space tenanted	35%	10%	Space tenanted with contracts signed for longterm and shortterm tenants.

Strategy to overcome underperformance

None required.

Changes required to planned targets

None required.

Response to COVID-19 Pandemic

Programme/ Sub-Programme	Intervention	Geographic location (Province/ District/local municipality) (Where possible)	No. of beneficiaries (Where possible)	Total budget allocation per intervention (R'000)	Budget spent per intervention	Contribution to the Outputs in the CP (Where applicable)	Immediate Outcome
Operations	Re-open the SME Co-Lab Centre during level 5 lockdown	West Coast District / Saldanha Bay Municipality / Saldanha Bay	N/A	R63 977.27	R63 977.27	N/A	1. SMEs were able to access online relief measures. 2. SMEs used the facility for COVID-19 OHS training of their employees, to return to work safely. 3. SMEs used the facility to conduct meetings in a suitably safe manner.
Operations	Appoint an OHS Advisor	West Coast District / Saldanha Bay Municipality / Saldanha Bay	N/A			N/A	The company is assured compliance and best practice insight to re-opening its properties as the landlord, and as the client to its training programmes.
Operations	Initiate an employee health and wellness service	West Coast District / Saldanha Bay Municipality / Saldanha Bay	N/A			N/A	Staff will be equipped with support via a 24/7 telephone hotline and educational and informational sessions on topics that address the employees' physical, nutritional, emotional, psycho-social, financial and mental well-being.
Operations	Initiate rental relief agreements with tenants	West Coast District / Saldanha Bay Municipality / Saldanha Bay	N/A			N/A	Rental revenue has underperformed against the budget.
Operations	Top20 Tenant Survey	West Coast District / Saldanha Bay Municipality / Saldanha Bay	N/A			N/A	1. Risks of the company's exposure to threats and opportunities, and its weaknesses and strengths, were identified. 2. This enabled the company to adjust its strategies and priorities to the new normal post-COVID-19. 3. It also enabled the company to strengthen its client relationships with tenants.

NOTE: All COVID-19 interventions were completed by 30 September 2020.

Linking Performance with Budget

	2019/20			2020/21		
Programme	Budget R	Actual Expenditure (incl. capital) R	(Over)/ Under Expenditure R	Budget R	Actual Expenditure (incl. capital) R	(Over)/ Under Expenditure R
Administration	25,933,720	23,706,335	2,227,385	26,730,807	25,869,652	861,155
Operations	326,215,824	315,469,967	10,745,857	201,667,346	196,038,824	5,628,522
Total	**352,149,544**	**339,176,302**	**12,973,243**	**228,398,153**	**221,908,476**	**6,489,677**

Revenue Collections

	2019/20			2020/21		
Sources of Revenue	Estimate R	Actual Amount Collected R	Under Collection R	Estimate R	Actual Amount Collected (cash) R	(Over)/Under Collection R
Total	3,841,000	3,377,263	463,737	7,036,346	6,494,988	541,358

Capital Investement

	2019/20			2020/21		
Capital Investment	Budget R	Actual Expenditure R	(Over)/ Under Expenditure R	Budget R	Actual Expenditure (cash) R	(Over)/ Under Expenditure R
Total	267,220,000	259,786,352	7,433,648	140,500,000	133,932,303	6,567,697

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

The following infrastructure projects are still in progress:

Projects	Estimated Completion Deadline
Construction of a 5 500 m² bespoke investor factory and office	End June 2021
Construction of a 4 800 m² bespoke investor factory and office	End November 2021

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

CORPORATE GOVERNANCE REPORT

1. INTRODUCTION

The Saldanha Bay IDZ Licencing Company (SOC) Ltd has ensured that sound corporate governance structures and processes were implemented within the organisation from the outset. These practices are constantly reviewed and adapted to accommodate internal corporate developments and stakeholder expectations, and to reflect national and international best practices. During the period under review, the SBIDZ-LC appointed a service provider to assess its compliance with corporate governance principles and practices and to make recommendations on how to improve such principles and practices. The assessment is expected to be finalised in the next financial year.

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

2. THE ACCOUNTING AUTHORITY (BOARD OF DIRECTORS)

2.1. Introduction

It was agreed by both the WCG and National Government that the structure of the SBIDZ-LC Board should be representative of the founding partners from the three spheres of government as well as industry experts to professionally and expertly deal with the next phases of the IDZ project.

2.2. Composition of the Board of Directors

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

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

At the end of March 2021, two positions on the Board remained vacant, namely the representative of the Saldanha social and labour community and the broader business practitioner.

The powers and duties of the Board are detailed in the Companies Act, read together with the various Board Charters, which guide the meetings and decisions of the Board, 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	No. of Meetings Attended
Thembisile Salman	Chairperson IDC	20/6/2018		BSc Hons- Chemistry & Bio- Chemistry BSc Chemical Eng. MBA in Finance	Finance, Project Development with focus in Oil & Gas		Investment Audit, IT & Risk	4
Johann Stegmann	Deputy Chairperson WCG	26/2/2018		MBChB Degree MSc Economics Postgrad Diploma in Economic Principles	Finance, Economics		Audit, IT & Risk	4
Heinrich Mettler	SBM	24/6/2019		Nat Dipl Civil Eng. BTech Business Admin MBA	Business Administration, Financial Management, Governance	Ixabiso (Management Consulting)	HR&R & Social & Ethics	2
Justice Ngwenya	dtic	16/1/2019		BSc Hons Business Studies	Finance		HR&R & Social & Ethics	4
Jaqueline Brown	TNPA	20/11/2019		BA Social Work Postgraduate Certificate Eng Bus. Management	Maritime logistics, Port operations		Investment	3
Irvin Esau	Saldanha Economic Representative	10/4/2019		BComm	Accountant, Property developer		HR&R & Social & Ethics Audit, IT & Risk	3

Name	Designation	Date Appointed	Date Resigned	Qualifications	Area of Expertise	Board Directorship (List Entities)	Other Committees	No. of Meetings Attended
John Smelcer	Business Practitioner	11/3/2019		Juris Doctor Bachelor of Arts	Energy & Infrastructure projects with focus on oil, gas and LNG, Independent commercial and legal advisor	Mikhulu Trust, Genysis Africa	Investment	3
Edwin Obiri	Business Practitioner	10/4/2019		BSc Ind. & Systems Engineering BSc Business Systems	Business Development, Mining procurement, Corporate finance		Investment	4
Kaashifah Beukes	SBIDZ-LC CEO	20/6/2018		BSc Civil Eng. MBA	Design, Construction and project management of civil engineering infrastructure, Business administration		Investment HR&R & Social & Ethics	4
Herman Boneschans	SBIDZ-LC CFO	21/5/2020		BComm. Hons BComm Acc & Fin.	Accountant, Public sector finance, Organisational governance, Compliance and policy development		Investment HR&R & Social & Ethics	4

2.3. Board Committees

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

The company has three Board Committees, namely the Audit, IT and Risk Committee; Investment Committee; and the Human Resources & Remuneration and Social & Ethics Committee.

Committees	No. of Meetings Held	No. of Members	Name of Members
Audit, IT and Risk	4	5	Paul Slack – Chairperson Independent Danny Naidoo – Independent Thembisile Salman – Member Irvin Esau – Member Johann Stegmann – Member
Investment	4	6	Thembisile Salman – Chairperson John Smelcer – Member Edwin Obiri – Member Jacqueline Brown – Member Kaashifah Beukes – Member Herman Boneschans – Member
Human Resources & Remuneration and Social & Ethics	4	7	Heinrich Mettler – Chairperson Justice Ngwenya – Member Irvin Esau – Member Magdelena Krieg – Independent Neil Jansen – Independent Kaashifah Beukes – Member Herman Boneschans – Member

Remuneration and Board Members

In terms of the Saldanha Bay Industrial Development Zone Licencing Act, 2016 (Act 1 of 2016), the Minister responsible for finance in the province shall determine the remuneration, allowance and reimbursements payable to the Directors, which are reviewed on an annual basis.

Name	Remuneration	Other Allowance	Other Reimbursements	TOTAL
Edwin Obiri	R17,010			R17,010
Irvin Esau	R28,916			R28,916

Risk Management

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

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

Internal Control

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

The Board acknowledges its responsibility to ensure that the SBIDZ-LC implements and monitors the effectiveness of internal, financial and operating controls to guard against material misstatements and losses.

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

Internal Audit and Audit Committee

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

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

Internal Audit

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

External Audit

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

Audit, IT and Risk Committee Members

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

Compliance with Laws and Regulations

During the year under review, the SBIDZ-LC decided to subscribe to a comprehensive online legal research tool to assist it to stay abreast of the latest legal developments that govern and regulate the company and the SBIDZ. Through this tool, the SBIDZ-LC receives regular updates on new legislation and relevant court decisions.

The SBIDZ-LC also started to assess, on a quarterly basis, its compliance with the PFMA and relevant regulations, the Companies Act, 2008 (Act 71 of 2008), and the Saldanha Bay Industrial Development Zone Licencing Company Act, 2016 (Act 1 of 2016). Quarterly reports on the company's compliance with the legislation are tabled at the Audit, IT and Risk Committee of the Board.

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

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

Fraud and Corruption

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

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

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

Minimising Conflicts of Interest

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

Code of Conduct

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

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

Health Safety and Environmental Issues

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

Company Secretary

In terms of the Companies Act, every state-owned company must appoint a person to serve as company secretary. The SBIDZ-LC appointed a company secretary on 24 August 2016.

The company secretary's duties include:
- providing the directors of the SBIDZ-LC collectively and individually with guidance as to their duties, responsibilities and powers;
- making the directors aware of any law relevant to or affecting the SBIDZ-LC;
- reporting to the Board any failure on the part of the SBIDZ-LC or a director to comply with the Memorandum of Incorporation or rules of the SBIDZ-LC or the Companies Act;
- ensuring that minutes of all shareholders' meetings, Board meetings and the meetings of any committees of the directors or of the SBIDZ-LC's audit committee, are properly recorded in accordance with the Companies Act;
- certifying in the SBIDZ-LC's Annual Financial Statements whether the SBIDZ-LC has filed required returns and notices in terms of the Companies Act, and whether all such returns and notices appear to be true, correct and up to date;

- ensuring that a copy of the SBIDZ-LC's Annual Financial Statements is sent, in accordance with the Companies Act, to every person who is entitled to it; and
- carrying out the functions of a person designated in terms of section 33(3) of the Companies Act.

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

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

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

Social Responsibility

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

Due to the national lockdown during the financial year, initiatives were prevented from being rolled out accordingly. Despite this, the SBIDZ-LC's Saldanha Bay Schools' Development Programme in the Innovation Campus programme was able to continue its 20-week part online, part physical course 'Professional Practice: Applications of Dynamic Software for Secondary Mathematics Teachers' in conjunction with the West Coast Education District of the WCED.

The Universities of Witwatersrand and Stellenbosch designed and delivered this accredited short course to Grade 8 and 9 Mathematics Teachers from several Saldanha Bay region schools. The course was run under the auspices of the Learning, Information, Networking, Knowledge (LINK) Centre at the Wits School of Education and the Stellenbosch University Department of Curriculum Studies.

The course aims to equip educators with a combination of "strong pedagogical knowledge, digital skills, technical skills and leadership skills". It targets teachers "aspiring to be technology savvy", hoping that they will inspire their learners to greater heights and equip them better to face the future. The course helps teachers feel more confident and comfortable with using the material, and this will have a positive impact on the learners.

The implementation of digital technologies in education requires relevant digital skills for both teachers and learners. Teacher professional development courses on the use of dynamic software for teaching mathematics in secondary schools are necessary to advance digital skills and to draw attention to related factors, such as leadership and digital learning processes.

Some background on the High School Programme

Schools provide social cohesion, coherence and organisation in society, in addition to their education imperative. In this modern age, they are still one of the remaining critically important nodes of connection between people and households. The SBIDZ-LC views schools as opportunities to encourage and support the leaders of tomorrow—leaders who will become active participants in the life of a re-imagined and prosperous Saldanha Bay, nurturing and sustaining its development and transformation.

The SBIDZ-LC Saldanha Bay Schools' Development Programme is one of four components in the bigger SBIDZ-LC Saldanha Bay Community Engagement initiative. The Programme will work with learners at nine public schools in Saldanha Bay over a period of 20 years in a sustained, coordinated and intentional way to prepare them for full participation in the various aspects of life in a thriving Saldanha Bay town and region.

The SBIDZ aims to become an internationally recognised, reputable and respected South African centre of technological and marine engineering excellence that drives regional economic rejuvenation. This goes hand-in-hand with transformation and development initiatives in society. We are very aware that familiarity with and access to digital technologies are becoming a minimum requirement for how people connect and business works.

The SBIDZ-LC wishes to partner with the WCED to support the holistic programme needs of the bigger SBIDZ-LC Saldanha Bay Community Engagement initiative going forward.

B-BBEE Compliance Performance Information

Has the company applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1-8) with regard to the following?		
Criteria	**Response Yes/No**	**Discussion** *(Include a discussion on your response and indicate what measures have been taken to comply)*
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law.	No	The company has commenced a process to obtain its new BBBEE certificate. We envisage that this process will be concluded before we are required to submit our report to the BBBEE commission. The rating agency will assist the company in determining which criteria are applicable.
Developing and implementing a preferential procurement policy.	Yes	The Supply Chain Management Policy has incorporated the preferential procurement requirements. This has been implemented since the promulgation of the Preferential Procurement Policy Framework ACT, 2017.
Determining qualification criteria for the sale of state-owned enterprises.	No	The company has commenced a process to obtain its new BBBEE certificate. We envisage that this process will be concluded before we are required to submit our report to the BBBEE commission. The rating agency will assist the company in determining which criteria are applicable.
Developing criteria for entering into partnerships with the private sector.	Yes	The Supply Chain Management Policy has incorporated Public-Private Partnerships. These types of contracts are based on the needs of the company and should such a scenario present itself, the policy will be our guideline for implementation.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment.	No	The company has commenced a process to obtain its new BBBEE certificate. We envisage that this process will be concluded before we are required to submit our report to the BBBEE commission. The rating agency will assist the company in determining which criteria are applicable.

SCOPA RESOLUTIONS

SCOPA Resolution solution No.	Subject	Details	Response by the company	Resolved (Yes/No)
(i)	Required Response	A report from the SBIDZ-LC on the support and funding for the development programme led by Mr P Lakabane in the SBIDZ-LC, detailing whether there has been any progress to date in terms of a funding model, also in terms of skills and the transformation function.	SBIDZ-LC response, provided on 11 June 2020: "The COVID-19 pandemic and the subsequent national lockdown has made progress very difficult on securing further funding towards the development programme, since the oversight visit of 9 March 2020. "Now, more than ever before, there is a heightened awareness for trained, available and local workforces and local industry that would help to keep South Africa's economy going. It is our determination to find solutions to the "new" normal way of working with our funding partners, tenants, and beneficiaries of development programmes to support this imperative. "Gratefully, in this regard, we acknowledge the efforts undertaken by many of our service providers to re-open their facilities, when permitted to do so. Lastly, our resilient and strong working relationships with the SETAs, the dtic, the DEDAT and the SBM will continue, and discussions are underway on how to support the economy, at this time, for recovery."	Yes
(ii)	Information Request	The joint study that was undertaken by the Saldanha Bay Municipality and the SBIDZ-LC to understand the impact of the current economic fabric, the SBIDZ and economic 'shocks'.	On 11 June 2020, the SBIDZ-LC provided the Standing Committee on Finance, Economic Opportunities and Tourism with an electronic copy of the 'Saldanha Bay Municipality Socio-Economic Futures' study.	Yes
5.3	The Committee Requested that the Saldanha Bay IDZ Licencing Company SOC Ltd provide the Committee with the following, by 24 February 2021:			
5.3.1	Information request: SBIDZ booklets in terms of the Department of Home Affairs (DHA) and the South African Revenue Services (SARS).	The documents/ booklets that the company has created that provide information around processes for the SARS and DHA.	On 24 February 2021, the SBIDZ-LC provided the Standing Committee on Finance, Economic Opportunities and Tourism with the: • DHA Operational Procedures Booklet, and • SARS, SOP, SEZ, CCA and Fiscal Incentives Booklet.	Yes

SCOPA RESOLUTIONS

SCOPA Resolution solution No.	Subject	Details	Response by the company	Resolved (Yes/No)
5.3.2	Information Request: 'A Global, African, South African and Western Cape Oil & Gas, and Marine Fabrication & Repair Situation Analysis'.	An electronic copy of the 'A Global, African, South African and Western Cape Oil & Gas, and Marine Fabrication & Repair Situation Analysis' as mentioned by the company during the discussions with the Committee.	On 11 December 2020 and 24 February 2021, the SBIDZ-LC provided the Standing Committee on Finance, Economic Opportunities and Tourism with an electronic copy of 'A Global, African, South African and Western Cape Oil & Gas and Marine Fabrication & Repair Situational Analysis'.	Yes
5.3.3	Information request: A copy of the SBIDZ-LC's Human Resource Management Policy once it is reviewed.	A copy of the company's Human Resource Management Policy once it is reviewed, and a brief report on why the company has retained fixed five-year contracts, if this has not changed during the review.	The Human Resource Management Policy is still under review by the Board.	No
	Required Response: A brief report on why the company has retained fixed five-year contracts, if this has not changed during the review.		SBIDZ-LC response, provided on 24 February 2021: "Currently, the Human Resource Management Policy is still under review by the Board. "However, to respond to the question on the reasons of retaining fixed five-year contracts thus far, this arose due to the needed alignment of the SBIDZ-LC's 5-year strategic plans and its (past and present) funding nature. "That being said, in summary, all staff are employed on a fixed-term contract basis in accordance with the approved organogram, which is set out to deliver on the company's mandate over the said period in a way that aligns to the phase of development of the zone."	Yes

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 Human Resource unit's responsibilities include recruitment and selection, training and development, performance management, employee wellness and payroll. The unit reports to the Chief Financial Officer.

2. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme

Programme	Total Expenditure for the company R	Personnel Expenditure R	Personnel exp. as a % of total Expenditure	No. of employees	Average personnel cost per employee R
Operations	73,495,931	17,785,474	18.37%	25	711,419
Administration	23,319,183	11,813,130	12.20%	21	562,530
Subtotal	**96,815,114**	**29,598,604**	**30.57%**	**46**	**643,449**
Infrastructure and marine development	128,277,783	5,914,207	4.61%	7	844,887
TOTAL	**225,092,897**	**35,512,811**	**15.78%**	**53**	**670,053**

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	14,121,431	40%	9	1,569,048
Professional qualified	17,503,570	49%	23	761,025
Skilled	2,850,923	8%	15	190,062
Semi-skilled	1,036,887	3%	6	172,815
TOTAL	**35,512,811**		**53**	

Performance Rewards

Level	Performance Rewards R	Personnel Expenditure R	% of Performance Rewards to Total Personnel Cost
Top Management	-	14,121,431	0.00%
Professional qualified	-	17,503,570	0.00%
Skilled	-	2,850,923	0.00%
Semi-skilled	-	1,036,887	0.00%
TOTAL	**-**	**35,512,811**	**0.00%**

***No incentives were paid in 2020/21.

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	18,795,110	295,201	2%	7	42,172
Administration	11,813,130	111,425	1%	10	11,143
Infrastructure and marine development	4,904,571	-	0%	-	-
TOTAL	**35,512,811**	**406,626**	**1%**	**17**	**23,919**

Employment and vacancies, by programme

Programme	2020/21 No. of Employees	2020/21 Vacancies	% of vacancies
Operations	23	3	12%
Administration	18	2	10%
Infrastructure and marine development	7	0	0%
TOTAL	**48**	**5**	**9%**

Employment and vacancies, by level

Programme	2020/21 No. of Employees	2020/21 Vacancies	% of vacancies
Top Management	8	1	11%
Professional qualified	22	4	15%
Skilled	13	0	0%
Semi-skilled	5	0	0%
TOTAL	**48**	**5**	**9%**

Employment Changes

Salary Band	Employment at beginning of the period	Appointments	Employment movements	Terminations	Employment at end of the period
Top Management	9	0	0	1	8
Professional qualified	21	2	0	1	22
Skilled	16	0	0	3	13
Semi-skilled	4	1	0	0	5
TOTAL	**50**	**3**	**0**	**5**	**48**

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death		
Resignation	2	40%
Dismissal		
Retirement		
Expiry of contract	3	60%
Other		
Total	**5**	

Equity Target and Employment Equity Status

Level	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1		0		0		3	
Professional qualified	2		6		0		1	
Skilled	3		2		0		0	
Semi-skilled	0		1		0		0	
TOTAL	**6**		**9**		**0**		**4**	

Level	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1		2		0		1	
Professional qualified	5		7		0		1	
Skilled	5		3		0		0	
Semi-skilled	0		4		0		0	
TOTAL	**11**		**16**		**0**		**2**	

E

FINANCIAL INFORMATION

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Provincial government business enterprise listed in Schedule 3 Part D of the Public Finance Management Act
Nature of business and principal activities	To establish an industrial development zone (IDZ) at Saldanha Bay as a catalyst for economic activity and sustainable job creation
Directors (as at 31 March 2021)	Edwin Obiru (Non-Executive) Heinrich Mettler (Non-Executive) Herman Boneschans (Executive) Irvin Esau (Non-Executive) Jacqueline Brown (Non-Executive) Johann Stegmann (Non-Executive) John Smelcer (Non-Executive) Justice Ngwenya (Non-Executive) Kaashifah Beukes (Executive) Thembisile Salman (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
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:

Accounting Authority's Responsibilities and Approval

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

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

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

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

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

The Board of directors have reviewed the entity's cash flow forecast for the year to 31 March 2022 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the entity's external auditors and their report is presented on page 81.

The annual financial statements set out on pages 89 to 138, which have been prepared on the going concern basis, were approved by the accounting authority on 3 September 2021 and were signed on its behalf by:

Thembisile Salman
Chairperson of the Board

Audit, IT and Risk Committee Report

We are pleased to present our report for the financial year ended 31 March 2021.

Audit, IT and Risk 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 their approved terms of reference. During the current year, four meetings were held.

Name of member	Number of meetings attended
Paul Slack (Chairperson) (independent member)	4
Danny Naidoo (independent member)	4
Dr Johann Stegmann	4
Thembisile Salman	4
Irvin Esau (appointed to the committee in the second quarter)	4

Audit, IT and Risk Committee responsibility

The Audit, IT and Risk Committee reports that it has complied with its responsibilities arising from section 51(1)(a) of the PFMA and Treasury Regulation 27.1.

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

The effectiveness of internal control

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

The quality of in-year management and quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

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

Internal audit

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

Auditor-General of South Africa

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

Chairperson of the Audit Committee
3 September 2021

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

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Saldanha Bay IDZ Licencing Company SOC Limited set out on pages 89 to 138, which comprise the statement of financial position as at 31 March 2021, 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 2021, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) and the Companies Act 71 of 2008 (Companies Act).

Basis for opinion

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

Responsibilities of the accounting authority for the financial statements

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

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

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

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

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

Report on the audit of the annual performance report

Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for the selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
12. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected programme presented in the public entity's annual performance report for the year ended 31 March 2021:

Programme	Pages in the annual performance report
Programme 2 – operations	52 - 53

13. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for this programme:
    - Programme 2 – operations

Other matter

15. I draw attention to the matter below.

Achievement of planned targets

16. Refer to the annual performance report on page 52 for information on the achievement of planned targets for the year and explanations provided for the under/over-achievement of targets.

Report on the audit of compliance with legislation

Introduction and scope

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

Other information

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

Internal control deficiencies

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

Auditor General

Cape Town
3 September 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure – Auditor-General's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected programme and on the public entity's compliance with respect to the selected subject matters.

Financial statements

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

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Accounting Authority's Report

The Board of directors submit their report for the year ended 31 March 2021.

1. Review of activities

Main business and operations

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

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

2. Going concern

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

3. Subsequent events

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

4. Share capital

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

5. Distributions to owners

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

6. Accounting Authority

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

Name	Nationality
Edwin Obiru (Non-Executive)	Ghanaian
Heinrich Mettler (Non-Executive)	South African
Herman Boneschans (Executive)	South African
Irvin Esau (Non-Executive)	South African
Jacqueline Brown (Non-Executive)	South African
Johann Stegmann (Non-Executive)	South African
John Smelcer (Non-Executive)	United States of America
Justice Ngwenya (Non-Executive)	South African
Kaashifah Beukes (Executive)	South African
Thembisile Salman (Non-Executive)	South African

7. Corporate governance

General

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

The entity confirms and acknowledges its responsibility 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 discusses 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 are outlined below:

Board of directors

The Board:

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

Chairperson and Chief Executive

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

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

Human Resources, Remuneration, Social and Ethics Committee

The committee consists of three Non-Executive directors, two Executive directors, two independent members and is chaired by Heinrich Mettler. The committee met four times during the reporting period to review matters necessary to fulfil its role. Members of the committee are:
Heinrich Mettler
Justice Ngwenya
Irvin Esau
Neil Jansen (independent member)
Magdelena Krieg (independent member)
Kaashifah Beukes
Herman Boneschans

Accounting authority

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

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

Audit, IT and Risk Committee

For the year under review, the chairperson of the Audit, IT and Risk Committee was Paul Slack (independent member). The committee met four times during this year to review matters necessary to fulfil its role. Other members of the committee are:
Danny Naidoo (independent member)
Johann Stegmann
Thembisile Salman
Irvin Esau

Investment Committee

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

Internal audit

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

SNG Grant Thornton and BDO Advisory Services performed the function.

8. COVID-19 impact

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On 11 March 2020, the World Health Organisation (WHO) officially declared COVID-19, a pandemic. Worldwide, socioeconomic conditions will be significantly impacted by this crisis. The outbreak is disrupting supply chains and affecting production and sales across a range of industries.

As at the date of the audit report, the entity has not observed any material impact on its financial position and has sufficient cash resources in place to continue in operation for the foreseeable future.

Company Secretary's Certification

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

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

Sollie Marthinus
Company Secretary

Statement of Financial Position as at 31 March 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current Assets			
Receivables from exchange transactions	8	1,131,116	706,651
Receivables from non-exchange transactions	6	185,281	1,003,793
VAT receivable	9	16,534,828	7,908,040
Prepayments	10	8,279,677	2,495,704
Cash and cash equivalents	11	312,733,911	471,859,682
		338,864,813	**483,973,870**
Non-Current Assets			
Investment property	3	182,469,409	104,032,270
Property, plant and equipment	4	598,319,572	561,106,071
Intangible assets	5	411,983	747,869
Receivables from non-exchange transactions	6	611,288	295,250
Operating lease asset	7	428,836	71,822
		782,241,088	**666,253,282**
Total Assets		**1,121,105,901**	**1,150,227,152**
Liabilities			
Current Liabilities			
Operating lease liability	7	5,323,146	3,500,680
Payables from exchange and non-exchange transactions	12	22,762,341	6,440,014
Employee benefit obligation	13	2,204,969	6,183,473
Unspent conditional grants and receipts	14	110,787,683	204,475,204
		141,078,139	**220,599,371**
Non-Current Liabilities			
Operating lease liability	7	6,610,707	11,645,021
Unspent conditional grants and receipts	14	127,671,654	175,116,209
Payables from exchange transactions	12	1,253,014	5,292,004
Payables from non-exchange transactions	17	258,824	159,304
		135,794,199	**192,212,538**
Total Liabilities		**276,872,338**	**412,811,909**
Net Assets		**844,233,563**	**737,415,243**
Share capital	16	120	120
Accumulated surplus		844,233,443	737,415,123
Total Net Assets		**844,233,563**	**737,415,243**

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Rental income	19	7,206,101	3,840,131
Interest income	20	3,380,744	4,529,975
Gain on disposal of assets		-	32,043
Total revenue from exchange transactions		**10,586,845**	**8,402,149**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	21	193,046,588	356,913,796
Public contributions		-	150,000
Total revenue from non-exchange transactions		**193,046,588**	**357,063,796**
Total revenue	18	**203,633,433**	**365,465,945**
Expenditure			
Employee related costs	22	(29,598,605)	(33,742,070
Depreciation and amortisation	23	(23,954,682)	(9,386,550
Lease rentals on operating lease	24	(20,740,573)	(19,709,737
Loss on disposal of assets and liabilities		(27,425)	-
General expenses	25	(22,493,829)	(22,329,589
Total expenditure		**(96,815,114)**	**(85,167,946**
Surplus before taxation		**106,818,319**	**280,297,999**
Taxation	27	-	(28,954
Surplus for the year		**106,818,319**	**280,326,953**

Statement of Changes in Net Assets

Figures in Rand	Share capital	Accumulated surplus	Total net assets
Balance at 1 April 2019	**120**	**457,088,170**	**457,088,290**
Changes in net assets			
Surplus for the year	-	280,326,953	280,326,953
Total changes	-	280,326,953	280,326,953
Balance at 1 April 2020	**120**	**737,415,124**	**737,415,244**
Changes in net assets			
Surplus for the year	-	106,818,319	106,818,319
Total changes	-	106,818,319	106,818,319
Balance at 31 March 2021	**120**	**844,233,443**	**844,233,563**
Note(s)	16		

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
Grants		38,739,007	248,153,525
Interest income		17,548,708	33,128,553
Rental income		6,494,988	3,377,263
		62,782,703	284,659,341
Payments			
Employee costs		(33,010,514)	(34,115,715
Suppliers		(54,965,657)	(45,274,233
		(87,976,171)	(79,389,948
Net cash flows from activities	28	**(25,193,468)**	**205,269,393**
Cash flows from investing activities			
Purchase of property, plant and equipment		(57,363,442)	(240,714,733
Proceeds from sale of property, plant and equipment	4	-	35,143
Purchase of investment property		(76,568,861)	(18,520,951
Proceeds from sale of investment property		-	2,181,285
Purchase of other intangible assets	5	-	(550,669
Net cash flows from investing activities		**(133,932,303)**	**(257,569,925**
Net decrease in cash and cash equivalents		**(159,125,771)**	**(52,300,532**
Cash and cash equivalents at the beginning of the year		471,859,682	524,160,214
Cash and cash equivalents at the end of the year	11	**312,733,911**	**471,859,682**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rental income	7,036,346	-	**7,036,346**	6,494,988	**(541,358)**	
Interest received - investment	17,582,806	-	**17,582,806**	17,548,708	**(34,098)**	
Total revenue from exchange transactions	**24,619,152**	**-**	**24,619,152**	**24,043,696**	**(575,456)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies - current year	38,739,094	-	**38,739,094**	38,739,012	**(82)**	
Total revenue	**63,358,246**	**-**	**63,358,246**	**62,782,708**	**(575,538)**	
Expenditure						
Employee related costs	(33,835,102)	-	**(33,835,102)**	(33,010,514)	**824,588**	
Lease rentals on operating lease	(24,915,110)	-	**(24,915,110)**	(24,971,389)	**(56,279)**	
General Expenses	(29,147,941)	-	**(29,147,941)**	(29,994,270)	**(846,329)**	
Total expenditure	**(87,898,153)**	**-**	**(87,898,153)**	**(87,976,173)**	**(78,020)**	
Deficit before taxation	**(24,539,907)**	**-**	**(24,539,907)**	**(25,193,465)**	**(653,558)**	
Actual Amount on Comparable Basis	**(24,539,907)**	**-**	**(24,539,907)**	**(25,193,465)**	**(653,558)**	
Reconciliation of surplus for year						
Brought forward from previous page						
Government grants & subsidies				154,307,581		
Personnel				3,411,909		
Interest received				(14,167,966)		
Rental income				711,112		
Depreciation				(23,954,682)		
General expenses				7,500,440		
Operating lease				4,230,815		
Gain on disposal of property, plant and equipment				(27,425)		
Actual surplus for the year in the Statement of Financial Performance				**106,818,319**		

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	306,819,772	-	**306,819,772**	312,733,911	**5,914,139**	
Non-Current Assets						
Investment property	82,500,000	-	**82,500,000**	76,568,861	**(5,931,139)**	38
Property, plant and equipment	58,000,000	-	**58,000,000**	57,363,442	**(636,558)**	38
	140,500,000	**-**	**140,500,000**	**133,932,303**	**(6,567,697)**	
Total Assets	**447,319,772**	**-**	**447,319,772**	**446,666,214**	**(653,558)**	
Net Assets	**447,319,772**	**-**	**447,319,772**	**446,666,214**	**(653,558)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	471,859,682	-	**471,859,682**	471,859,682	**-**	
	471,859,682	**-**	**471,859,682**	**471,859,682**	**-**	
Non-controlling interest	(24,539,910)	-	**(24,539,910)**	(25,193,468)	**(653,558)**	
Total Net Assets	**447,319,772**	**-**	**447,319,772**	**446,666,214**	**(653,558)**	

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

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

Provisions

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

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 property, plant, equipment and other assets. This estimate is based on industry norm.

Allowance for doubtful debts

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

COVID-19

The extent of the impact of COVID-19 and key assumptions on the carrying amounts of assets and liabilities within the next financial year are uncertain and cannot be predicted.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

1.5 Investment property (continued)

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.

Investment property assets under construction are only depreciated upon completion.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which are 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 3).

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (see note 3).

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

Infrastructure assets under construction are only depreciated upon completion.

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	Straight-line	7-30 years
Buildings - Leasehold property	Straight-line	Over the lease term
Furniture and fixtures	Straight-line	6 - 10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	8 years
IT equipment	Straight-line	3 - 5 years
Infrastructure	Straight-line	10 - 120 years

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

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

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

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

1.6 Property, plant and equipment (continued)

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 4).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.7 Intangible assets

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

1.7 Intangible assets (continued)

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

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

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

1.8 Financial instruments

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

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

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

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

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

1.8 Financial instruments (continued)

A financial asset is:

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

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

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

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

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

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

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

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

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

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

A financial asset is past due when a 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;

1.8 Financial instruments (continued)

- 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 Companies Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

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

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

1.8 Financial instruments (continued)

Financial assets measured at cost:

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

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Presentation

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

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

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

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

1.9 Statutory receivables

Identification

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

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

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

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

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

Recognition

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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.

1.9 Statutory receivables (continued)

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

1.10 Tax

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

1.11 Leases

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.12 Discontinued Operations

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

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

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

1.13 Impairment of cash-generating assets

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

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

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

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.

1.13 Impairment of cash-generating assets (continued)

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 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.

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:

1.14 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.

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

1.15 Share capital

Ordinary shares are classified as equity.

1.16 Employee benefits

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

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

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

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.16 Employee benefits (continued)

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

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

1.17 Commitments

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

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

Rendering of services

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

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

1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

Recognition

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

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

1.19 Revenue from non-exchange transactions (continued)

Measurement

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

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

Grants and Project funds

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

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

Public contributions, including goods in-kind

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

Services in-kind

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

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

1.20 Comparative figures

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

1.23 Segment information

A segment is an activity of an entity:

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

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

Measurement

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

1.23 Segment information (continued)

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

1.24 Budget information

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

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

The approved budget covers the fiscal period from 2020-04-01 to 2021-03-31.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 37 and 38.

1.25 Related parties

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

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

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

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 in 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.

1.26 Events after reporting date

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

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

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

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

1.27 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1.5% of total income recognised. This materiality is from management's perspective and does not correlate with the auditor's materiality.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There were no new applicable standards and interpretations effective in the current year.

2.2 Standards and interpretations issued, but not yet effective

There were no new applicable standards and interpretations issued.

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property	182,888,245	(418,836)	182,469,409	104,032,270	-	104,032,270

Reconciliation of investment property - March 2021

	Opening balance	Additions	Transfer to infrastructure assets	Depreciation	Total
Investment property	104,032,270	79,488,511	(632,536)	(418,836)	182,469,409

Reconciliation of investment property - March 2020

	Opening balance	Additions	Total
Investment property	85,511,319	18,520,951	104,032,270

\- \-

	2021	2020
Investment Property per asset class		
Investment Property - Land	92,614,841	85,612,141
Investment Property - Buildings (included work in process)	89,854,568	18,420,129
	182,469,409	**104,032,270**

Pledged as security

No investment property was pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

3. Investment property (continued)

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

Opening balance	18,420,129	17,858
Additions	72,485,812	18,402,271
Transfer to completed items	(17,359,831)	-
Transfer to infrastructure completed items	(632,536)	-
	72,913,574	**18,420,129**

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	219,612	-
From Investment property that generated rental revenue		
Repairs and maintenance	1,900	-
From Investment property that did not generate rental revenue		
Direct operating expenses (excluding repairs and maintenance)	1,644,752	228,200
Repairs and maintenance	22,023	5,765
	1,666,775	**233,965**

Rental revenue relates to the facility completed during the financial year.

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	1,490,897	-	1,490,897	-	-	-
Buildings and structures	165,674,105	(9,486,276)	156,187,829	162,897,984	(4,155,533)	158,742,451
Furniture and fixtures	2,043,625	(753,784)	1,289,841	1,423,477	(615,685)	807,792
Motor vehicles	471,882	(378,333)	93,549	471,882	(284,008)	187,874
Office equipment	688,091	(340,918)	347,173	688,091	(262,664)	425,427
IT equipment	2,050,386	(1,408,693)	641,693	1,955,429	(1,179,427)	776,002
Infrastructure assets	479,544,192	(41,275,602)	438,268,590	424,175,090	(24,008,565)	400,166,525
Total	**651,963,178**	**(53,643,606)**	**598,319,572**	**591,611,953**	**(30,505,882)**	**561,106,071**

Reconciliation of property, plant and equipment - March 2021

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

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - March 2020

	Opening balance	Additions	Disposals - costs	Disposals - accumulated depreciation	Depreciation	Total
Buildings	82,887,314	76,982,302	-	-	(1,127,165)	158,742,451
Furniture and fixtures	848,439	101,226	-	-	(141,873)	807,792
Motor vehicles	282,457	-	-	-	(94,583)	187,874
Office equipment	85,572	409,866	-	-	(70,011)	425,427
IT equipment	354,093	622,171	(17,863)	14,763	(197,162)	776,002
Infrastructure assets	255,898,867	151,805,042	-	-	(7,537,384)	400,166,525
	340,356,742	**229,920,607**	**(17,863)**	**14,763**	**(9,168,178)**	**561,106,071**

Pledged as security

No assets were pledged as security.

Property, plant and equipment in the process of being constructed or developed (included in the asset category book value)

Buildings	-	140,932,685
Infrastructure	48,997,669	7,829,566
	48,997,669	**148,762,251**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress March 2021

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

Reconciliation of Work-in-Progress March 2020

	Included within Buildings	Included within Infrastructure	Total
Opening balance	64,025,242	81,129,122	145,154,364
Additions/capital expenditure	76,907,443	151,805,041	228,712,484
Transferred to completed items	-	(225,104,597)	(225,104,597)
	140,932,685	**7,829,566**	**148,762,251**

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

	2021	2020
Computer equipment	2,500	-
Buildings	148,605	180,689
	151,105	**180,689**

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	1,008,578	(596,595)	411,983	1,008,578	(260,709)	747,869

Reconciliation of intangible assets - March 2021

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

Reconciliation of intangible assets - March 2020

	Opening balance	Additions	Disposals - Cost	Disposals - Accumulated depreciation	Amortisation	Total
Computer software	415,571	550,669	(709,571)	709,571	(218,371)	747,869

Pledged as security

No intangible assets were pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

6. Receivables from non-exchange transactions

Receivables from non-exchange revenue	796,569	1,299,043
Non-current assets	611,288	295,250
Current assets	185,281	1,003,793
	796,569	**1,299,043**

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

Current receivables relate to interest receivable.

7. Operating lease asset and liability

Non-current assets	428,836	71,822
Non-current liabilities	(6,610,707)	(11,645,021)
Current liabilities	(5,323,146)	(3,500,680)
	(11,505,017)	**(15,073,879)**

Operating lease asset relates to property leased to tenants.

Operating lease liability (as lessee) consists of:

- operating lease liability of R 328,478 (March 2020: R 208,624) (Cape Town and Saldanha Bay office)
- operating lease liability of R 11,605,375 (March 2019: R 14,937,077) (Port of Saldanha Bay)

Refer to note 24 for further information on operating leases.

8. Receivables from exchange transactions

Debtors	772,335	418,238
Other receivables from exchange transactions	376,997	306,629
Provision for impairment	(18,216)	(18,216)
	1,131,116	**706,651**

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 2021, R 197,446 (2020: R 18,216) were past due but not impaired. Past due debtors negotiated new payment terms.

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

1 month past due	531,145	362,250
2 months past due	43,744	37,772
3 months past due	197,446	18,216

Trade and other receivables provided for

As of 31 March 2021, trade and other receivables of R 18,216 (2020: R 18,216) were impaired and provided for.

The ageing of these loans is as follows:

3 to 6 months	-	18,216
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	2021	2020

9. VAT receivable

VAT	16,534,828	7,908,040

VAT is a statutory receivable in terms of GRAP 108. The entity levies (claims) output (input) value added tax 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.

10. Prepayments

Prepayments	3,279,677	2,495,704
Advance payment - Investment property construction	5,000,000	-
	8,279,677	**2,495,704**

Lombard Insurance Company Limited (Reg. No 1990/001253/06) issued an Advance payment guarantee C202074626 for use with the NEC3 Engineering and Construction contract. The contract relates to the construction of a new warehouse. The guarantee sum is R5,000,000 and expires on 30 September 2021. The advance payment recoupment period is over three months and commences in July 2021.

Other prepayments mainly consist of annual software subscriptions and operating leases.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	23,828	23,630
Bank balances	300,565,350	460,132,542
Corporation for Public Deposits and call accounts	12,144,733	11,703,510
	312,733,911	**471,859,682**

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

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

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

Credit rating
BB

12. Payables from exchange and non-exchange transactions

Current trade payables	22,762,341	6,440,014

Current payables	22,762,340	6,440,014
Non-current payables	1,253,014	5,292,004
	24,015,354	**11,732,018**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

13. Employee benefits

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

Carrying value		
Performance incentive	-	4,087,628
Leave pay	2,190,696	2,088,796
Workmen's compensation and other salary-related payables	14,273	7,049
	2,204,969	**6,183,473**

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprise of:

Unspent conditional grants and receipts		
Department of Trade and Industry - SEZ fund	206,877,561	337,086,098
Department of Economic Development and Tourism	-	6,644,459
Enterprise and skills development - DTI and DEDAT	6,020,728	8,294,858
Merseta - Skills development	-	1,019,429
Skills development - CHIETA and LG SETA	148,263	1,133,784
Department of Economic Development and Tourism - Land	25,412,785	25,412,785
	238,459,337	**379,591,413**

Movement during the year

Balance at the beginning of the year	379,591,413	460,333,811
Additions during the year	38,739,007	248,153,525
Conditions met - transferred to revenue	(193,046,589)	(356,913,797)
Interest received	13,175,506	28,017,874
	238,459,337	**379,591,413**

Non-current liabilities	127,671,654	175,116,209
Current liabilities	110,787,683	204,475,204
	238,459,337	**379,591,413**

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

15. Deferred tax

Deferred tax liability

Reconciliation of deferred tax liability

At beginning of the year	-	9,219
Deductible temporary difference movement on tangible fixed assets	-	(9,219)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
16. Share capital		
Authorised		
4000 No par value shares	-	-
Reconciliation of the number of shares issued:		
120 No par value shares	120	120
Issued		
120 No par value fully paid shares	120	120
17. Payables from non-exchange transactions		
Tenant deposits	258,824	159,304
18. Revenue		
Rental income (refer note 19)	7,206,101	3,840,131
Interest accrued on financial asset at amortised cost (refer note 20)	3,380,744	4,529,975
Government grants & subsidies (refer note 21)	193,046,588	356,913,796
Public contributions	-	150,000
	203,633,433	**365,433,902**
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental income (refer note 19)	7,206,101	3,840,131
Interest accrued on financial asset at amortised cost (refer note 20)	3,380,744	4,529,975
	10,586,845	**8,370,106**
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies (refer note 20)	193,046,588	356,913,796
Public contributions	-	150,000
	193,046,588	**357,063,796**

Nature and type of services in-kind not significant are as follows:

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

	2021	2020
19. Rental income		
Premises		
Land and premises	7,206,101	3,840,131

Included in the above rentals are operating lease rentals at straight-lined amounts of R 357,014 (2020: R 71,822) as well as contingent rentals of R 6,003,082 (2020: R 3,040,009).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020
20. Interest income		
Interest revenue		
Bank	3,380,744	4,529,975
21. Government grants and subsidies		
Operating grants		
Department of Economic Development and Tourism	43,774,589	65,016,266
Enterprise and skills development - DTI and DEDAT	2,700,012	1,867,030
Merseta - Skills Development	2,252,419	1,994,558
Skills development - CHIETA and LG SETA	1,477,625	4,405,060
Innovation campus - DTI and DEDAT	-	971,433
	50,204,645	**74,254,347**
Capital grants		
Department of Trade and Industry - SEZ fund	142,841,943	282,540,769
Department of Economic Development and Tourism - Land	-	118,680
	142,841,943	**282,659,449**
	193,046,588	**356,913,796**

Department of Trade and Industry - SEZ fund

	2021	2020
Balance unspent at beginning of the year	337,086,098	416,388,555
Current-year receipts	-	177,015,692
Conditions met - transferred to revenue	(142,841,943)	(282,540,769)
Interest received	12,633,406	26,222,620
	206,877,561	**337,086,098**

Funds are available for infrastructure implementation over a period of 3 years. Interest earned on investment of grant is treated in accordance with the stipulations and conditions set out in the agreement. Conditions still to be met remains a liability (see note 14).

Department of Economic Development and Tourism

	2021	2020
Balance unspent at beginning of the year	6,644,459	6,209,912
Current-year receipts	37,013,913	64,510,435
Interest received	116,217	940,378
Conditions met - transferred to revenue	(43,774,589)	(65,016,266)
	-	**6,644,459**

Department of Economic Development and Tourism grant is funding for operational expenditure. Interest earned on investment of grant funding is treated in accordance with the stipulations and conditions set out in the funding agreement. Conditions still to be met remains a liability (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

21. Government grants and subsidies (continued)

Enterprise and skills development - DTI and DEDAT

Balance unspent at beginning of the year	8,294,858	9,357,629
Interest received	425,882	804,260
Conditions met - transferred to revenue	(2,700,012)	(1,867,031)
	6,020,728	**8,294,858**

The project relates to enterprise development and the upskilling of local community in order to equip them with the necessary skills to participate in opportunities related to the industry the IDZ development creates. This project is jointly funded by the Department of Trade and Industry and the Department of Economic Development and Tourism. Interest earned on investment of grant is treated in accordance with the stipulations and conditions set out in the agreement. Conditions still to be met remains a liability (see note 14).

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

Balance unspent at beginning of the year	1,019,429	617,852
Current-year receipts	1,232,990	2,396,135
Conditions met - transferred to revenue	(2,252,419)	(1,994,558)
	-	**1,019,429**

The objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in employment opportunities related to the industry the IDZ development creates. Conditions still to be met remains a liability (see note 14).

Skills development - CHIETA and LG SETA

Balance unspent at beginning of the year	1,133,784	1,307,581
Current-year receipts	492,104	4,231,263
Conditions met - transferred to revenue	(1,477,625)	(4,405,060)
	148,263	**1,133,784**

The objective of the project is to up-skill the local community in order to equip them with the necessary skills to participate in employment opportunities related to the industry the IDZ development creates. Conditions still to be met remains a liability (see note 14).

Department of Economic Development and Tourism - Land

Balance unspent at beginning of the year	25,412,785	25,531,465
Conditions met - transferred to revenue	-	(118,680)
	25,412,785	**25,412,785**

The funds were utilised to acquire land owned by Saldok (Proprietary) Limited, a 100% subsidiary of the Industrial Development Corporation (IDC). Revenue will be recognised in accordance with the stipulations and conditions set out in the agreement. Conditions still to be met remains a liability (see note 14).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Employee related costs

Basic	32,506,639	28,937,773
Performance incentive	(3,416,792)	3,627,885
UIF	70,717	60,653
WCA	93,535	45,608
Leave pay provision charge	(2,346)	670,293
Other allowances	220,346	220,008
Directors' fees (refer note 33)	126,506	179,850
	29,598,605	**33,742,070**

Remuneration of Chief Executive Officer

Annual Remuneration	2,751,368	2,267,279
Performance incentive	-	396,033
Contributions to UIF and Grouplife	62,066	50,284
Other	12,000	12,000
	2,825,434	**2,725,596**

Remuneration of Chief Finance Officer

Annual Remuneration	1,953,888	1,842,596
Performance incentive	-	389,994
Contributions to UIF and Grouplife	44,594	41,090
Other	12,000	12,000
	2,010,482	**2,285,680**

23. Depreciation and amortisation

Property, plant and equipment	23,199,960	9,168,178
Investment property	418,836	-
Intangible assets	335,886	218,372
	23,954,682	**9,386,550**

24. Lease rentals on operating lease

Premises		
Contractual amounts	20,292,219	19,238,288
Equipment		
Contractual amounts	448,354	471,449
	20,740,573	**19,709,737**

The entity has an operating lease with Ryden Property and Eigelaar en Seun for letting office space in the South African Reserve Bank building and Saldanha Bay. All agreements are for a period between 3-5 years and have fixed annual escalations. Refer to note 7 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	2021	2020

25. General expenses

Advertising	129,842	449,399
Assessment rates and municipal charges	1,031,083	515,198
Consulting and professional fees	4,484,271	3,125,910
Consulting enterprise development initiative	-	773,489
Consulting fees - Innovation campus	1,763,102	-
Electricity and water	949,026	499,201
Exhibitions	-	357,348
External audit fees	1,572,065	1,342,292
IT expenses	2,729,062	2,175,489
Insurance	254,331	144,342
Internal Audit fee	667,390	194,151
Printing and stationary	230,481	377,386
Repairs and maintenance	175,028	180,689
Security	157,422	43,293
Subscriptions and research membership fees	383,709	267,336
Sundry expenses	1,129,981	1,252,527
Training	406,626	272,722
Training - Short skills project	5,830,813	6,810,126
Transport - Short skills project	283,950	143,167
Travel - local	315,647	1,673,026
Travel - overseas	-	1,611,206
Venue hire	-	121,292
	22,493,829	**22,329,589**

26. External Auditors' remuneration

Fees	1,572,065	1,342,292

27. Taxation

Major components of the tax income

Current		
Local income tax - current period	-	(19,735)
Deferred		
Deferred tax - current period	-	(9,219)
	-	**(28,954)**

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting surplus	106,818,319	280,297,999
Tax at the applicable tax rate of 28% (2020: 28%)	-	78,483,440
Tax effect of adjustments on taxable income		
Expenses attributable to exempt income - Local	-	3,415,090
Exempt income received or accrued in respect of government grants	-	(81,889,558)
Accounting profit on disposal of fixed assets	-	(8,972)
	-	-

No provision has been made for 2021 tax as the entity is registered with the SARS Exemtion Unit under section 10(1)(cA)(ii).

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. Cash generated from operating activities

Surplus	106,818,319	280,326,953
Adjustments for:		
Depreciation and amortisation	23,954,682	9,386,550
Loss/(gain) on sale of assets and liabilities	27,425	(32,043)
Movements in operating lease assets and accruals	(3,568,862)	(1,832,914)
Movements in employee benefits	(3,978,504)	(696,767)
Movement in tax receivable and payable	-	(19,735)
Movement in deferred tax asset	-	(9,219)
Movement in employee benefits included in infrastructure assets	566,594	341,051
Public contributions	-	(150,000)
Changes in working capital:		
Receivables from exchange transactions	(424,465)	1,483,610
Receivables from non-exchange transactions	502,474	737,705
Prepayments	(5,783,973)	(547,414)
Payables from exchange and non-exchange transactions	12,382,857	(10,060,459)
Value added tax	(8,626,788)	(1,337,316)
Unspent conditional grants and receipts	(141,132,076)	(80,742,398)
Property, plant and equipment and Investment property payables	(10,931,151)	10,603,073
Investment Property prepayment	5,000,000	(2,181,284)
	(25,193,468)	**205,269,393**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Financial instruments disclosure

Categories of financial instruments

2021

Financial assets

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

Financial liabilities

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

2020

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	706,651	706,651
Other receivables from non-exchange transactions	1,299,043	1,299,043
Cash and cash equivalents	471,859,682	471,859,682
	473,865,376	**473,865,376**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	11,732,018	11,732,018
Trade and other payables from non-exchange transactions	159,304	159,304
Unspent conditional grants and receipts	379,591,413	379,591,413
	391,482,735	**391,482,735**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

30. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	6,441,582	15,058,438
• Investment property	87,227,698	8,558,820
• Intangible assets	-	44,254
	93,669,280	**23,661,512**

Total capital commitments		
Already contracted for but not provided for	93,669,280	23,661,512

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	25,485,982	22,622,966
- in second to fifth year inclusive	27,466,214	50,020,887
- later than five years	12	13
	52,952,208	**72,643,866**

The total future minimum sublease payment expected to be received under a non-cancellable sublease	-	1,880,756

Operating lease payments represent rentals payable by the entity for office properties, estate land and office equipment. Leases are negotiated for an average term of five years except for the Transnet National Ports Authority lease (TNPA). The TNPA lease is fixed for the first 5 years. In year 5 the lease would be reviewed and adjusted to a market related for years 6 to 15. There is an option to renew the lease for another 10 years. Contingent rent is not included in minimum future lease payments.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	1,041,779	568,961
- in second to fifth year inclusive	4,458,090	1,311,795
- later than five years	25,899,046	-
	31,398,915	**1,880,756**

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.

31. Contingencies

No contingencies identified.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

32. Related parties

Relationships	
Directors	Refer to note 33
Controlling entity	Department of Economic Development and Tourism
Members of key management	Refer to note 22

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

Related party balances

	2021	2020
Unspent balances		
Department of Economic Development and Tourism	-	6,644,459
Department of Economic Development and Tourism - Land	25,412,785	25,412,785

Related party transactions

	2021	2020
Income recognised		
Department of Economic Development and Tourism	43,774,589	65,016,266
Department of Economic Development and Tourism - Land	-	118,680

33. Directors' and co-opted members' fees

Non- executive/Co-opted

2021

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

2020

	Fees	Travel Costs	Total
Edwin Obiru (Non-Executive)	27,216	-	27,216
Irvin Esau (Non-Executive)	29,178	8,447	37,625
Johann Stegmann (Non-Executive)	20,920	2,960	23,880
Basetsana Mathibe (Non-Executive)	29,487	978	30,465
Paul Slack (Audit, IT and Risk Committee)	61,994	-	61,994
Danny Naidoo (Audit, IT and Risk Committee - paid to employer)	11,055	-	11,055
	179,850	**12,385**	**192,235**

34. 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.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Risk management (continued)

Liquidity risk

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

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

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

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

At 31 March 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Unspent conditional grants and receipts	204,475,204	175,116,209	-	-
Trade and other payables	6,440,014	5,451,308	-	-

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.

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

Financial instrument	2021	2020
Receivables from non-exchange transactions	796,569	1,299,043
Receivables from exchange transactions	1,131,116	706,651
Cash and cash equivalents	312,733,911	471,859,682

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

34. Risk management (continued)

Market risk

Interest rate risk

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

At 31 March 2021, 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 312,734 (2020: R 471,560) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	3.50 %	312,733,911	-	-	-	-

Foreign exchange risk

The entity does not hedge foreign exchange fluctuations.

Price risk

The entity is not exposed to price risk.

35. Fruitless and wasteful expenditure

No fruitless and wasteful expenditure identified during the financial year.

36. Irregular expenditure

No irregular expenditure identified during the financial year.

37. Actual operating expenditure versus budgeted operating expenditure

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

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

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

Notes to the Annual Financial Statements

38. Actual capital expenditure versus budgeted capital expenditure

The nature of infrastructure implementation leads to the commitment of funds over the duration of the implementation period, and funds will be spent as the contractual deliverables are met. Cash and cash equivalents - Actual amount includes funds for the difference between budgeted capital expenditure and actual capital expenditure. Also, refer operating expenditure in note 36.

Investment Property and Property, plant and equipment - Large payable on yearend.

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

39. 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.

Aggregated segments

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

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

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

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

Types of goods and/or services by segment

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

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

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

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

Figures in Rand

39. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2021

	Corporate Services	Operational Services	Infrastructure implementation	Special Projects	Total
Revenue					
Revenue from non-exchange transactions	11,283,346	32,491,243	142,841,943	6,430,056	193,046,588
Revenue from exchange transactions	-	7,206,101	-	-	7,206,101
Interest revenue	3,380,744	-	-	-	3,380,744
Total segment revenue	**14,664,090**	**39,697,344**	**142,841,943**	**6,430,056**	**203,633,433**
Entity's revenue					**203,633,433**
Expenditure					
Employee related costs	11,670,770	17,927,835	-	-	29,598,605
Other expenses	11,648,413	49,221,503	-	6,346,593	67,216,509
Total segment expenditure	**23,319,183**	**67,149,338**	**-**	**6,346,593**	**96,815,114**
Total segmental surplus/(deficit)					**106,818,319**

Figures in Rand

39. Segment information (continued)

2020

	Corporate Services	Operational Services	Infrastructure implementation	Special Projects	Total
Revenue					
Revenue from non-exchange transactions	19,297,441	45,718,825	282,540,769	9,356,761	356,913,796
Revenue from exchange transactions	-	3,840,131	-	-	3,840,131
Interest revenue	4,529,975	-	-	-	4,529,975
Other income	182,043	-	-	-	182,043
Total segment revenue	**24,009,459**	**49,558,956**	**282,540,769**	**9,356,761**	**365,465,945**
Entity's revenue					**365,465,945**
Expenditure					
Salaries and wages	12,354,733	20,546,320	-	841,017	33,742,070
Other expenses	10,211,535	32,916,898	-	8,297,443	51,425,876
Taxation	(28,954)	-	-	-	(28,954)
Total segment expenditure	**22,537,314**	**53,463,218**	**-**	**9,138,460**	**85,138,992**
Total segmental surplus/(deficit)					**280,326,953**

RP240/2021
ISBN: 978-0-621-49656-7

www.sbidz.co.za