



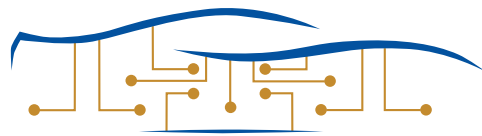
*Driving SA's Automotive  
Productive Capacity*



**TSHWANE AUTOMOTIVE  
SPECIAL ECONOMIC ZONE**

AFRICA'S FIRST AUTOMOTIVE CITY

**ANNUAL REPORT  
2021/2022**



# TSHWANE AUTOMOTIVE SPECIAL ECONOMIC ZONE

AFRICA'S FIRST AUTOMOTIVE CITY

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# **PART A**

## **GENERAL INFORMATION**



# 1. ENTITY'S GENERAL INFORMATION

<b>Registered name of the public entity</b>	Tshwane Automotive Hub Special Economic Zone (Pty) Ltd
<b>Registration Numbers</b>	2020/214518/07
<b>Registered Office Address</b>	77 Meintjies Street Sunnyside Pretoria Gauteng 0001
<b>Postal Address</b>	30 Helium Road The Automotive Supplier Park Central Hub TASEZ Offices Rosslyn Ext 2 0200
<b>Contact Telephone Numbers</b>	012 564 5825
<b>Email Address</b>	companysecretary@tasez.co.za
<b>Website Address</b>	www.tasez.co.za
<b>External Auditors' Information</b>	Auditor-General of South Africa PO Box 446 Pretoria 0001
<b>Bankers' Information</b>	Standard Bank of South Africa Head Office 184 Hyde Lane Hyde Park Sandton 2196
<b>Company Secretary (Acting)</b>	Londiwe Cetshwayo companysecretary@tasez.co.za

## 2. LIST OF ABBREVIATIONS/ACRONYMS

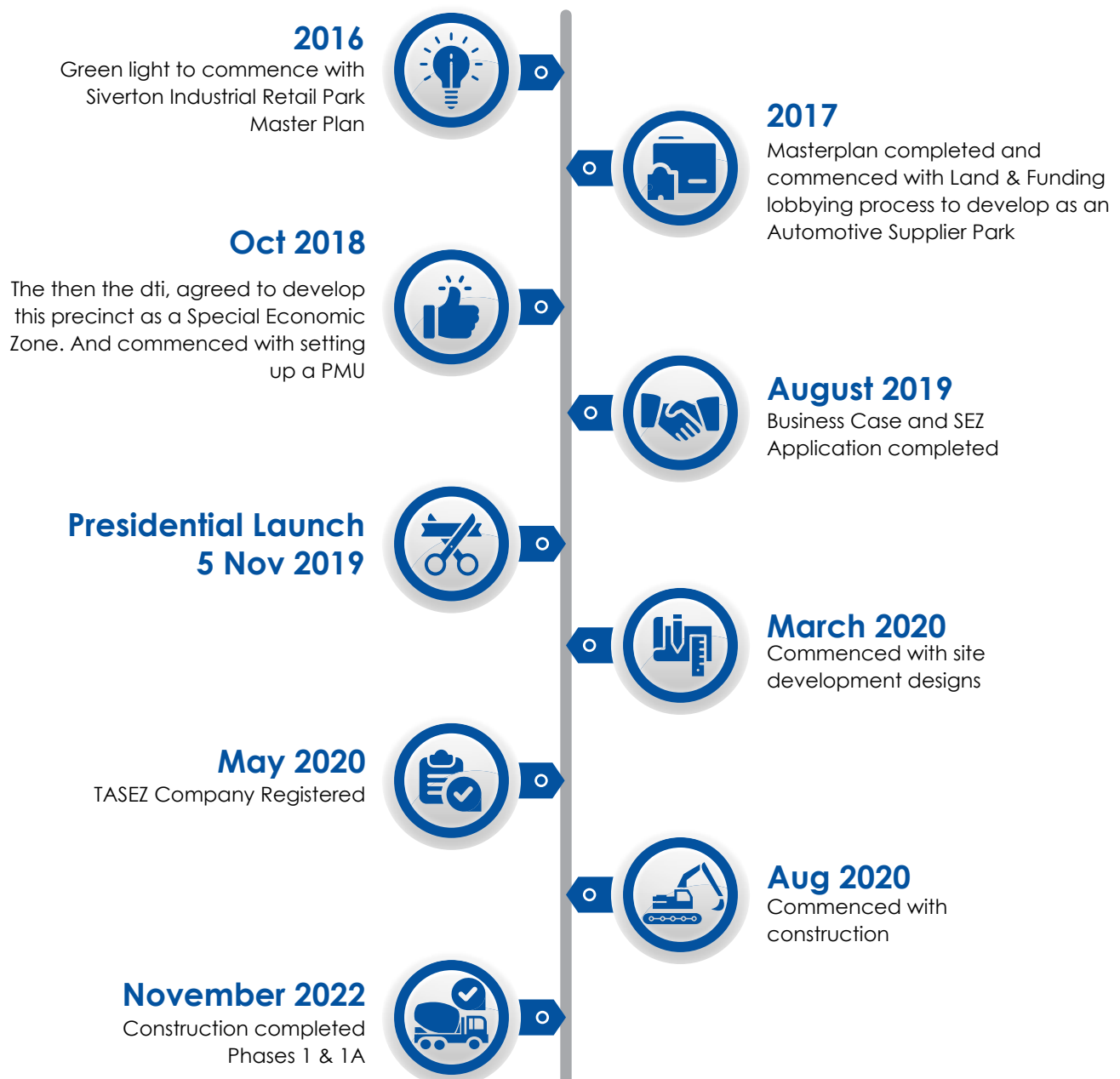
<b>AGSA</b>	AUDITOR-GENERAL OF SOUTH AFRICA	<b>MERSETA</b>	MANUFACTURING, ENGINEERING AND RELATED SERVICES SECTOR EDUCATION AND TRAINING AUTHORITY
<b>AIDC</b>	AUTOMOTIVE INDUSTRY DEVELOPMENT CENTRE	<b>MFMA</b>	MUNICIPAL FINANCE MANAGEMENT ACT
<b>APP</b>	ANNUAL PERFORMANCE PLAN	<b>MTEF</b>	MEDIUM-TERM EXPENDITURE FRAMEWORK
<b>B-BBEE</b>	BROAD-BASED BLACK ECONOMIC EMPOWERMENT	<b>NAACAM</b>	NATIONAL ASSOCIATION OF AUTOMOTIVE COMPONENT & ALLIED MANUFACTURERS
<b>TASEZ COMPANY</b>	TSHWANE AUTOMOTIVE HUB SPECIAL ECONOMIC ZONE (PTY) LTD	<b>NAAMSA</b>	NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SOUTH AFRICA
<b>CEO</b>	CHIEF EXECUTIVE OFFICER	<b>NCPC</b>	NATIONAL CLEANER PRODUCTION CENTRE
<b>CFO</b>	CHIEF FINANCIAL OFFICER	<b>NEF</b>	NATIONAL EMPOWERMENT FUND
<b>COT</b>	THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY	<b>NIPF</b>	NATIONAL INDUSTRIAL POLICY FRAMEWORK
<b>DBSA</b>	DEVELOPMENT BANK OF SOUTHERN AFRICA	<b>NDP</b>	NATIONAL DEVELOPMENT PLAN
<b>DDI</b>	DOMESTIC DIRECT INVESTOR	<b>NGP</b>	NATIONAL GROWTH PATH
<b>EAC</b>	EAST AFRICAN COMMUNITY	<b>OEM</b>	ORIGINAL EQUIPMENT MANUFACTURER
<b>FDI</b>	FOREIGN DIRECT INVESTOR	<b>PESTEL</b>	POLITICAL, ECONOMIC, SOCIAL TECHNOLOGY, ENVIRONMENT AND LEGAL
<b>FMCSA</b>	FORD MOTOR COMPANY OF SOUTHERN AFRICA	<b>PFMA</b>	PUBLIC FINANCE MANAGEMENT ACT
<b>GDARD</b>	GAUTENG DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT	<b>PSC</b>	PROJECT STEERING COMMITTEE
<b>GDED</b>	GAUTENG DEPARTMENT OF ECONOMIC DEVELOPMENT	<b>R&amp;D</b>	RESEARCH AND DEVELOPMENT
<b>GDP</b>	GROSS DOMESTIC PRODUCT	<b>ROI</b>	RETURN ON INVESTMENT
<b>GEP</b>	GAUTENG ENTERPRISE PROPELLER	<b>SADC</b>	SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
<b>GGDA</b>	GAUTENG GROWTH & DEVELOPMENT AGENCY	<b>SASSA</b>	SOUTH AFRICAN SOCIAL SECURITY AGENCY
<b>GIFA</b>	GAUTENG INFRASTRUCTURE FINANCING AGENCY	<b>SCM</b>	SUPPLY CHAIN MANAGEMENT
<b>GIDZ</b>	GAUTENG INDUSTRIAL DEVELOPMENT ZONE	<b>SEDA</b>	SMALL ENTERPRISE DEVELOPMENT AGENCY
<b>ICT</b>	INFORMATION COMMUNICATION TECHNOLOGY	<b>SEZ</b>	SPECIAL ECONOMIC ZONE
<b>IDC</b>	INDUSTRIAL DEVELOPMENT CENTRE	<b>SMME</b>	SMALL MEDIUM AND MICRO ENTERPRISES
<b>IOT</b>	INTERNET OF THINGS	<b>SSA</b>	SUB-SAHARAN AFRICA
<b>IPAP</b>	INDUSTRIAL POLICY ACTION PLAN		
<b>MEC</b>	MEMBER OF THE EXECUTIVE COUNCIL		



<b>SWOT</b>	STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS
<b>TAC</b>	TSHWANE AUTOMOTIVE CITY
<b>TASEZ</b>	TSHWANE AUTOMOTIVE HUB AND SPECIAL ECONOMIC ZONE
<b>TEDA</b>	TSHWANE ECONOMIC DEVELOPMENT AGENCY
<b>dtic</b>	DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION
<b>TIA</b>	TECHNOLOGY INNOVATION AGENCY

<b>TIH</b>	THE INNOVATION HUB
<b>TMR</b>	TRANSFORMATION, MODERNISATION AND RE-INDUSTRIALISATION
<b>TUT</b>	TSHWANE UNIVERSITY OF TECHNOLOGY
<b>TR</b>	TREASURY REGULATIONS
<b>TVET</b>	TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING
<b>UP</b>	UNIVERSITY OF PRETORIA

## TASEZ Development Trajectory (Phase 1 & Phase 1A)



### 3. FOREWORD BY THE CHAIRPERSON



**Lionel October**  
Chairperson of the Board

In 2020, the Department of Trade, Industry and Competition (dtic) signed an Intergovernmental Relations Agreement with the Gauteng Department of Economic Development (GDED) and City of Tshwane Metropolitan (CoT) for the establishment of the TASEZ.

TASEZ was established in May 2020 as a special purpose vehicle and appointed custodian of the Tshwane Special Economic Zone project. The purpose is to facilitate the creation of an industrial complex to lead the national and regional economic advantage for targeted investments in the automotive manufacturing sector by attracting foreign and domestic direct investments, promote regional economic development, promote skills and technology transfer, generate new and innovative economic activities, and create decent (sustainable) work and other economic and social benefits in the Gauteng region. TASEZ is registered as a private company in terms of the Companies Act No 71 of 2008, and is in the

process of being listed as a Public Entity in terms of the Public Finance Management Act 1 of 1999 (PFMA).

The Tshwane Automotive Special Economic Zone has taken into account its mandate to:

- Facilitate the creation of an industrial complex, having strategic national and regional economic advantage for targeted investments in the automotive manufacturing sector ranging from Original Equipment Manufacturer (OEM) level all the way down to Tier 3 suppliers. Develop infrastructure required to support the development of targeted industrial activities.
- Attract foreign and domestic direct investment.
- Increase investment and growth in the manufacturing industry, particularly the automotive manufacturing industry.
- Take advantage of existing industrial and technological capacity.
- Promote integration with local industry and increasing value-added production.
- Promote regional economic development and create decent (sustainable) work and economic and social benefits in the region in which it is located, through the development of mix-used facilities within the SEZ.
- Broadening of economic participation by promoting small, micro and medium enterprises and co-operatives, and promoting skills and technology transfer.
- Take advantage of existing SEZs and promote collaboration with these SEZs.

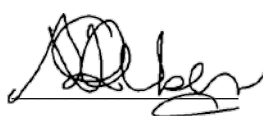
As the second year of the establishment of the TASEZ came to a close, the zone met the investors' beneficial occupancy timelines, while construction of required bulk infrastructure is aimed to be concluded in quarter three (3) of the 22/23 financial year. Three (3) of the 12 investors have started production on the current Ford Model, with the remainder of the investors gearing themselves for the new Ranger launch later in

the 2022/23 financial year. As at the end of the financial year, the investment made by these 12 investors is currently sitting at R3.41 billion against an overall projected investment of R4.3 billion. By year-end these investors had also appointed 603 staff members.

While performance in respect of investment attraction and meeting investors' timelines was favourable, the period under review ended with a lower than projected performance regarding the number of construction jobs and training against the project target. Since there was emphasis on meeting the investors' timelines, an accelerated construction programme was required that did however negatively impact the number of construction jobs.

Looking ahead as a country, we still face socio-economic challenges that have resulted from the Covid-19 pandemic. While also addressing the persistent crisis of low economic growth, high unemployment, poverty and inequality that have characterised the SA economic trajectory for the past few years. Hence as TASEZ, we need to look at what interventions are required to enable meaningful economic recovery. We would perhaps have to be daringly ambitious and resolutely committed to ensuring that we not only address these challenges, but that we also sustainably contribute to national, regional and continental growth.

I would like to extend my appreciation to the TASEZ team, Stakeholders and Members of the Board who represented the Department of Trade, Industry and Competition (dtic), the Gauteng Department of Economic Development (GDED), City of Tshwane Metropolitan (CoT), and the Ford Motor Company of Southern Africa (FMCSA) for their hard work, dedication, and inspiring leadership, without which we would not have been able to achieve these results.



**Lionel October**

Chairperson of the Board

Tshwane Automotive Hub Special Economic Zone (Pty) Ltd

Date: 29/07/2022

## 4. CHIEF EXECUTIVE OFFICER'S OVERVIEW



**Msokoli Ntombana**  
Chief Executive Officer (Acting)

It is estimated that the Covid-19 pandemic has put South Africa's automotive industry back by about three years in achieving the South African Automotive Masterplan. The decline in new vehicle sales of 29.2% from 536.612 units in 2019 to 380 206 units in 2020, the new vehicle market reflected a rebound increasing year-on-year by 22.1% to 464 122 units in 2021. A close correlation can be seen between domestic new vehicle sales, the overall performance of the economy and the new vehicle market performance against the country's GDP growth rate. Economic disruptions include July 2021's civil unrest, a cyberattack on Transnet operations, a three-week strike in the steel and engineering sector, the adjusted alert level 4 lockdown restrictions during the second half of 2021, as well as record-high fuel prices and the first interest rate increase in three years.

However, despite the pandemic and supply chain disruptions, such as the global shortage of semiconductors, the industry's key performance indicators included several highlights in 2021.

Vehicle and automotive component exports increased by 18.1% to a record R207.5 billion in 2021 from the R175.7 billion in 2020 to comprise 12.5% of total South African exports. Vehicle exports increased by 9.8% to 298 020 units in 2021 from the 271 287 vehicles exported in 2020, while the export value increased by 14.1% to R138.3 billion from R121.2 billion in 2020. Imports of original equipment components by the seven original equipment manufacturers (OEMs) in South Africa, increased by 33.8% or R110.1 billion in 2021 from R82.3 billion in 2020, in line with the 11.8% year-on-year increase in vehicle production in 2021.

In 2021 the seven OEMs invested R8.8 billion against a record achievement in 2020 of R9.2 billion, while the component sector invested a record R5.7 billion in 2021 against R2.4 billion that was invested in the 2020 financial year. The broader automotive industry contributed 4.3% to South Africa's GDP in 2021 (against 4.9% in 2020), with manufacturing accounting for 2.4%, and retail 1.9%.

The TASEZ Annual Performance Report highlights some of the major achievements and challenges of TASEZ for the 2021/22 financial year. TASEZ is a company whose shareholders are the Gauteng Provincial Government's Department of Economic Development (GDED), City of Tshwane Metropolitan Municipality (CoT) and the Department of Trade, Industry and Competition (the dtic). TASEZ is anchored by the automotive manufacturing sector as the primary development driver and is positioned as a key catalyst for government's stride in terms of mobilising both the public and private sector to invest within the Northern Development Corridor located within our nation's capital city – the City of Tshwane – to efficiently carry out its mandate.

TASEZ operates a 4-programme structure, summarised below:

- Programme 1: Administration.
- Programme 2: Business Development.
- Programme 3: Infrastructure Development.
- Programme 4: Zone Operations.

The TASEZ project currently consists of three land parcels and each land parcel is in a different stage of development. On Land Parcel one (Also known as Phase 1) construction commenced in August 2020 with Beneficial Occupancy achieved by all 12 investors during this financial year. The planned target of construction jobs for the financial year was not achieved due to acceleration plans that had to be put in place to achieve the investors' timelines. A total of 3 348 construction jobs were achieved against an initial target of 7 000 jobs for the 2021/2022 financial year. However, due to the acceleration of this phase 603 permanent jobs were created by the investors against a target of 70. As a sub-target, the aim was to achieve at least 70% employment from within the local surrounding communities, and TASEZ achieved 67%.

TASEZ has an operational Supply Chain Management (SCM) Unit, capacitated in March 2021. The unit operates within the regulations, policies and procedures that govern the SCM function. The Bid Adjudication Committee (BAC) is established in terms of TASEZ's Supply Chain Management Policy to monitor and adjudicate on TASEZ's procurement activities and public tender processes to ensure compliance.

From an operational expenditure perspective, TASEZ's spend amounted to R106.1 million as at the end of the 2021/22 financial year, against an annual budget of R117.9 million. The 10% unspent budget was mainly due to vacancies. From an infrastructure-spending perspective, TASEZ has spent R2.1 billion, bringing the total capitalised investment to R2.6 billion. During the period under review, 98% of all invoices received from the implementing agent were paid within 14 days and a 100% of all other creditors were paid in less than 30 days. The average payment turnaround time was less than 12 days.

Guided by our long-term vision to become a leading catalyst for inclusive industrial development and economic growth, we acknowledge that we must still navigate many challenges but through perseverance and hard work we believe our vision will be obtained.

I would like to acknowledge the efforts and dedication of the Audit and Risk Committee and the TASEZ team in achieving a consecutive year positive audit outcome. The team is committed to a clean administration and will continuously strive to achieve positive audit results. Any weaknesses identified in processes will be swiftly addressed, and as we capacitate the company the control environment will grow from strength to strength.

My gratitude for most of the work done during the period under review goes to my immediate predecessor, Mr Simphiwe Hamilton. Without his stewardship and dedication, the foundation for the work TASEZ is continuing would not have been laid. I would further want to express my sincere appreciation to the TASEZ Team and the Board, the Coega Development Corporation team, Community Project Committee and our stakeholders for their dedication, guidance and unwavering commitment.



**Msokoli Ntombana**

Chief Executive Officer (Acting)

Tshwane Automotive Hub Special Economic  
Zone (Pty) Ltd

Date: 29/07/2022



## 5. BOARD MEMBERS



Lionel October



Blake Lefatola



Susan Mangole



Maoto Molefane



Jak Koseff



Njabulo Sithebe



James Murphy



Lardo Stander



Musa Khumalo



Ockert Berry



Dhiren Vanmali



## 6. EXECUTIVES



Simphiwe Hamilton  
CEO



Ahmed Moolla  
Acting CFO



Msokoli Ntombana  
Executive Business  
Development



Andile Sangweni  
Executive Infrastructure  
Development and Acting  
Zone Operations



Tebogo Baloyi  
Acting Executive  
Corporate Services

## 7. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

To the best of our knowledge and belief, we confirm the following:

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

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

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

The Annual Financial Statements (Part E) have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) standards applicable to the organisation.

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

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

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

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

Yours faithfully



Chief Executive Officer (Acting)

**Msokoli Ntombana**

Date : 29/07/2022



Chairperson of the Board

**Lionel October**

Date: 29/07/2022

## 8. STRATEGIC OVERVIEW

### 8.1. Vision

To be the benchmark for SEZs in South Africa while contributing to the growth of the automotive sector, with the objective of being a major creator of new businesses and contributor to employment, transformation, and socio-economic development.

### 8.2. Mission

To be a catalyst for employment, transformation and socio-economic development and industry growth by being a node attracting automotive suppliers and automotive manufacturers, assemblers and supporting services.

### 8.3. Values

Currently, the TASEZ values are driven by its strategic goals and objectives:

- To create economic growth and transformation within the South African automotive industry.
- To create awareness and support for the development and growth of the automotive SEZ.
- To support the process of attracting automotive and related industries and tenants into SEZ, and achieving socio-economic empowerment for the surrounding communities.
- To ensure greater inclusion (deepen value addition) of SMMEs within the automotive value chain.

In terms of our Ethics and Code of Conduct Policy emphasis is placed on the conduct of all stakeholders, which include the following:

Directors, Company Secretary, Executive Managers, Senior Managers, Permanent Employees, Part-Time Employees and Contractors to conduct themselves in an appropriate manner that is in line with good governance with more focus on the following values:

- Ethics
- Competence
- Accountability
- Responsibility
- Fairness
- Transparency.



Board oversight visit.

## 9. LEGISLATIVE AND OTHER MANDATES

TASEZ is registered as a private company in terms of the Companies Act No 71 of 2008, and is in the process of being listed as a Public Entity in terms of the Public Finance Management Act 1 of 1999 (PFMA). TASEZ has three funders: the Gauteng Provincial Government (GPG), the City of Tshwane Metropolitan Municipality (CoT) and the Department of Trade, Industry and Competition (dtic).

TASEZ is governed by a Board of Directors comprising representatives from the three funders (GPG, CoT, and dtic) and the Ford Motor Company of Southern Africa (FMCSA), as the initial catalyst for the development.

TASEZ is the Operator of the Tshwane Automotive Special Economic Zone in terms of the Special Economic Zone Act 16 of 2014, (SEZ Act). TASEZ is a key driver to economic growth in the City of Tshwane (CoT) as well as Gauteng province, with a mandate to create employment and promote economic participation for SMMEs in the region. TASEZ is also positioned to take the lead in growing Africa's new industrial revolution.

TASEZ's mandate is further aligned and effectively born out of the national strategies of the South African government, particularly the Reimagined Industrial Strategy, presented by Mr E Patel, Minister of the dtic, and approved by Cabinet in June 2019. The Reimagined Industrial Strategy is the centre piece of government's economic vision; it is co-ordinated by the Presidency and puts emphasis on concrete actions. It presents a multipronged approach to industrial development with emphasis on building partnerships with the private sector to unleash job-creating investment.

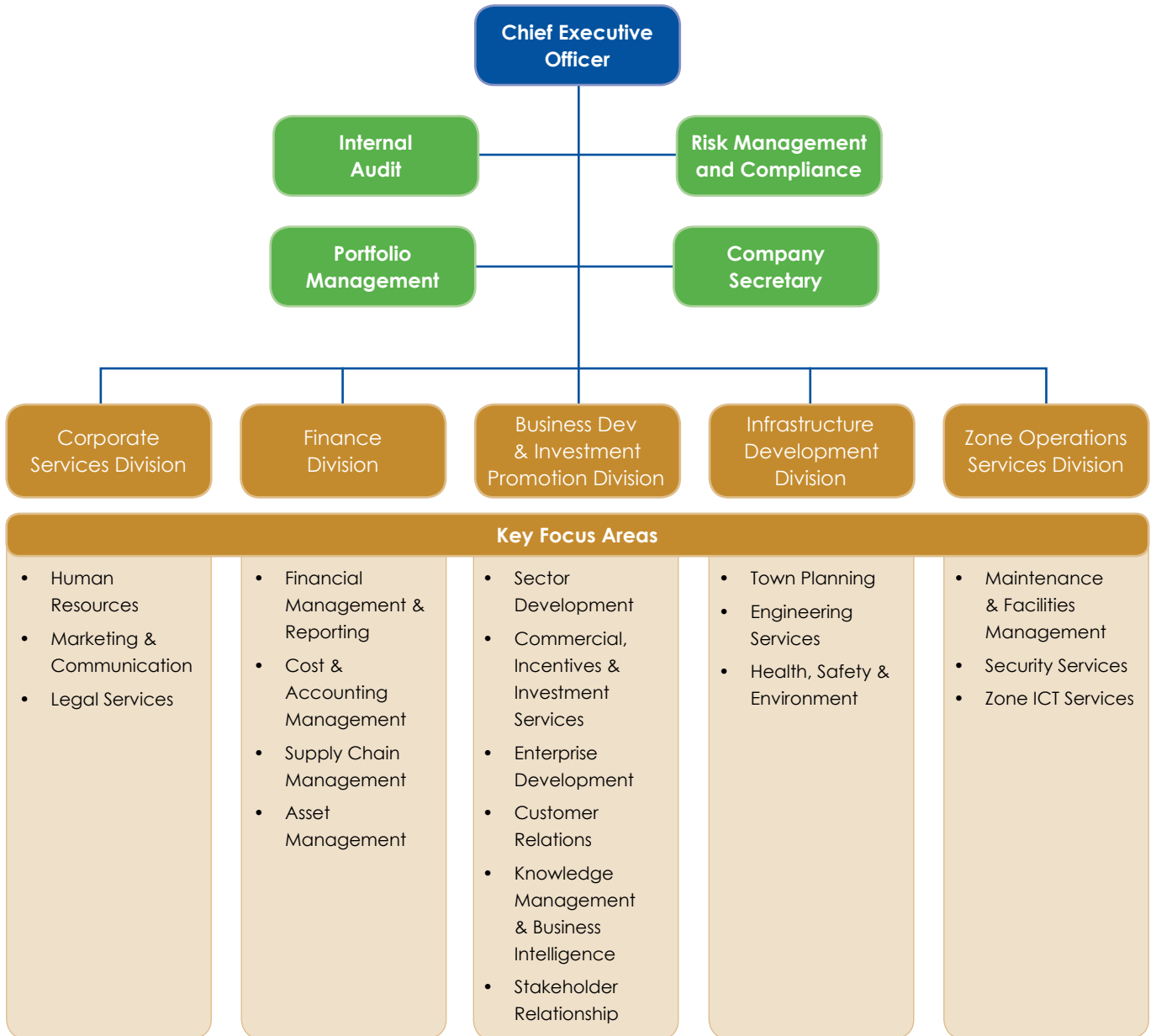
The modality to operationalise the Reimagined Industrial Strategy is the application of a master planning process that seeks to create a shared vision together with industry, government and labour. The strategy envisages that the adoption of master plans will harness the commitment by all role-players, stakeholders and beneficiaries towards implementing the actions required to fulfil the vision, and as such TASEZ was designated as a key action out of this strategy.

The mandate and purpose of TASEZ is to:

- Facilitate the creation of an industrial complex, having strategic regional, national, provincial, and local economic development and advantage for targeted investments in the automotive manufacturing sector, ranging from Original Equipment Manufacturer (OEM) level all the way down to Tier 3 suppliers.
- Provide the location for the establishment of targeted investments to develop infrastructure required to support the development of targeted industrial activities.
- Attract and increase foreign and domestic direct investment, as well as foster investment growth in the automotive manufacturing industry.
- Take advantage of existing industrial and technological capacity towards fostering integration with local industry, and increasing value-added production.
- Create decent (sustainable) work as well as other economic and social benefits in communities in which TASEZ is located, including the broadening economic participation by promoting small, micro, and medium enterprises as well as co-operatives. Furthermore, to promote technology skills transfer.

# 10. ORGANISATIONAL STRUCTURE

**FIGURE 1: Organisational Structure**







# **PART B**

## PERFORMANCE INFORMATION



# 1. AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA/auditor performed an audit on the performance information to provide reasonable assurance on an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the Report to Management, with material findings reported

under the Predetermined Objectives heading in the report on other legal and regulatory requirements section of the Auditor's Report. Refer to page 56 of the Auditors' Report, published as Part E: Financial Information.

## 2. SITUATIONAL ANALYSIS

### 2.1. Service Delivery Environment

Even though Covid-19 has greatly impacted how TASEZ conducted business since its inception in 2020, of greater concern was the possibility that investors secured could retract their investment as Covid-19 created a 30% overall market retraction within the Global Automotive Sector. TASEZ was however in a fortunate position that even though one investor did retract their investment in the 2021/22 financial year, an additional pipeline of interested investors can be tapped into to ensure that this retraction can be offset in the 22/23 financial year.

A Five-Year Strategic Plan 2021/26 was developed and used as the base from which the 2021/2022 Annual Performance Plan was developed.

Strategic goals, as formulated in the original business plan, remained unchanged and include:

- To create economic growth and transformation within the South African automotive industry.
- To create awareness and support for the development and growth of the automotive SEZ.
- To support the process of attracting automotive and related industries and tenants into SEZ, while achieving socio-economic empowerment for the surrounding communities.
- To ensure greater inclusion (deepen value addition) of SMMEs within the automotive value chain.

TASEZ's strategic goals are aligned with the national strategies of the South African government, which make provision for SEZ as instruments to support long-term industrial and economic development.

The overarching aim is for SEZ to directly impact employment and economic growth, as well as attract foreign direct investment.

In terms of the government's Reimagined Industrial Strategy, the activities of TASEZ speak specifically to aggressively expanding trade and investment. TASEZ promotes exports and competitiveness, with South African companies encouraged to participate in regional infrastructure projects and in integrating regional supply chains to promote industrialisation, as outlined in the Industrial Strategy. The strategy also states that "South Africa will act as a spur to regional growth, rather than merely relying on it. This will involve greater commitment to regional industrialisation and supply chain linkages".

In the first phase of the development six (6) new localisation commodities pertaining to metal-pressing and plastic-injection components have been secured. While all planned investors have taken beneficial occupancy of the buildings during the 2022/23 financial year, three (3) of these investors have commenced with construction. The remainder of the investors are in the process of commissioning their plant in preparation of the FMCSA production launch in the Third Quarter of 2022/23.

There is a strong focus on skills development, job creation and growing human capital, which directly speaks to the Industrial Strategy. During the financial year, 3 348 construction jobs were created, with 67% of construction employees (against a planned 70%) residing in neighbouring communities. Within the zone itself, 603 operational (automotive jobs) have been created by the investors, with an additional 1 288 jobs planned for the 2022/23 financial year.

TASEZ addresses SMME development by requesting that main construction contractors spend a minimum of 45% procurement on SMME packages. For the 2021/2022 financial year, main contractors have achieved a 44% SMME procurement spend which is still well above the national target of 30%. It should also be noted that this procurement spend on SMMEs was within the surrounding township communities.

## 2.2. Organisational environment

TASEZ was established in May 2020 and as such the quality of human resources is a strategic imperative, especially given the limited time to construct, implement and operate this new SEZ, effect policies and best practice, and accurately plan and execute strategies.

The first formal appointment made by the TASEZ Company was the appointment of a Chief Executive Officer in November 2020. In July 2021 the TASEZ Board formally approved the TASEZ Organisational Structure. The Organisational Structure made provision for 89 employees, pursuant to a large-scale employment drive, TASEZ appointed 23 resources within the 2020/2021 financial year and a further 13 in the 21/22 financial year, bringing the total headcount to 36 by the end of the 2021/22 financial year.

During 2022/23, additional resources will be appointed with specific focus on bolstering the capacity in the operations/zone management and supplier and enterprise development activities.

To assist the actual infrastructure development of the zone, the dtic, GDED and CoT agreed on the interim appointment of an Implementing Agency to assist with the management of construction within Phase 1. In May 2020, Coega Development Corporation (CDC) was appointed as this Implementing Agency, and is currently assisting TASEZ with the completion of construction for Phase 1 and Phase 1A. During the 2022/23 financial year, TASEZ will gradually start taking over this responsibility.

## 2.3. Key policy developments and legislative changes

TASEZ's management is working tirelessly to develop policy frameworks and policies to assist and align TASEZ with its legislative mandate. The development of such policies was identified as a strategic target included in the Annual Performance Plans for 2021/22 and further reviewed in section 3 below.

## 2.4. Progress towards achievement of institutional Impacts and Outcomes

As TASEZ is in its infancy stages of establishment, it strives to operate by working with a sense of purpose to ensure that governance, operational and functional processes are put in place while delivering on its overarching mandate. TASEZ pursues a mandate that is expressed in its enabling legislation, the Special Economic Zones Act (Act 16 of 2014). Together with its complementary SEZ policy statement, the SEZ Act sets out a broad public developmental programme, and the scope of activities seek to facilitate and promote industrial development outcomes at both the immediate zone-level and within a more expansive regional context. Within the SEZ Act, the purposes of SEZ is clearly articulated in chapter 2, section 4 and to date TASEZ has achieved the following in line with the act:

### Purpose 1

Promote regional economic development and create decent (sustainable) work and economic and social benefits in the region in which it is located, through the development of mixed-used facilities within SEZ.

For the financial year in question, focus was placed on creating construction jobs and operational jobs with the key focus on ensuring that 70% of employment achieved was obtained from the surrounding local communities. The progress towards such is further elaborated in section 3 below.

## Purpose 2

Facilitate the creation of an industrial complex, having strategic national and regional economic advantage for targeted investments in the automotive manufacturing sector, ranging from Original Equipment Manufacturer -level (OEM) all the way down to Tier 3 suppliers.

During the past two financial years, focus was placed on the establishment of the first phase of TASEZ. The first phase created an industrial complex around First Tier-Level Automotive Suppliers.

## Purpose 3

Develop infrastructure required to support the development of targeted industrial activities.

As reported in the previous financial year, TASEZ finds itself in a peculiar position where External Bulk Infrastructure (roads, road upgrades stormwater, water and sanitation) and top infrastructure (building and internal bulk infrastructure) must be developed concurrently to ensure investor timelines are met. Over and above the initial plan to commence with Phase 1, an additional 10h hectares of privately owned land was secured. This parcel of land was initially earmarked within Phase 3 (now known as Phase 1A) of the TASEZ Masterplan and development of both bulk and top structure (Establishment of Investor Facilities) commenced in the 2020/21 financial year, and is expected to be fully concluded in Quarter 3 of the 2022/23 financial year.

## Purpose 4

Attracting foreign and domestic direct investment.

TASEZ spent limited time and resources in proactively attracting additional foreign and domestic investment due to:

- Oversubscription of Phase 1 that lead to
- An existing pipeline of investors already earmarked for Phase 2 and
- No existing bulk infrastructure is currently available for Phase 2, however TASEZ will be addressing this, and resources have been allocated to commence with Phase 2 bulk infrastructure construction during the 2022/23 financial year.

The total foreign and domestic investment achievement for the 2021/22 financial year is further elaborated in section 3, as it is a strategic target and focus of the TASEZ.

## Purpose 5

Provide the location for the establishment of targeted investments.

A TASEZ-Specific Spatial Development Plan was developed in Silverton, which is geographically east of Pretoria and within the Tshwane Metropolitan Municipality. TASEZ aims to offer a diversity of appropriate land uses and other economic activities. This development spans over 204 hectares consisting of consisting of:

- Phase 1: Situated on 81.6 hectares of land of which 45.9 hectares can be developed for industrial use.
- Phase 2: Spans over 81 hectares.
- Phase 3: 42.2 hectares.

Out of the above 3 phases, Phase 1 and Phase 2 land has fully been secured with 10 hectares out of the 42.2 hectares for Phase 3 secured in the 2020/21 financial year.

## Purpose 6

Increase investment and growth in the manufacturing industry, particularly the automotive manufacturing industry.

This is a strategic target of TASEZ and captured in section 3 below. In the previous financial year this target was not achieved, and it was stated that during the 2021/22 financial year, TASEZ would accelerate the attraction of the automotive sector investments. TASEZ is pleased to report that such acceleration was achieved.

## Purpose 7

Take advantage of existing industrial and technological capacity, promote integration with local industry and increasing value-added production.

A TASEZ Investor Forum has been established with one of the key drivers of this forum being the identification sub-tier level support.

In addition, TASEZ entered into agreements with the Gauteng Growth and Development Agency (GGDA) and its subsidiary the Automotive Industry Development Centre (AIDC) for the secondment of resources until such time TASEZ capacitates its structures. The AIDC has also been identified as a key partner that will work with TASEZ on local supplier-development initiatives. TASEZ believes that these partnerships will further assist in the efficient use of state-owned institutional resources to avoid duplication of activities.

From a private sector perspective, TASEZ has approached the National Association of Automotive Component and Allied Manufactures (NAACAM) and the National Association of Automobile Manufacturers of South Africa (NAAMSA), and both these associations provided input into the development of the TASEZ Outer-Year Business and Corporate Plans. Moving forward, TASEZ aims to enhance and identify additional partnerships to assist in mobilising existing industrial and technology capacity.

In the 2021/22 financial year, TASEZ has:

- Assisted tenants in identifying services that are available within the local communities.
- Identified service providers from surrounding township communities known as Target Area 1.
- Engaged with community leaders, special group representatives and ward councillors to verify the database to be utilised by tenants.
- Assisted tenants using the database to solicit service providers from Target Area 1.
- Assisted SMMEs from Target Area 1 in preparation of bids for private companies.
- Engaged with tenants on the procurement process and assisted to resolve all issues related to the procurement of service providers.
- Assisted SMMEs with access of working capital funding.
- Reviewed the requirements of the tenants and compared them to the database for gap analysis.
- Made provision for mentoring of appointed SMMEs.

## Purpose 8

[Generate new and innovative economic activities.](#)

As reported in the previous financial year, these elements centre around the activation of new potential market drivers to attract additional investment into the SEZ. Due to the fact that the SEZ current pipeline of potential investors' infrastructure requirements far exceed the current available infrastructure, TASEZ has not focused on creating new economic activities. This being said, from TASEZ's service delivery and value-adding activities' point of view specifically relating to alternative energy solutions, TASEZ is currently focusing on solutions to place less reliance on government to fund all these infrastructure solutions that will in themselves create new innovative economic activities.

The drive to create an electric vehicle manufacturing value chain also commenced in the 2021/2022 financial year and will be concretised in 2022/23, with the aim to attract at least one opportunity within the 2022/23 financial year.

## Purpose 9

[Take advantage of existing SEZs and promote collaboration with these SEZs.](#)

TASEZ believes there could be enhanced collaboration between the various SEZs that will ultimately enhance the service delivery and value propositions of the SEZs within South Africa. As the "new kid on the block", TASEZ has reached out to several of the well-established SEZs to establish collaboration. It is critical that TASEZ obtains institutional knowledge from other SEZs in terms of lessons learned, while also establishing other collaboration initiatives. To this end, during May 2020 a decision was made by all funders that the CDC will be appointed as an initial Implementation Agency for the establishment of Phase 1. A formal tri-party agreement was signed between the dtic, CDC and TASEZ to affect such an arrangement.

In the province, lead by the Gauteng Department of Economic Development, a SEZ committee has also been established to ensure that key programme barriers and acceleration programmes could be discussed and addressed, ensuring collaboration between the various entities within the province.

### 3. INSTITUTIONAL PROGRAMME PERFORMANCE INFORMATION

The TASEZ APP strives to position the TASEZ as a key driver in support of the decisive steps taken by the GPG and CoT to advance Gauteng as an integrated city region characterised by social cohesion and economic inclusion.

In terms of the Growing Gauteng Together 2030 (GGT 2030) Action Plan, TASEZ through the development of a TASEZ-specific Master Plan is aligned to the priorities as set out in GGT 2030.

**TABLE 1: SEZ Alignment to Growing Gauteng Together 2023**

No	GGT Priorities	TASEZ Alignment
1	Economy, Jobs and Infrastructure	Through the support of the CDC, TASEZ has involved local communities in the economic opportunities made available through the SEZ. To this effect, TASEZ established a Project Socio-Economic Development Centre and a Community Project Committee. The progress towards job creation and skills development is also clearly captured in section 3 below.
2	Education, Skills Revolution and Health	
3	Integrated Human Settlements, Basic Services and Land Release	As per the TASEZ Spatial Development Plan, TASEZ will include an integrated mixed-use area linked to urban and environmental aspects such as housing, education and alternative-energy solutions, which will come on stream in Phases 2 and 3 of the development.
4	Safety, Social Cohesion and Food Security	SEZ is bordered by the Silverton industrial node to the west, and the Mamelodi and Nellmapius townships to the north and south, and is therefore strategically positioned to achieve spatial transformation. The TASEZ Spatial Development Plan was developed in light of this strategic opportunity, and is aligned to the CoT Spatial Development Framework.
5	Sustainable Development for Future Generations	
6	Building a Capable, Ethical and Developmental State	In 2018, the SEZ policies were adjusted to place greater emphasis on the eradication of potential inefficiencies in operation. Thus, governance of the SEZ is being designed to comply with these revised guidelines. The TASEZ is ultimately responsible for the monitoring and evaluation of compliance in line with SEZ Governance Policies and the Provincial Framework.
7	A Better Africa and a Better World	South Africa remains the continent's leader in the automotive sector. However, a number of countries including Nigeria, Morocco, Ethiopia and Kenya have made significant gains in automotive manufacturing. Establishment of the SEZ will support the provincial and national drive to remain a leader of Africa's industrial revolution. New competencies through opportunities in localisation will be created, and may lead to both the integration and support of potential African markets.

In order to efficiently carry out its mandate, TASEZ operates a 4-programme structure, summarised below:

- Programme 1: Administration.
- Programme 2: Business Development.
- Programme 3: Infrastructure Development.
- Programme 4: Zone Operations.

*To be noted, TASEZ did not adjust its Annual Performance Targets in the 2021/22 financial year, however a request was granted by the Board to reduce the number of initial targets to focus on the key strategic targets.*



### 3.1. Programme 1: Administration

**Purpose:** To provide strategic leadership, management and support services to the TASEZ.

For the 2021/22 financial year, four (4) annual performance targets were captured under programmes, namely:

- Ensure good governance by implementing TASEZ-specific policies.
- On time payment of Implementation Agency.
- On time payment of creditors to ultimately lead to an outcome of good governance.
- On time collection of revenue due to TASEZ.

**TABLE 2: Annual Performance Plan: Programme 1 – Administration**

Outcome	Output	Overall Output Indicator	Actual Performance	Planned Annual Target	Deviation from Planned Target	Reason for Non-Achievement/ Over Achievement
Good Corporate Governance	Development of policies to ensure good corporate governance.	Number of policies approved	30	29	+ 1	To mitigate against potential non-approval of policies additional policies were submitted for approval, hence over-achievement on the target.
Good Financial Governance	Implementing Agent settled within 14 days for top structure payments for main contractors	% of invoices from Implementing Agent paid within 14 days	98%	100%	-2%	The target has not been achieved, and this was due to late invoice submissions which did not give TASEZ adequate time to verify these invoices. TASEZ, however, still achieved an average turnaround time to pay these invoices within 3 days.
	On time payment of suppliers	% of invoices from other suppliers paid within 30 days	100%	100%	0%	Target was achieved.
	Collected all revenue due to TASEZ within 30 days of TASEZ invoicing	% collection of revenue due to TASEZ within 30 days of TASEZ invoicing	Not applicable	90%	Not applicable	The lease agreements are currently under review, and thus no invoices were issued to the tenants during the period under review.



### 3.2. Programme 2: Business Development

**Purpose:** Responsible for the TASEZ overall Business Development, Investment Facilitations and Enterprise Development.

**Sub-Programmes:**

- **Investment attraction** to provide strategic leadership in advancing the attraction and retention of new investors into TASEZ.
- **Job creation:** to provide strategic leadership in developing sound skills programmes to assist with the development of a competent labour pool as a feeder of resources into the SEZ booth during construction and operation phase of TASEZ

- **Enterprise and supplier development:** to provide strategic leadership in developing sound enterprise and supplier development initiatives to assist with the deepening and transformation of the automotive value chain.

#### 3.2.1 Investment Attraction

The total anticipated investment that will be made by the investors within Phase 1 and Phase 1A of the development is R4.3 billion and the planned investment for the 2021/2022 financial year for these investors was targeted at R3 billion. TASEZ managed to achieve R3.34 billion with respect to local and foreign direct investments as indicated in the table below.

**TABLE 3: Annual Performance Plan: Programme 2 – Investment Attraction**

Outcome	Output	Overall Output Indicator	Actual Performance	Planned Annual Target	Deviation from Planned Target	Reason for Non-Achievement/ Over Achievement
Facilitation of investment by tenants	Measure and monitor new investment in support of SEZ objectives*	Rand value invested by tenants (local and foreign investment)	R3.34bn	R 3bn	R 0.34bn	Target achieved.

### 3.2.2 Job Creation

**TABLE 4: Annual Performance Plan: Programme 2 – Job Creation**

Outcome	Output	Overall Output Indicator	Actual Performance	Planned Annual Target	Deviation from Planned Target	Reason for Non-Achievement/ Over Achievement
Employment creation	Measure employment created	Number of temporary construction jobs and permanent jobs created by tenants in the SEZ	3 951	7 070	-3 119	<p>Due to the acceleration of construction, there was a reduction of construction jobs as was initially forecast.</p> <p>As per the target 7 000 construction jobs and 70 operational jobs had to be achieved. A total of 603 operational jobs and 3 348 construction jobs were achieved.</p> <p>Please review "Note 1" in terms of the impact that the acceleration had on job creation.</p>

**Note 1:** In the 2020/21 financial year, 982 construction jobs were created against a target of 2 000 jobs. It was then anticipated that 7 000 construction jobs would be created in the 2021/22 financial year, with an additional 70 operational jobs. During the 2020/21 financial year it was reported that the Covid-19 pandemic was the reason for not achieving these targets, as it created a delay in the overall project timing and completion of the project. However, during 2021/22 due to the delay in the programme the construction work had to be accelerated and some procurement/construction tenders were awarded using a cluster approach, meaning contractors were appointed to work on more than one facility. This meant instead of appointing 12 contractors for 12 facilities, TASEZ proceeded and appointed only 7 contractors to work on 12 facilities. This in turn meant that these contractors appointed fewer resources as a contractor could

employ a construction worker for a longer period. The result was that one worker could be allocated to more than one facility. In addition, the change in the procurement process meant work that was initially planned to be done by main contractors were sub-contracted, and in some instances this work was done off-site by these sub-contractors. This meant that TASEZ could not report these as direct jobs. To assess the impact of this, TASEZ requested that an economic-impact assessment be concluded by the Implementation Agency to assess what the number of anticipated direct and indirect jobs would be, taking the above reasons into consideration. An economic impact assessment was conducted, and it was found that the total number of jobs created in the construction (Phase 1 and Phase 1A) process would be 9 104 jobs consisting of 6 773 direct, 636 indirect and 1 695 induced jobs, as explained in the table below.

**TABLE 5: Employment Impact during the Construction Phase – Phase 1 and Phase 1A**

	Direct	Indirect	Induced impact	Economy-wide impact
Impact	Number			
Total Employment	6 773	636	1 695	9 104
Formal Skilled Employment	1 548	168	470	2 186
Formal Semi-Skilled Employment	2 854	243	605	3 702
Formal Low-Skilled Employment	604	54	294	952
Informal Employment	1 767	171	327	2 264

Source: CDC\_RU estimations based on Tshwane Metro SAM

### 3.2.3 Enterprise and Supplier Development

TASEZ through the support of CDC has made clear efforts to involve the local communities in the construction phase and to such extent established a Project Socio-Economic Development Centre (PSDC) and a Community Project Committee (CPC) to ensure the involvement of the local communities. During the construction phase the aim is to reach an overall SMME procurement

spend of 45% – however, such numbers can only be reached if SMMEs are supported and developed to be in a position to access such opportunities.

Construction training programmes were rolled out to assist SMMEs, job seekers and people appointed in the construction phase to enhance their skills. The overall target during the 2021/2022 financial year was to assist 7 589 individuals and SMMEs.

**TABLE 6: Annual Performance Plan: Programme 2 – Enterprise and Supplier Development**

Outcome	Output	Overall Output Indicator	Actual Performance	Planned Annual Target	Deviation from Planned Target	Reason for Non-Achievement/ Over Achievement
Support the training and capacity development	Support the training and capacity development of SMMEs and individuals	Number of SMMEs and individuals supported during the construction and operational phase	2 038	7 589	-5 551	Target is directly linked with the employment target, as stated above.  As per the initial breakdown of the target of 7 589, a target of 7 000 was earmarked as training of individuals who would have been appointed in construction jobs. With the appointed target of only 3 348 jobs being achieved, this then drastically reduced the number of training that could be recorded in the construction phase.



Skills development programme is a critical dimension for TASEZ and its investors.

### 3.3. Programme 3: Infrastructure

The infrastructure development services are responsible for both the Planning, Design and Development of all infrastructure relating to TASEZ.

During the 2020/2021 financial year focus was placed on the commencement of construction of both bulk and top infrastructure and focus was placed on the progress in terms of the percentage

completion of both these critical elements. In the 2021/22 financial year, focus then shifted to ensuring that the investors' timelines could be met and that the facilities could be handed over for beneficial occupancy to the investors for these investors to commence with their own plant commissioning.

**TABLE 7: Annual Performance Plan: Programme 3 – Infrastructure**

Outcome	Output	Overall Output Indicator	Actual Performance	Planned Annual Target	Deviation from Planned Target	Reason for Non-Achievement/ Over Achievement
Meeting investors timelines	To ensure investors' timeline requirements are met on time	Number of investors timelines met	12	12	-0	Target achieved.

### 3.4. Programme 4: Zone Operations

Purpose: Zone Operation Services are responsible for all services relating to the efficient running of the TASEZ post-construction phase; these services include infrastructure maintenance, ICT, and security and conference centre management

services. For 2021/22, focus was placed on ensuring investor confidence and TASEZ conducted a Customer Satisfaction Assessment with the investors who achieved practical completion.

**TABLE 8: Annual Performance Plan 2021/22: Programme 4 – Zone Operations**

Outcome	Output	Overall Output Indicator	Actual Performance	Planned Annual Target	Deviation from Planned Target	Reason for Non-Achievement/ Over Achievement
Ensure investor confidence	Percentage customer satisfaction rating	Level (%) of customer satisfaction achieved	76%	75%	+1%	Target achieved.

## 4. REVENUE COLLECTION

From a revenue-collection perspective, the aim of TASEZ is to lease the factories that are currently being built, collect rentals from these tenants and ultimately reducing the dependence on government. The SEZ has secured tenants for these factories and have concluded pre-lease agreements with the tenants. In the 2022/23 financial year the aim would be to conclude all the main lease agreements. In terms of these lease agreements which were under negotiation

in the financial year, the tenants will be billed both a rental fee and a levy.

During the 2021/22 financial year, TASEZ did not generate any revenue from rentals. The operational expenditure has been funded by GDED. As time progresses and as TASEZ generates revenue from rentals, it will be less reliant on these institutions for funding. In terms of infrastructure funding TASEZ was funded by three spheres of government as reflected in the table below.

**TABLE 9: Revenue Collection**

Sources of revenue	2020/21			2021/22		
	Estimate	Actual Amount Collected	(Over)/ Under Collection	Estimate	Actual Amount Collected	(Over)/ Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Government grant – operational expenditure – dtic	13 043	19 826	6 783	-	-	-
Government grant – operational expenditure – GDED	12 174	12 174	(0)	76 953	76 953	-
Infrastructure funding – the dtic	1 105 107	1 767 768	662 750	1 463 652	1 329 921	133 731
Infrastructure funding – GDED	59 607	173 913	-114 306	114 412	114 412	-
Infrastructure funding – CoT	86 676		86 676	156 414	73 456	82 957
<b>Total</b>	<b>1 276 517</b>	<b>1 973 681</b>	<b>697 163</b>	<b>1 734 478</b>	<b>1 517 790</b>	<b>216 689</b>





## 5. CAPITAL INVESTMENT

TASEZ was incorporated to deliver on a fast-tracked mega infrastructure project. This entailed the delivery of Phases 1 and 1A within the 2020/2021 and 2021/2022 financial year. It is expected that TASEZ will deliver an operational SEZ, housing 12 tenants to provide automotive parts to the Ford Motor Company of Southern Africa, and enabling them to produce the new model Ford Ranger. For Phases 1 and 1A of the development, the dtic has approved top structure funding to the value of R3 303 billion. The CoT has committed R288 million and the GDED has availed R314.4 million for bulk infrastructure. As a new entity, the SEZ was required

to develop an asset register, which was reconciled to the accounting records and remained up to date during the period under review. The Board of Directors also approved a policy relating to asset management that includes monthly asset counts. In addition, an Asset Management Officer was appointed to ensure that asset counts are performed monthly, and other critical procedures are carried out to safeguard the assets of the Company, which are currently in good condition. The table below sets out the budgeted expenditure for the 2021/2022 financial year and the actual expenditure incurred on the project.

**TABLE 10: Capital Investment**

Infrastructure projects	2020/21			2021/22		
	Budget	Actual expenditure	(Over)/under expenditure	Budget	Actual expenditure	(Over)/under expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
TASEZ - Phase 1 and Phase 1A	1 251 299	492 175	759 124	2 146 161	2 169 876	(23 515)
<b>Total</b>	<b>1 251 299</b>	<b>492 175</b>	<b>759 124</b>	<b>2 146 161</b>	<b>2 169 876</b>	<b>(23 515)</b>



# BUILT PROGRAMME DEVELOPMENTAL TRAJECTORY

## TASEZ Phase 1

(August 2020)

Site Establishment to commence with Earthworks



## TASEZ Phase 1

(November 2020)

Three months of earthworks



## TASEZ Phase 1

(January 2021)

Commenced with Top-Structure construction



## TASEZ Phase 1

(November 2021)

Tenants already commenced with producing sample parts for testing by Ford



## TASEZ Phase 1

(March 2022)

- 100% completion Phase 1 Top-Structure construction
- All internal Roads completed







# PART C

## GOVERNANCE

## 1. INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, the SEZ Act and the Companies Act, and corporate governance with regard to public entities are applied through the precepts of the PFMA together with the principles contained in the King IV Report on Corporate Governance for South Africa (King IV Report).

TASEZ is committed to the fundamental principles of good corporate governance, transparency, integrity, accountability, and responsibility as set out in the SEZ Act, Companies Act, PFMA, National Treasury Regulations, and the King IV Report, as well as the policies of TASEZ.

## 2. PORTFOLIO COMMITTEES

In terms of section 25 of the SEZ Act, read together with section 52 and Regulation 26.1, the Executive Authority responsible for the public entity through the TASEZ Board is accountable for the control, management, and performance of TASEZ. Accordingly, the TASEZ Board will submit to the relevant executive authority and to the relevant treasury quarterly performance reports, annual reports, projection of revenue, expenditure, and borrowings, and corporate plans covering the affairs of the public entity.

## 3. EXECUTIVE AUTHORITY

Section 1 (a) of the PFMA read with section 1.1.6 of the MOI, defines the Executive Authority in relation to a provincial department to mean the member of the Executive Council of a province who is accountable to the Provincial Legislature for the department. Accordingly, the member of the Gauteng Provincial Executive Council through the TASEZ Board is accountable for the control, management, and performance of TASEZ. This being the second year since TASEZ was incorporated, TASEZ will submit quarterly and annual reports in terms of National Treasury

Regulation (26.1) to the member of the Gauteng Provincial Executive Council on 31 January, 30 April, 31 July, and 31 October 2022.

## 4. THE ACCOUNTING AUTHORITY/BOARD

In terms of section 66 of the Companies Act, TASEZ Shareholders have appointed a Board of Directors which has the authority to exercise powers and perform the functions and manage the business and affairs of TASEZ. The TASEZ Board further has adopted and approved Terms of Reference (ToR) which regulate the affairs of the Board by setting out the Board's role, responsibilities, and scope of authority as well as the requirements for its composition and meeting procedures.

The TASEZ Board is comprised as follows:

- Three Directors nominated, and appointed by the dtic.
- Three Directors nominated, and appointed by GDED.
- Three Directors nominated, and appointed by the CoT.
- The Chief Executive Officer and the Chief Financial Officer of the Company are the Ex Officio Directors.

Any Directors nominated and appointed by respective Funders are in the employ of the respective Funders and are nominated and appointed ex officio. Industry bodies with an interest in the SEZ, jointly, and the FMCSA shall each be entitled to nominate, appoint, and replace at least two observers to the Board, who shall be entitled to attend all Board meetings but shall not be entitled to exercise any vote(s) on any matters before the Board.

The Chairperson of the Board leads the Board in executing its governance responsibilities in ensuring that:

- Information is accessible to or placed before the Board to enable Directors to arrive at informed decisions.

- Good relations are maintained with the Company's shareholders and its strategic stakeholders.
- There is a formal succession plan for the Board.
- The Directors are aware of their responsibilities in terms of induction trainings/ programmes.
- Non-performing or unsuitable Directors are removed from the Board.

Furthermore, the Board upholds and embraces its fiduciary duties as outlined in section 50 of the PFMA and section 76 of the Companies Act. Board members are required, among others, to:

- To exercise the duty of utmost care to ensure reasonable protection of the assets and records of the organisation.
- To act with fidelity, honesty, integrity and in the best interests of TASEZ in managing the financial affairs of the TASEZ.
- Not to act in a way that is inconsistent with responsibilities assigned to Board members.
- Not to use their position and/or privileges of confidential information they obtained as members of the Board for personal gain or to improperly benefit another person.
- To disclose and declare any direct or indirect interests that the member or spouse or close family may be of a potential conflict of interest.

Subject to the provisions of the MOI read together with the PFMA, the Board:

- Is accountable for the performance of TASEZ.
- Shall lead, exercise control and manage the business affairs of TASEZ; set the strategic direction of the organisation; approve the vision, mission, strategic objectives; and monitor compliance with policies of the TASEZ. The Board is solely responsible for ensuring that TASEZ has and maintains effective efficient and transparent systems of financial management; risk management; internal audits; fair, equitable, competitive and cost-effective procurement.

- Provide technical guidance and co-ordinate technical inputs from strategic stakeholders in relation to the Company and the Project, including the alignment of SEZ's implementation in Gauteng.
- Provide oversight regarding performance of the Company.
- Review and approve the key deliverables of the Project team and service providers, contractors, and consultants.

The Board has adopted a comprehensive Delegation of Authority Framework in accordance with section 56 of the PFMA. As a result, the Board has delegated the day-to-day management of the affairs of TASEZ to the Chief Executive Officer. The delegation of authority policy does not in any way divest the Board of its responsibilities and accountability towards the organisation.

In terms of section 50(3) of the PFMA and section 75 of the Companies Act, the Board implemented a process of annual declaration of interest as well as declaration of interest at Committees of the Board and Board meetings to ensure that Board members disclose real or perceived conflicts in any matter before the Board. Board members are required to withdraw from proceedings when the matter is considered, unless the Board decides otherwise.



**TABLE 12: Composition of the Board**

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications (highest)	Area of Expertise	Other Committees or Task Teams (eg Audit Committee / Ministerial Task Team)
Lionel October	Chairperson	6 May 2020	N/A	MSc in Economics	Strategy & policy development and implementation	N/A
Susan Mangole	Member	6 May 2020	N/A	Masters in Business Management	Fund management strategy & policy development and implementation. Financial management & budget	HR & REMCO
Maoto Molefane	Member	3 July 2020	N/A	MSc in Development Planning	Infrastructure planning and implementation Financial planning and management Project management, public policy analysis and development	HR & REMCO Infrastructure Committee
Jak Koseff	Member	3 July 2020	N/A	MPA. advanced policy analysis and applied economics	Policy strategy Public policy	Social and Ethics Committee
Njabulo Sithebe	Member	30 July 2021	N/A	Masters in Development Finance; BA Hons (International Finance & trade)	Economic policy analysis & development Industrial policy analysis Stakeholder management Infrastructure spend analysis Macro-economic analysis Quantitative demand forecasting Fiscal expenditure analysis	N/A
Blake Mosley-Lefatola	Member	30 July 2021	N/A	Bachelor of Arts in Sociology Honours	Strategic leadership Transformation and management Financial management and human resources	N/A

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications (highest)	Area of Expertise	Other Committees or Task Teams (eg Audit Committee / Ministerial Task Team)
James Murphy	Member	15 July 2021	N/A	Bachelor of Arts in Linguistics Honours CIS Bachelor of Law Management Development Programme	Stakeholder management Infrastructure spend analysis	Infrastructure Committee
Musa Khumalo	Member	15 July 2021	N/A	MSc – Risk Management & Business Continuity Bachelor of Social Science Economics Hons Bachelor of Social Science	Risk management Information and communications technology Corporate administration Knowledge management	N/A
Lardo Stander	Member	15 July 2021	N/A	PhD in Economics	Agriculture and Climate Change	N/A
Makgorometje Makgata	Member	6 May 2020	21 October 2021	MSC in Development and Planning BA Economics	Project development and planning Research and development Strategy and implementation	N/A
Mogau Leshilo	Member	3 July 2020	27 October 2021	MBL Business Leadership	Project management and development Research and development Strategy and implementation Commercial Law	Infrastructure Committee
Dhrihen Vanmail	Member	6 November 2020	N/A	MBL Business Leadership	Automotive sector specialist Strategy & policy development	N/A

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date resigned	Qualifications (highest)	Area of Expertise	Other Committees or Task Teams (eg Audit Committee / Ministerial Task Team)
Ockert Berry	Member	6 November 2020	N/A	MDP Management Development Programme, Business Studies	Automotive sector – plant and production management Value stream-mapping Failure mode and effects analysis Leadership culture development and manufacturing operations	N/A

Notes: Directorship by all members declared as per their duties in their respective roles.

**TABLE 13: Board Meeting Attendance**

Member	9 Apr 2021	28 May 2021	30 July 2021	11 Aug 2021	29 Aug 2021	17 Sept 2021	29 Oct 2021	05 Jan 2022	29 Jan 2022	04 Mar 2022
Lionel October	√	√	√	√	√	√	√	√	A	√
Moato Molefane	√	√	√	√	√	√	A	√	√	√
Susan Mangole	√	√	√	√	√	A	A		√	√
Jak Koseff	√	√	√	√	√	√	√	√	√	√
Njabulo Sithabe	-	-	-	-	-	√	√	√	√	√
Blake Mosley-Lefatola	-	-	-	-	-	√	√	√	√	√
James Murphy	-	-	-	√	√	√	√	√	√	A
Musa Khumalo	-	-	-	√	A	√		A	√	√
Lardo Stander	-	-	-	√	√	√	√	√	√	√
Ockert Berry	√	√	√	√	√	A	A	A	√	√
Dhiren Vanmali	√	√	√	A	√	√	√			
Mogau Leshilo	√	√	√	R	R	R	R	R	R	R
Makgorometje Makgata	√	√	A	R	R	R	R	R	R	R

√ indicates attended / A indicates apology / R indicates resigned or communicated intention to resign / - indicates member not yet appointed.

## 4.1 Committees of the Board

Section 22 of the Memorandum of Incorporation of TASEZ provides that the Board of Directors of the Company may establish any number of Board Committees and delegate to such Committees any of its authority. The Board further adopted and approved the ToR of the respective Committees of the Board, which regulates the affairs of the Committees of the Board by setting out the Committees' role, responsibilities and scope of authority, as well as the requirements for its composition and meeting procedures. More details of each Committees' meetings are listed below. Accordingly, the Board appointed the following Committees of the Board:

### Infrastructure Committee

The Committee has an independent role to oversee the initiation of the operational process of the TASEZ with specific regard to resolve any bottlenecks hindering the implementation of the project, guide management, and act as a catalyst to ensure all stakeholders and management are delivering on their respective roles with regard to issues related to land acquisition, township establishment, and provision of required infrastructure by tenants on set timelines. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Key functions of the Committee are:

1. Provides strategic and technical guidance with, among others, infrastructure-related responsibilities of land acquisition, infrastructure development for the SEZ including township establishment with regard to and as well as alignment with the SEZ development strategy of the Department of Trade, Industry and Competition, Gauteng Province and the City of Tshwane Metropolitan Municipality.
2. Co-ordinate and integrate technical inputs from strategic national, provincial and local stakeholders.
3. Monitor and evaluate the performance of the appointed implementing agency.
4. Make inputs into the processes and documents produced by service providers/consultants.
5. Review the infrastructure development key deliverables of the TASEZ and Technical Implementing Agency.
6. Ensure adequate systems for infrastructure development are in place to mitigate identified infrastructure development-related risks.
7. To provide recommendations for approval to the TASEZ Operating Entity (and its subcommittees), Economic Clusters, as well as other governance institutions.
8. Develop and implement the Tripartite Agreement.
9. Provide oversight on the planning and development of the Tshwane Automotive SEZ infrastructure.
10. Provide support and oversight on the work undertaken by infrastructure development consultants and professional teams.
11. Provide support on the establishment of the Tshwane Automotive SEZ Company in relation to meeting tenants' demands and expectations.
12. Provide support and oversight on the operationalisation of the Tshwane Automotive SEZ Company, with specific focus to meeting of tenants' schedules.
13. Ensure all legislated procurement systems are in place to achieve equity, transparency and transformation, among others.
14. Ensure all projects are in alignment with policies and strategy of the state, across the three (3) spheres of government.
15. Development and management of the community engagement, SMME development, labour development, skills development, marketing and communications, and stakeholder strategies.
16. Provide support and strategic guidance on the development and management of strategies for the zone from construction phase to the operational phase of the development.

The composition and meeting attendance of the Infrastructure Committee as from April 2021 to March 2022 is reflected in the table below:

**TABLE 14: Infrastructure Committee Members**

Members of the Committee	No of meetings held	No of meetings member attended
James Murphy (Chair)	6	3
Tiyani Sambo (Member)		5
Pieter Swanepoel (Member)		3
Maoto Molefane (Member)		6
Thami Klassen (Member)		5
Jobe Mkhonto (Member)		3
Thokozani Zikhali (Member)		2

### Social and Ethics Committee

In respect of the Company's Act (No 71 of 2008) as amended, read in conjunction with Regulation 43, the Tshwane Automotive Hub Special Economic Zone Board (TASEZ) in order to fulfil its statutory duties has resolved to establish the Social and Ethics Committee.

The Committee has the following responsibilities, which encompass the Regulations of the Companies Act, and various requirements as set out in King IV.

1. Social and economic development, including the Company's standing in terms of the goals and purposes of:
  - 1.1. The 10 (ten) principles set out in the United Nations Global Compact Principles.
  - 1.2. The OECD recommendations regarding corruption.
  - 1.3. The Broad-Based Black Economic Empowerment Act.
2. Good corporate citizenship, including the Company's:
  - 2.1. Promotion of equality, prevention of unfair discrimination, and reduction of corruption.
  - 2.2 Contribution to development of the communities in which its activities are predominantly marketed (corporate social responsibility).

- 2.3 Record of sponsorship, donations and corporate social responsibility.
- 2.4 Stakeholder management.
3. Environment, health and public safety, including the impact of the Company's activities and of its products or services.
4. Consumer relationships, including the Company's advertising, public relations and compliance with consumer protection laws.
5. Labour and employment, including
  - 5.1 The Company's standing in terms of the International Labour Organisation Protocol on decent (sustainable) work and working conditions.
  - 5.2 The Company's employment relationships and its contribution to the educational development of its employees.
6. Draw matters within its mandate to the attention of the Board as may be occasionally required.
7. To report through one of its members to the shareholders at the Company's annual general meeting on the matters within its mandate.

The Social and Ethics Committee meets at least once a year to deal with and attend to all functions and matters that are required to be dealt with by the Committee in terms of the Companies Act and Regulations, as well as in its own terms of reference as determined from time to time.



The composition and meeting attendance of the Social and Ethics Committee as from April 2021 to March 2022 is reflected in the table below:

**TABLE 15: Social and Ethics Committee Members**

Members of the Committee	No of meetings held	No of meetings member attended
Jak Koseff (Chair)	3	3
Mzwakhe Mbatha (Member)		3
Benjamin Manasoe (Member)		3
Mildred Nkopane		2

### Audit and Risk Committee

The Audit and Risk Committee was established in terms of section 77 of the Public Finance Management Act (Act No 1 of 1999, as amended) and National Treasury's Regulation 27. The Audit and Risk Committee discharges its responsibilities in terms of the Audit & Risk Committee Charter, which sets out its committee composition, roles and responsibilities. The Audit and Risk Committee continually monitors the quality and reliability of financial information of the TASEZ and various functions in the organisation. The Audit & Risk Committee ensures that emerging risks are timeously identified, and that appropriate and effective control measures are put in place to mitigate these risks.

Furthermore, monitor the liquidity and financial condition of the TASEZ, recommend approval of bad debts write-offs, address material variances in the approved annual and/or revised budgets in accordance with the Materiality and Significance Framework Plan, review the proposed capital as well as operating budget for capital expenditures, review financial statements for the annual report, annually, review all policies that have financial implications, and consider and reconcile corporate performance information management against the approved budget.

Key functions of the Committee are:

1. Have regard to all factors and risks that may impact on the integrity of the annual report, significant judgements and reporting decisions made, monitoring or enforcement of actions by a regulatory body, any evidence that brings into question previously published regulations.
2. Review the annual financial statements, interim reports, preliminary or provisional results announcements, summarised performance information, any other intended release of sensitive information and prospectuses, trading statements and similar documents.
3. Comment on the financial statements, the accounting practices and the effectiveness of internal financial controls.
4. Review of the disclosure of sustainability issues in the annual report to ensure that the information is reliable and does not conflict with the financial information.
5. Conduct annual assessments of the appropriateness and expertise of members of staff in the finance business division in terms of their qualifications, skills and level of experience.
6. Draft an annual report on the appropriateness of internal financial controls and the extent to which the Company's legal and regulatory compliance framework works.
7. Compile a sustainability report on how the Company generated income.
8. Report on any weaknesses identified and plans to improve and review a good corporate citizenship report on social, economic and environmental responsibilities.
9. Ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.
10. Monitor and review the overall financial strategies and performance of TASEZ, and advise the Board on the financial forecasting.

11. Review and recommend for approval to the Board the TASEZ's annual budget, and any expenditure or initiative having financial implications not included in TASEZ's annual budget over the agreed threshold.
12. Monitor and review performance against budget and recommend the necessary amendments to ensure TASEZ remains compliant with the annual budget approved by the Board.
13. Review compliance with applicable tax requirements.
14. Ensure proper keeping of accounting records and the existence of sound financial management practices at TASEZ.
15. Ensure quality by demanding compliance with the IFRS (International Financial Reporting Standards).

16. Ensure that effective risk assessments are performed on a continual basis.
17. Monitor the annual risk-management plan.
18. Ensure that controls are in place to accomplish the objectives as set out in the strategic plan and annual plans of TASEZ.
19. Ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.
20. Ensure the establishment of the ICT governance framework that supports effective and efficient management of ICT resources to facilitate the achievement of TASEZ's strategic objectives.

Composition and meeting attendance of the Audit and Risk Committee for the period April 2021 to March 2022 is reflected in the table below.

**TABLE 16: Audit and Risk Committee Members**

Members of the Committee	No of meetings held	No of meetings member attended
Shabeer Khan (Chair)	6	6
Madiagane Marota (appointed on 01 January 2022)		2
Zane Mheyamwa (Member)		6

### Human Resources and Remuneration Committee

The HR and Remco Committee is mandated to consider and recommend for the Board's approval, the human resources strategies and policies of the TASEZ.

The Committee performs all the functions as is necessary to fulfil its role, including but not limited to the following:

1. Review and determine the human resources policies of the TASEZ generally.
2. Oversee the manner in which remuneration is determined and administered at all levels in the TASEZ.
3. Determine the remuneration policy in relation to bonus and incentives for the Company.
4. Set the human resources policies to promote the achievement of strategic objectives of the Company.
5. Review and approve the average annual remuneration increase of employees generally, and members of the Executive Committee specifically.
6. Review and recommend the basis and criteria used to determine the annual performance bonus.
7. Review, as it deems necessary or as it is requested to do so by the Board or CEO, the service agreements of members of the Executive Committee and executive directors.
8. Review the outcomes of the implementation of the remuneration policy as to whether the set objectives are met.
9. Satisfy itself as to the accuracy of recorded performance measures that govern the vesting of incentives.

10. Review and approve the appropriateness of long-term incentive schemes and the performance criteria applied in the schemes.
11. Review the remuneration of Executive Directors and Members of the Executive Committee.
12. Review all benefits, including retirement benefits and other financial arrangements for fairness, correctness, and appropriateness.
13. Consider the results of the evaluation of the performance of the CEO and other Executive Directors, both as directors and as executives in determining remuneration.
14. Regularly review incentive schemes to ensure continued contribution to shareholder value and that these are administered in terms of the rules.
15. Oversee the preparation and recommending to the Board the remuneration report to be included in the integrated report, and to ensure that it:
  - a. Is accurate, complete and transparent.
  - b. Includes all the appropriate and relevant information as may be required from time to time.
  - c. Provides sufficient forward-looking information for the shareholders to enable them to pass a special resolution in terms of section 66(9) of the Companies Act, 2008.

The composition and meeting attendance of the HR and Remco Committee as from April 2021 to March 2022 is reflected in the table below:

**TABLE 17: Human Resources and Remuneration Committee Members**

Members of the Committee	No of meetings held	No of meetings member attended
Susan Mangole (Chair)	4	3
Maoto Molefane (Member)		4
Thami Klassen (Member)		4
Benjamin Manasoe		1
Nalini Naicker (Member) (appointed on 01 Jan 2022)		2

**Remuneration of Board Members**

In terms of section 19.11 of the MOI, the remuneration for non-executive Directors shall be determined by the Approval Authority, which shall be the ultimate authority to prescribe the remuneration of the non-executive Directors of the Company. All Directors may be paid all travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including those expenses incurred in attending and travelling to and from meetings of the Directors or any committee of the Directors or at any Shareholders' Meeting.

All Ex-Officio Directors are not allowed payment of remuneration; however, they may claim for the travelling, hotel and other expenses properly incurred while attending and travelling to and from meetings of the Shareholders, Board and Committees of the Board.

The incumbent Directors are serving in their capacities as representatives of the three Shareholders and are currently in full-time employment of each of the Shareholders of TASEZ, therefore no remuneration was paid during the reporting period under review.

## 5. RISK MANAGEMENT

Effective risk management entails continuous and proactive identification and assessment of risk factors affecting the Company's mandate. As of 31 March 2021, TASEZ had 10 strategic risks on the Risk Register and as at end March 2022, a total of four (4) additional risks were registered after review and consolidation of some of the risks identified during the year. TASEZ Management is responsible for implementing risk action plans and for ensuring that controls are effective and continuously enhanced. The "risk owners" report on the status of the particular risk they manage, they must also outline the mitigating actions taken. Progress against risk action plans is monitored and reported in quarterly reports. During 2021/22 a Risk Policy was developed and is in place, a risk register was compiled and was reviewed and monitored by the TASEZ Executives and Board.

## 6. INTERNAL CONTROL UNIT

Management has the responsibility to design, implement and continually review internal controls to provide assurance on the effectiveness, efficiency of operations and reliability of financial reporting, safeguarding and maintaining accountability for the assets of the organisation. These controls are monitored throughout TASEZ by management and employees, with the necessary segregation of duties. The internal audit performs independent reviews on the effectiveness of these controls as part of its annual internal audit plan and the audit reports are presented to the Audit and Risk Committee.

## 7. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal audit provides management with independent, objective assurance and consulting services designed to add value and to continuously improve the operations of a company. It assists the organisation in accomplishing its objectives through a systematic, disciplined approach in evaluating and improving the effectiveness

of governance, risk management and control processes.

The following key elements are performed in this regard:

- Assess and make appropriate recommendations for improving the governance processes in achieving TASEZ's objectives.
- Evaluate the adequacy and effectiveness of the risk-management process and contribute to the improvement thereof.
- Assist the Board of Directors in maintaining efficient and effective controls by evaluating these controls and making recommendations for enhancement or improvement.

TASEZ has outsourced the internal audit function for the next three years to **Nexia SAB & T**. This was concluded in consultation with the Audit and Risk Committee in January 2022. The internal audit function is overseen administratively by the Chief Executive Officer and has produced an Annual Internal Audit Plan, as well as a three-year risk-based Internal Audit Plan appropriately approved by the Audit and Risk Committee.

### Summary of internal audit work done for the 2021/22 financial year.

- Performance information audits
- Governance and compliance review
- Procurement and contract management
- Financial discipline review
- Annual financial statements review.

For the outer years, additional audit activities pertaining to Human Resources, and Risk and ICT Governance will also be conducted.

The Audit and Risk Committee provides independent oversight over governance, risk management and control processes at TASEZ, which include oversight and responsibilities relating to:

- Internal audit
- External audit
- Accounting and financial reporting

- Accounting policies
  - Review of management and audit reports
  - Review of in-year monitoring reports
  - Risk management
  - Internal controls
  - Pre-determined objectives
  - Ethics and forensic investigations
  - Combined assurance
  - ICT governance

## 8. COMPLIANCE WITH LAWS AND REGULATIONS

TASEZ complies with the SEZ Act, the Companies Act, and PFMA as well as National Treasury Regulations through TASEZ's compliance calendar. The TASEZ compliance calendar is continually monitored and updated.

Going forward, TASEZ will review the regulatory environment on a regular basis and will incorporate all applicable laws, regulations and policies into its automated compliance-monitoring system. Compliance checklists will be completed by the relevant policy owners which allow for the generation of quarterly compliance reports for Audit and Risk Committee meetings as well as the management meetings. During the period under review, TASEZ complied with all laws and regulations impacting on its business.

## 9. FRAUD AND CORRUPTION

TASEZ has a legal responsibility in terms of the Public Finance Management Act (Act No 1 of 1999, as amended) to take appropriate steps to prevent unauthorised, irregular, fruitless and wasteful expenditure and losses resulting from criminal conduct. An Anti-Fraud Prevention Policy and the Whistle-Blowers Policies are in place, as well as a "whistle-blowing facility" that is internally administered by Human Resources management together with the Company Secretariat. TASEZ is pleased to announce that no fraudulent activities were registered.

## 10. MINIMISING CONFLICT OF INTEREST

The TASEZ Board has adopted and approved a policy regulating issues of conflict of interest. As such the Board, Committee Members and all TASEZ employees are required on an annual basis to complete and submit their declaration of interest. Furthermore, any person who is conflicted on a matter before consideration by the Board/Committee is required to always declare their interest and be recused from participating in such deliberations.

All suppliers of goods and services to TASEZ are required to complete standardised National Treasury documentation (SBD4 Declaration of Interest). In view of possible allegations of favouritism, should the resulting bid or part thereof be awarded to persons employed by TASEZ or to persons connected with or related to them. It is required that the bidder or his/her authorised representative declare his/her position to the evaluation/adjudication authority. In addition, staff members of TASEZ involved in the Bid Evaluation and Adjudication Committee are required to complete a declaration and non-disclosure form at each meeting.

## 11. CODE OF CONDUCT

All staff members of TASEZ abide by the Code of Ethics and Conduct of TASEZ. TASEZ is committed to ethical, transparent and fair business dealings, and promotes a socially and environmentally responsible corporate culture. It does so by subscribing to the following values and principles:

- Fairness and integrity in all business dealings, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
- Respect for the human rights and dignity of all employees.
- Acceptance of diverse cultural, religious, race, gender and sexual orientation.



- Honesty, transparency and accountability. Adherence to sound standards of corporate governance and applicable laws.

In terms of the Code of Ethics and Conduct, all persons serving on behalf of TASEZ are required to uphold the highest standard of business ethics and integrity. In furthering this all staff, contractors, consultants and others acting on behalf of the organisation are required to honestly represent the organisation and will refrain from engaging in any activity or scheme intended to defraud anyone of money, property or services. The reputation and integrity of the TASEZ are central to its ability to operate as an effective state-owned organisation.

## 12. HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

TASEZ strives to conduct all its activities in a safe and environmentally sensitive manner at all times. The organisation has created and sustains the necessary organisational competency to enable the development and rollout of health, safety, and environmental-management plans for its major projects.

The Executive Management of TASEZ is obliged in terms of the Occupational Health and Safety Act to provide a safe workplace without risk to human life, while staff members have a duty to work and behave in compliance with the safety directives of the organisation. TASEZ's Safety, Health, and Environment Policies enable the organisation to drive compliance with occupational health, safety, and environmental legislation.

TASEZ conducts health and safety risk assessments to routinely identify hazards and assess risks in order to prevent workplace injuries and diseases. Project-hazard assessments are conducted on all key projects. Significant hazards and risks in affected areas are communicated to all staff members. Identified countermeasures are implemented according to the health and safety programme rollout. Occupational health and safety performance is monitored through various indicators aimed at ensuring continual compliance

to applicable legislation. Committees such as the Operational Risk Management Committee, Business Continuity Committee, Audit and Risk Committee and TASEZ's Board quarterly monitor the occupational health and safety performance of the organisation.

During the Covid-19 pandemic and the period under review, no serious health and safety incidents were reported. TASEZ's construction project commenced during Covid-19 alert level 3, and adequate measurements were put in place to prevent the spread of the virus on site. The progress of the pandemic was closely monitored to ensure that the project kept abreast with any new developments. A Covid-19 risk assessment was conducted and a Covid-19 Implementation Plan was developed based on Covid-19 Direction on Health and Safety in the Workplace. The Health and Safety Specifications as required by section 5(1)(b) of the Construction Regulations has made it a requirement for potential principal contractors to make adequate provisions for the implementation of Covid-19 safety measures.

All contractors were and are assessed to verify that adequate provisions were made for Covid-19 measures. Upon appointment, principal contractors submitted their Health and Safety Plan; the plans were reviewed to ensure that Covid-19 measures were in place before the principal contractor initiated construction activities. Monthly audits were undertaken by Health and Safety agents appointed to ensure that the principal contractors' Health and Safety Plans were implemented and maintained.

An Environmental Authorisation was issued which obliges the project to implement the Environmental Management Programme. Implementation of the programme posed challenges which were picked up by the Environmental Management Inspectors (EMIs) from the Department of Agriculture and Rural Development who issued a pre-compliance notice regarding the boundary fence and encroaching on the wetland buffer. The TASEZ and CDC team has since been engaging with the EMIs to resolve these matters.

Environmental management is pivotal to the operations of TASEZ. In addition to the scientific work that the organisation undertakes to address the environmental challenges of the country, it also has developed a corporate environmental management programme aimed at addressing its own environmental impacts. The approach adopted by the organisation is to proactively prevent pollution and reduce resource wastage in its processes by conducting an environmental-risk assessment as well as developing and implementing an environmental management plan to manage identified environmental risks.

### 13. COMPANY/BOARD SECRETARY

In terms of section 86 of the Companies Act, TASEZ is required to appoint a Company Secretary. TASEZ appointed Ms Thulisile Nxumalo as its Company Secretary with effect from May 2021. The Company Secretary is supported by the Board Secretary. The Company Secretary is responsible for:

- Providing the Board with guidance as to its members' duties, responsibilities, and powers.
- Making the Board aware of any law relevant to or affecting TASEZ.
- Reporting to the Board any failures on the part of TASEZ.
- Ensuring all the minutes of the Shareholders' meetings, Board meetings and meetings of the Committees of the Board are properly recorded.
- Certifying in TASEZ's annual financial statements whether the Company has filed the required returns and notices in terms of the Companies Act, and whether such returns and notices appear to be true, correct, and up to date.
- Ensuring the annual financial statements are sent in accordance with the Companies Act to every person who is entitled to receive same.
- Certifying in the annual financial statements whether the Company has filed the required returns and notices in terms of the act, and

whether such returns and notices appear to be true, correct, and up to date.

- Ensuring the annual financial statements are sent in accordance with this act to every person who is entitled to receive them.

### 14. SOCIAL RESPONSIBILITY

The scale of the TASEZ project demands a well-coordinated, systematic and objective approach in responding to the socio-economic performance targets, job creation and SMME opportunities.

TASEZ in conjunction with CDC developed an approach that takes into account the need for regular reporting, engagement and consultation with the communities through an appropriate structure. During the 2020/2021 financial year, a Community Project Committee (CPC) supported by Community Liaison Officers (CLOs) was established to optimally cater for community engagement. The CPC remained an integral part of TASEZ's social responsibility and held bi-weekly meetings in the current financial year to oversee and manage the social responsibility aspect of TASEZ's construction project and operational phase of the Special Economic Zone (SEZ). The Labour and Socio-Economic Framework deployed on the Tshwane Automotive SEZ project was reviewed between CoT, TASEZ, GDED and CDC.

The framework rests on three essential elements:

- Project Socio-Economic Development Centre (PSDC).
- Community Liaison Officers (CLOs).
- Community Project Committee (CPC).

The CPC is represented of stakeholder groups in the target area with nine representatives, identified wards, and the six (6) designated groups as outlined in PPPFA.

The PSDC Centre is utilised for :

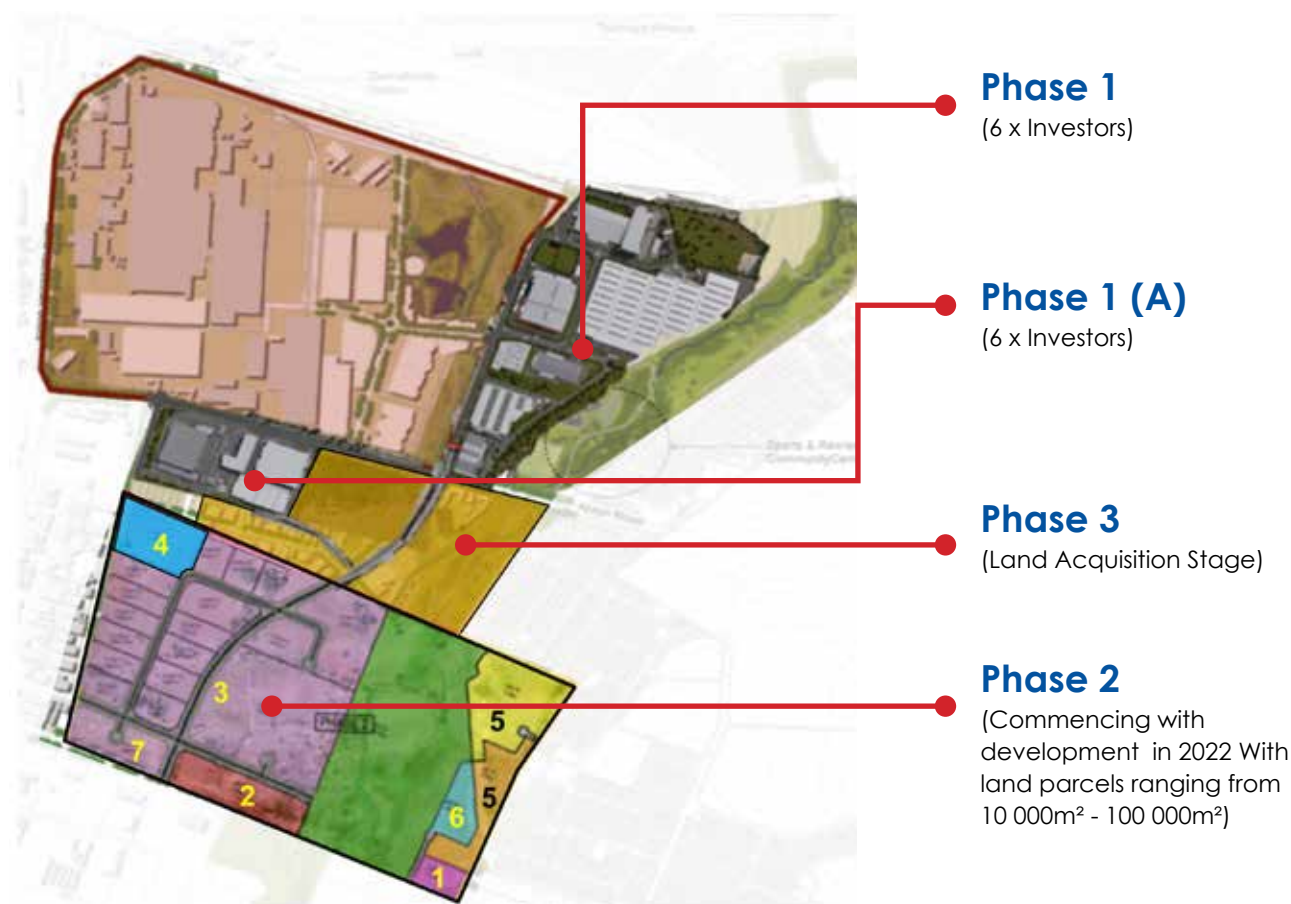
- Community briefings sessions.
- Training of individuals and SMMEs.
- Offices where the communities can come and register their companies and/or CVs.

At the end of the reporting period 542 SMMEs and 37 000 individuals (job seekers) were registered with TASEZ through the various SMME and labour portals.

The PSDC has managed to train 90 SMMEs on “tendering processes”, as the aim is to assist these SMMEs to be better equipped to tender for projects.

In addition, as part of the contractors' appointments, requests have been made to each main contractor to conclude social responsibility projects within the surrounding communities. During 2021/2022 the appointed contractors identified and implemented these projects. The projects were identified in support of the CPC and included projects such as revamping of Early Childhood Development Centres, Old Age Homes and Orphanages in the surrounding township communities.

## TASEZ MASTERPLAN



The total development of **the project** covers **204 ha**.

- **Phase 1:** Situated on **81.6 ha** of land of which **45.9 ha** is for industrial use. **(2020 – 2022)**
- **Phase 2:** spans over **81 ha**. **(From 2022/23)**
- **Phase 3:** is over **42.2 ha** - with 10.5 ha already allocated to **Phase 1A**

### Phase 2 & 3 Development Framework

- Phase 2 & 3 will be developed as a mixed-use development in line with market demands. It will include:
  1. High Performance Educational Facilities
  2. Retail & Office Node
  3. New Industrial Node
  4. Incubation and Training Centre Facilities
  5. Housing Node medium and high density
  6. Sport & Recreational Facilities
  7. Truck Staging

## 15. AUDIT COMMITTEE REPORT

The Audit and Risk Committee (ARC) is pleased to present its report for the financial year ended 31 March 2022.

### Audit and risk committee members and attendance

Member	Number of meetings attended
S. Khan (ARC Chair)	6
Z. Mheyamwa	6
M. Marota	2*

\* Ms Marota was appointed on 1 January 2022

### Audit and risk committee responsibility

The ARC reports that it has adopted an appropriate formal terms of reference as its Audit committee Charter, that it has regulated its affairs in compliance with this Charter and that it has discharged all its responsibilities contained therein. The ARC further reports that it has conducted its affairs in line with the requirements of the Companies Act.

The ARC has an oversight function with regards to:

- Financial Management and other reporting practices
- Internal controls and management of risks
- Compliance with laws and regulations
- The external audit and internal audit functions
- Risk management

In the conduct of its oversight duties, the ARC has, inter-alia, reviewed the following:

- internal control, management of risks and compliance with legal and regulatory provisions
- the effectiveness of the internal control systems
- the effectiveness of the system and process of risk management
- The adequacy, reliability and accuracy of financial information provided by management.

### Effectiveness of internal control

The internal audit function was outsourced to an external service provider. The ARC is satisfied that the internal audit function is operating effectively and has addressed the risks pertinent to the company in its audits.

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

- Performance Information Audits.
- Governance and Compliance Review.
- Procurement and Contract Management.
- Financial Discipline Review.

- Annual Financial Statements Review.

The following were areas of concern:

The internal audit identified internal control weaknesses in conducting the above-mentioned audits. In the opinion of the ARC, these findings are attributable to the fact that the Company was established in the 2020/21 financial year and had not been sufficiently capacitated in the year under review. Management has demonstrated in its responses to these findings ways to address the internal control deficiencies which will be monitored by the ARC. In addition, management has committed to addressing vacancies, and the ARC will continue to monitor progress in this regard.

### Risk Management

The ARC is responsible for the oversight of the risk management function. The ARC has reviewed the risk register and the reports from management. There are areas requiring management attention and the ARC is satisfied that they are being addressed.

### Evaluation of Financial Statements

The ARC has evaluated and discussed the AFS of TASEZ for the year ended 31 March 2022 and, based on the information provided to it, considers that the statements comply, in all material respects, with the requirements of GRAP and the Companies Act.

The ARC concurs with management that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

The ARC has therefore, at its meeting held on the 27th July 2022 recommended the adoption of the AFS by the Board of Directors.

The ARC concurs with and accepts the AGSA's report on the AFS and is of the opinion that the AFS should be accepted and read together with the report of AGSA.



**Mr S Khan**

Chairperson of the Audit Committee  
Tshwane Automotive SEZ  
27 July 2022

## 16.B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The following table has been completed in accordance with the compliance to the B-BBEE requirements of the B-BBEE Act of 2013, and as determined by the Department of Trade and Industry.

**TABLE 18: B-BBEE Performance Information**

Has the Public Entity applied any relevant Code of Good Practice (B-BBEE Certificate Levels 1 to 8) with regard to the following:		
Criteria	Response Yes/No	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	Not applicable	TASEZ does not issue any licences, concessions or provide any other authorisations in respect of economic activity in terms of the law.
Developing and implementing a preferential procurement policy?	Yes	TASEZ has developed a Supply Chain Management Policy to guide the internal procurement of the Company. Such policy includes the evaluation of bids in terms of the Preferential Procurement Policy Framework Act.
Determining qualifications criteria for the sale of state-owned enterprises?	Not applicable	TASEZ does not sell state-owned enterprises.
Developing criteria for entering into partnerships with the private sector?	Not applicable	TASEZ has not entered into partnerships with the private sector.
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	Not applicable	TASEZ has not awarded incentives, grants and investment schemes.





# PART D

HUMAN RESOURCE MANAGEMENT



# 1. INTRODUCTION

The Human Resources Department has already put in place the Management Commitment Statement through HR policies to uphold governance, ethical conduct, performance, discipline, transparency, employment equity, training and development. The following Human Resources interventions have been set as HR priorities:

## **Recruitment and Selection (Resourcing)**

For TASEZ to run smoothly, it is crucial to ensure that all departments are fully resourced within a reasonable period of time. Recruitment is under way on approved vacant positions.

## **Organisational Design**

TASEZ is in the process of concluding an organisational design process which will help in formalising the organisational structure, job descriptions, reporting lines, validating and benchmarking of salaries and benefits. Upon completion of the organisational design, TASEZ would be in a position where it is aligned with other entities in a similar industry.

## **Training and Development Strategy Implementation**

A training centre has been put in place where both theory (30%) and practical (70%) of technical skills will be easily accessed by the community TASEZ is operating in.

It is the belief of every employer that in order to have productive employees there must first be healthy and happy employees. Through Employee Wellness, TASEZ is in a position to help employees face their day-to-day personal and emotional challenges. Guidance, counselling and health/financial education is provided to TASEZ by specialised and skilled professionals. This in turn is helping TASEZ to have productive employees.

## **Industrial Peace**

Through employee engagements, consultations, employee relations interventions and human resources processes, TASEZ ensures that there is always industrial peace. The lack of industrial peace could destabilise the project.

## **Workforce Planning**

A framework and key strategies to attract and recruit a skilled and capable workforce are in place.

## **Employee Performance Management Framework**

A Performance Management Policy has been approved and implemented. Performance contracting and reviews are conducted twice a year.

## **Policy Development**

TASEZ Management has submitted a schedule with policies to be implemented in a staggered process. In this financial year, an additional 14 Human Resource Policies have been developed and approved, bringing the total HR policies to 21.

## **Challenges faced by the TASEZ**

TASEZ has been struggling to attract best talent on recruitment for vacant positions mainly due to lack of employee benefits and salaries that were not benchmarked. The benchmarked process has been concluded, however, it is currently being reviewed in line with Board recommendations and it is the TASEZ's aim to conclude this process in Quarter 2 of the 2022/23 financial year.

## **Future HR Plans/Goals**

TASEZ's HR Department intends to implement and continue facilitating workshops on developed HR policies and procedures and conclude the process of benchmarking of salaries for all employees.

## 2. HUMAN RESOURCE OVERSIGHT STATISTICS

### 2.1 Personnel-related expenditure

**TABLE 19: Personnel-related expenditure**

	Total Expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure (R'000)	No of employees	Average personnel cost per employee (R'000)
<b>Total</b>	<b>98 777</b>	<b>33 672</b>	<b>34%</b>	<b>39*</b>	<b>863</b>

\*Total number of people employed during this financial year was 39, however there were 5 terminations during this financial year, bringing the total employment at the end of the reporting period to 34 employees. Also note the above cost does not include interns appointed by TASEZ in January 2022.

#### Performance Rewards

During the 2021/22 financial year provision was made for performance rewards and such allocation will be made in line with the TASEZ Performance Policy.

#### Training Costs

During the 2021/22 financial year no internal training was undertaken by the TASEZ team. The Training and Development Plan will be implemented upon conclusion of the design of the organisational structure and review, grading, evaluation and approval of all job profiles.

#### Employment and Vacancies

As at the end of the financial year a total of 15 vacant positions were recorded. This variation is mainly due to a moratorium placed on filling of positions, however, in Quarter 4 the moratorium was lifted on critical positions and TASEZ is in the process of filling these critical positions.

**TABLE 20: Employment and Vacancies**

Programme/activity/objective	2021/2022 No of Employees	2021/2022 Approved Posts
Top Management	4	6
Senior Management	3	5
Professionals qualified	11	16
Skilled	14	19
Semi-skilled	2	3
Unskilled	0	0
<b>TOTAL</b>	<b>34</b>	<b>49</b>

A total of 16 employees were appointed during this financial year with five terminations, of which two were attributed to resignations. As at the end

of the 21/22 financial year, TASEZ's total headcount closed at 34.

**TABLE 21: Employment Changes**

Salary band	Employment at beginning of period	Appointments	*Terminations	Employment at end of the period
Top Management	4	0		4
Senior Management	2	2	1	3
Professionals qualified	5	9	3	11
Skilled	11	3		14
Semi-skilled	0	2	0	2
Unskilled	1	0	1	0
<b>TOTAL</b>	<b>23</b>	<b>16</b>	<b>5</b>	<b>34</b>

### Labour Relations: Misconduct and disciplinary action

TASEZ has recorded incidents of misconduct by two employees who are currently being disciplined in terms of the approved policy. The employees have been suspended pending finalisation of their disciplinary processes.

### Equity Target and Employment Equity Status

Upon finalisation of the designed organisational structure, employment equity targets and an implementation plan will be developed and approved by the TASEZ Board.

**TABLE 22: Employment Equity**

Employment category	Total head count	African		Coloured		Indian		White	
		Male	Female	Male	Female	Male	Female	Male	Female
Top Management	4	3	0	0	0	1	0	0	0
Senior Management	3	1	1	0	0	0	0	0	1
Professionals qualified	11	5	5	0	0	0	0	1	0
Skilled	14	3	9	0	0	0	0	0	2
Semi-skilled	2	0	2	0	0	0	0	0	0
Unskilled	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>34</b>	<b>12</b>	<b>17</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>3</b>



# **PART E**

## **FINANCIAL INFORMATION**

## 1. Report of the auditor-general to the Minister of Trade, Industry and Competition

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Tshwane Automotive Hub Special Economic Zone (Pty) Ltd (the company) set out on pages 60 to 105, which comprise the statement of financial position as at 31 March 2022, statement of financial performance, statement of changes in net assets, cash flow statement and the 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 the Tshwane Automotive Hub Special Economic Zone (Pty) Ltd as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the Companies Act 71 of 2008 (the 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 company 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 board of directors (the board) for the financial statements

6. The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the Companies Act, and for such internal control as the board 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 board is responsible for assessing the company'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 company 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



# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

## Report on the audit of the annual performance report

### Introduction and scope

10. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the company'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 company 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 company's annual performance report for the year ended 31 March 2022:

Programme	Page in the annual performance report
Programme 3 – Infrastructure Development	29

13. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to assess 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 the selected programme.

## Report on the audit of compliance with legislation

### Introduction and scope

15. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the company's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

## Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

16. 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

17. The board of directors is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008 (Companies Act). The other information does not include the financial statements, the auditor's report and those selected programme presented in the annual performance report that have been specifically reported in this auditor's report.
18. 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.
19. 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.
20. 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 a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

21. 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*

Pretoria

29 July 2022



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 selected programme and on the company'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 company'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 (the board), which constitutes the accounting authority.
  - conclude on the appropriateness of the board'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 Tshwane Automotive Hub Special Economic Zone (Pty) Ltd 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 the company 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 board 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 board 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.

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## GENERAL INFORMATION

<b>Country of incorporation and domicile</b>	South Africa
<b>Legal form of entity</b>	Proprietary Limited
<b>Nature of business and principal activities</b>	The Development and Management of the Special Economic Zone in Tshwane
<b>Members</b>	L.V. October S.P. Mangole M.N. Molefane M. Khumalo J. Murphy D. Vanmali O. Berry J. Koseff N. Sithebe L. Stander B. Mosley-Lefatola S. L. Hamilton A. Moolla M. Ntombana
<b>Registered office</b>	30 Helium Road, Automotive Supplier Park Rosslyn Gauteng 0200
<b>Business address</b>	30 Helium Road, Automotive Supplier Park Rosslyn Gauteng 0200

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## INDEX

**The reports and statements set out below comprise the annual financial statements presented to the parliament:**

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**Abbreviations used:**

**GRAP** Generally Recognised Accounting Practice

**Published**

31 August 2022



# BOARD OF DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Board members are required by the Companies Act (Act No 71 of 2008) 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 members 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 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.

They are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The entity is wholly dependent on government at this stage 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 board of members are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

The annual financial statements set out from page 64, which have been prepared on the going concern basis, were approved by the board of members on 29 July 2022 and were signed on its behalf by:



**L.V. October**

Chairperson of the board

Date: 29/07/2022



**M. Ntombana**

Acting Chief Executive Officer

Date: 29/07/2022

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## Statement of Financial Position as at 31 March 2022

	Note(s)	31 March 2022	31 March 2021 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	3	482 102 098	1 664 566 148
Receivables from exchange transactions	4	29 837 879	2 313 586
Prepayments	5	947 792	43 236 394
Inventories	6	15 706	14 539
		<b>512 903 475</b>	<b>1 710 130 667</b>
<b>Non-Current Assets</b>			
Investment property	7	2 663 193 217	493 317 024
Property, plant and equipment	8	930 277	693 660
Intangible assets	9	65 785	120 159
		<b>2 664 189 279</b>	<b>494 130 843</b>
<b>Total Assets</b>		<b>3 177 092 754</b>	<b>2 204 261 510</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	11	433 238	36 241 233
Unspent conditional grants and receipts	12	411 572 137	1 442 794 294
Provisions	13	5 086 348	150 105
Operating lease liability	14	61 845	41 132
VAT payable	15	69 000 026	217 036 086
Current tax payable	16	19 866 874	1 872 216
		<b>506 020 468</b>	<b>1 698 135 066</b>
<b>Non-Current Liabilities</b>			
Operating lease liability	14	108 542	145 440
Deferred tax	10	595 637 291	112 926 672
		<b>595 745 833</b>	<b>113 072 112</b>
<b>Total Liabilities</b>		<b>1 101 766 301</b>	<b>1 811 207 178</b>
<b>Net Assets</b>		<b>2 075 326 453</b>	<b>393 054 332</b>
Accumulated surplus		2 075 326 453	393 054 332
<b>Total Net Assets</b>		<b>2 075 326 453</b>	<b>393 054 332</b>

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## Statement of Financial Performance

	Note(s)	12 Months ended 31 March 2022	10 Months ended 31 March 2021 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Recoveries	17	32 863 009	-
Interest received	18	1 469 162	225 752
<b>Total revenue from exchange transactions</b>		<b>34 332 171</b>	<b>225 752</b>
<b>Revenue from non-exchange transactions</b>			
<b>Transfer revenue</b>			
Government grants & subsidies	19	2 245 930 024	524 964 331
<b>Total revenue</b>	20	<b>2 280 262 195</b>	<b>525 190 083</b>
<b>Expenditure</b>			
Employee related costs	21	(38 772 773)	(7 997 362)
Contracted services		(1 765 938)	(155 773)
Lease rentals on operating lease	22	(892 373)	(186 572)
General Expenses	23	(44 220 315)	(8 931 500)
Depreciation and amortisation	24	(514 012)	(65 656)
Finance costs	25	(11 119 385)	-
<b>Total expenditure</b>		<b>(97 284 796)</b>	<b>(17 336 863)</b>
<b>Surplus before taxation</b>		<b>2 182 977 399</b>	<b>507 853 220</b>
Taxation	26	500 705 277	114 798 888
<b>Surplus for the year</b>		<b>1 682 272 122</b>	<b>393 054 332</b>

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## Statement of Changes in Net Assets

	Accumulated surplus / deficit	Total net assets
<b>Balance at 01 April 2020</b>		
Changes in net assets	-	-
Surplus for the year-restated	393 054 332	393 054 332
Total changes	393 054 332	393 054 332
<b>Opening Balance</b>	<b>393 054 331</b>	<b>393 054 331</b>
Changes in net assets Surplus for the year	1 682 272 122	1 682 272 122
Total changes	1 682 272 122	1 682 272 122
<b>Balance at 31 March 2022</b>	<b>2 075 326 453</b>	<b>2 075 453</b>



# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## Cash Flow Statement

	Note(s)	12 Months ended 31 March 2022	10 Months ended 31 March 2021 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Grants		1 214 273 208	1 966 697 524
Interest income		1 376 230	199 153
Customers		4 064 798	-
		1 219 714 236	1 966 896 677
<b>Payments</b>			
Employee costs		(33 836 530)	(7 847 257)
Suppliers		(62 785 267)	(4 502 679)
VAT payable movement		(148 036 060)	217 036 086
		(244 657 857)	204 686 150
<b>Net cash flows from operating activities</b>	27	<b>975 056 379</b>	<b>2 171 582 827</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(696 255)	(752 225)
Purchase of investment property	7	(2 156 824 174)	(506 137 201)
Purchase of other intangible assets	9	-	(127 250)
<b>Net cash flows from investing activities</b>		<b>(2 157 520 429)</b>	<b>(507 016 676)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 182 464 050)</b>	<b>1 664 566 151</b>
Cash and cash equivalents at the beginning of the year		1 664 566 148	-
<b>Cash and cash equivalents at the end of the year</b>	3	<b>482 102 098</b>	<b>1 664 566 151</b>

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Rental income	19 013 456	(14 926 362)	<b>4 087 094</b>	-	<b>(4 087 094)</b>	28.1
Recoveries	-	23 580 568	<b>23 580 568</b>	32 863 009	<b>9 282 441</b>	28.2
Interest received - investment	-	1 000 000	<b>1 000 000</b>	1 469 162	<b>469 162</b>	28.3
<b>Total revenue from exchange transactions</b>	<b>19 013 456</b>	<b>9 654 206</b>	<b>28 667 662</b>	<b>34 332 171</b>	<b>5 664 509</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies (Operational)	98 185 021	(21 592 511)	<b>76 592 510</b>	76 592 510	-	
Rolled over funds	-	21 707 610	<b>21 707 610</b>	21 707 610	-	
<b>Total revenue from non-exchange transactions</b>	<b>98 185 021</b>	<b>115 099</b>	<b>98 300 120</b>	<b>98 300 120</b>	-	
<b>Total revenue</b>	<b>117 198 477</b>	<b>9 769 305</b>	<b>126 967 782</b>	<b>132 632 291</b>	<b>5 664 509</b>	
<b>Expenditure</b>						
Personnel	(53 553 685)	7 228 520	<b>(46 325 165)</b>	(33 836 530)	<b>12 488 635</b>	28.4
Lease rentals on operating lease	(2 776 100)	-	<b>(2 776 100)</b>	(892 373)	<b>1 883 727</b>	28.5
Contracted Services	(2 966 725)	(999 850)	<b>(3 966 575)</b>	(1 765 938)	<b>2 200 637</b>	28.5
General Expenses	(34 934 182)	(27 489 979)	<b>(62 424 161)</b>	(43 028 960)	<b>19 395 201</b>	28.5
Infrastructure cost	(19 013 456)	19 013 456	-	-	-	
Capital Expenditure	(3 954 329)	1 546 210	<b>(2 408 119)</b>	(696 255)	<b>1 711 864</b>	28.5
<b>Total expenditure</b>	<b>(117 198 477)</b>	<b>(701 643)</b>	<b>(117 900 120)</b>	<b>(80 220 056)</b>	<b>37 680 064</b>	
<b>Surplus</b>	-	<b>9 067 662</b>	<b>9 067 662</b>	<b>52 412 235</b>	<b>43 344 573</b>	
Taxation	-	-	-	500 705 277	500 705 277	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	-	<b>9 067 662</b>	<b>9 067 662</b>	<b>(448 293 042)</b>	<b>(457 360 704)</b>	

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Reconciliation</b>						
<b>Basis difference</b>						
Government grants and subsidies-capital				2 195 298 840		
Depreciation and amortisation				(446 968)		
Bonus provision				(4 542 840)		
Leave pay provision				(1 885 955)		
Finance cost				(11 119 385)		
Other income - rolled over funds				(21 707 610)		
SMME Development cost				(9 643 072)		
<b>Actual Amount in the Statement of Financial Performance</b>				<b>1 697 659 968</b>		

## 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 28(1)(b) of the Special Economic Zone Act (Act 16 of 2014).

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 and are rounded to the nearest Rand.

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

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific

## ACCOUNTING POLICIES

economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

### Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable or may have changed from previous estimates. The value of Property Plant and Equipment are disclosed at the lower of carrying value and recoverable amount. No events or changes in circumstances that suggest that carrying amounts of property, plant and equipments and investment property may have changed were observed in the current financial year.

### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

### Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 10 – Deferred tax.

### Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were

initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

### Useful lives of property, plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

### Accounting by principals and agent

The entity makes assessments on whether it is the principal or agent in principal-agent relationships. Significant judgments applied are as follows: bulk water and electricity infrastructure developed by TASEZ as agent of City of Tshwane should be recognised in the books of the City of Tshwane and not by TASEZ. The trade receivables and other trade payables related to development of the bulk infrastructure are recognised in the books of TASEZ as it is the one with contractual obligation with the service providers.

## ACCOUNTING POLICIES

### 1.5 Investment property

Investment property is property ( building - or part of a building) 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

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

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

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

#### Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured

at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

### 1.6 Property, plant and equipment

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

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

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

#### Property, plant and equipment is initially measured at cost.

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

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

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



## ACCOUNTING POLICIES

### 1.6 Property, plant and equipment (continued)

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.

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	5 to 10 years
Office equipment	Straight-line	3 to 5 years
IT equipment	Straight-line	3 to 5 years

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

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

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

Items of property, plant and equipment are derecognised when the asset is disposed of or

when there are no further economic benefits or service potential expected from the use of the asset.

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

### 1.7 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.

## ACCOUNTING POLICIES

### 1.7 Intangible assets (continued)

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.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. 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, other	Straight-line	3 to 5 years

Intangible assets are derecognised:

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

### 1.8 Financial instruments

The TASEZ has cash and cash equivalents, receivables from exchange transactions and payables from exchange transactions which are 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 uncollectable.

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.

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

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

A financial asset is:

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

## ACCOUNTING POLICIES

### 1.8 Financial instruments (continued)

A portion of the cash and cash equivalents is ring fenced for capital projects as these funds were specifically made available for this purpose.

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

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

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

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

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

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

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

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.

#### Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at fair value
Receivables from exchange transactions	Financial asset measured at amortised cost
Other financial assets	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

### 1.9 Prepayments

Prepayments are payments that the entity has made at the reporting date for economic benefits or service potential to be received in future periods. These are made in accordance with contracts between the entity and third parties. The entity recognises as an asset the extent to which payments made exceed the value of economic benefits or service potential received. The entity measures prepayments at the fair value of the consideration paid, to the extent that it exceeds the value of goods or services received. As the entity receives the related goods or services, it shall reduce the carrying amount of prepayments made by the fair value of those goods or services received. Any related asset or expense will be recognised in accordance with the applicable GRAP standard.

## ACCOUNTING POLICIES

### 1.10 Leases

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

#### Operating leases - lessor

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

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

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

#### Operating leases - lessee

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

### 1.11 Inventories

Inventories consist only of stationery at year-end and these are measured at cost. These are held for consumption by staff and not for the production of finished goods or for sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### 1.12 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand and deposits held at call with banks .

### 1.13 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.

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.

## ACCOUNTING POLICIES

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.

### 1.14 Provisions

Provisions are recognised when:

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

TASEZ has raised provisions for performance bonus and leave. The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

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

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

### 1.15 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancelable or only cancelable 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.

Commitments are disclosed in terms of the accounting standards for investment property (GRAP 16) and property, plant and equipment (GRAP 17). GRAP 16 and GRAP 17 require an entity to disclose the amount of contractual commitments for the acquisition of investment property and property, plant and equipment respectively. The company only discloses capital contractual commitments that is, commitments for the acquisition of non-current assets.

## ACCOUNTING POLICIES

### 1.16 Revenue from exchange transactions

TASEZ has recognised revenue from recoveries and interest income. 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non- contractual) arrangement (see the accounting policy on Statutory Receivables).

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of

completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

#### Interest

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



## ACCOUNTING POLICIES

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.

### 1.17 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. The entity received grants from the Department of Trade, Industry and Competition (the dtic) and the Gauteng Department of Economic Development (GDED) for infrastructure development. If the projects are cancelled the funds would have to be returned to these funders. The grants received for capital projects cannot be utilised for other activities as the agreements with the funders specify the purpose for which these funds should be utilised.

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 entities external to the reporting.

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

#### Recognition

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

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

#### 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

## ACCOUNTING POLICIES

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

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

### 1.18 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

### 1.19 Accounting by principals and agents Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

### Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

### Binding arrangement

TASEZ entered into an agreement with the City of Tshwane as an implement agent for the provision of bulk infrastructure services (water, sewer, electricity, roads and storm water) for the TASEZ phase 1 and 1A. The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

### Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.

## ACCOUNTING POLICIES

- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

### Recognition

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

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

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

### 1.20 Budget information

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

General purpose financial reporting by 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 economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/04/01 to 2022/03/31.

The entity classifies all variances above 10% of the budgeted amount to be significant and as such the financial statements will include the disclosure for explanations for such variances.

Comparative information is not required.

### 1.21 Related parties

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

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

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

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

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

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

## ACCOUNTING POLICIES

### 1.21 Related parties (continued)

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

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

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

### 1.22 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.

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March  
2022

31 March  
2021

### 2. NEW STANDARDS AND INTERPRETATIONS

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

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

Standard/ Interpretation:	Effective date: Years beginning on or after:	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	Not yet determined	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	Not yet determined	Impact is currently being assessed
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet determined	Impact is currently being assessed
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Impact is currently being assessed
• iGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Impact is currently being assessed
• GRAP 2020: Improvements to the standards of GRAP 2020	01 April 2023	Impact is currently being assessed
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Impact is currently being assessed

### 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	4 900	9 259
Bank balances	482 097 198	1 664 556 889
	<b>482 102 098</b>	<b>1 664 566 148</b>

#### Restricted cash balances

Cash and cash equivalents held by the entity that are ringfenced for capital projects	446 869 930	1 641 134 886
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# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
<b>4. RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade debtors	14 347 172	1 215 426
Other debtors	-	25 000
Accrued Interest	1 600 751	1 073 160
Accrued Income	13 889 956	-
	<b>29 837 879</b>	<b>2 313 586</b>

None of trade and other receivables have been pledged as security

### Fair value of trade and other receivables

### Trade and other receivables past due but not impaired

At 31 March 2022, 4 924 321 (2021: -) were past due but not impaired.

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

1 month past due	572 675	-
2 months past due	1 512 256	-
3 months past due	2 526 190	-

## 5. PREPAYMENTS

Advance payments	115 020	43 236 394
Prepayment: Insurance	832 772	-
	<b>947 792</b>	<b>43 236 394</b>

The prepayments relate to prepaid insurance and rental expenses. The terms of each contract require a prepayment of the contract amount or premium. The service to which the prepayment relates will be rendered in future periods.

## 6. INVENTORIES

Consumable stores	15 706	14 539
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# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 7. INVESTMENT PROPERTY

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Investment property (work-in-progress)	2 663 193 217	-	2 663 193 217	493 317 024	-	493 317 024

#### Reconciliation of investment property - 2022

	Opening balance	Additions	Total
Investment property	493 317 024	2 169 876 193	2 663 193 217

#### Reconciliation of investment property - 2021

	Opening balance	Additions	Total
Investment property	-	493 317 024	493 317 024

#### Pledged as security

The investment property is not pledged as security.

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March  
2022

31 March  
2021

### 7. INVESTMENT PROPERTY (CONTINUED)

#### Investment property in the process of being constructed

The investment property is situated in Silverton Pretoria and consists of twelve factories that will ultimately form part of a Zone. These properties will be leased to companies and the zone will be managed by the TASEZ. Construction began in August 2020 and at the date of these financial statements the construction is ongoing with anticipated completion in the 2022/23 financial year.

Cumulative expenditure recognised in the carrying value of Investment property	2022	2021
Investment property -Cost	2 663 193 217	493 317 024

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 8. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	317 393	(91 082)	226 311	258 600	(19 826)	238 774
Office equipment	49 611	(15 028)	34 583	21 216	(678)	20 538
IT equipment	1 081 476	(412 093)	669 383	472 409	(38 061)	434 348
<b>Total</b>	<b>1 448 480</b>	<b>(518 203)</b>	<b>930 277</b>	<b>752 225</b>	<b>(58 565)</b>	<b>693 660</b>

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

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	238 774	58 793	(71 256)	226 311
Office equipment	20 538	28 395	(14 350)	34 583
IT equipment	434 348	609 067	(374 032)	669 383
	<b>693 660</b>	<b>696 255</b>	<b>(459 638)</b>	<b>930 277</b>

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

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	-	258 600	(19 826)	238 774
Office equipment	-	21 216	(678)	20 538
IT equipment	-	472 409	(38 061)	434 348
	-	<b>752 225</b>	<b>(58 565)</b>	<b>693 660</b>

#### Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	5 to 10 years
Office equipment	Straight-line	3 to 5 years
IT equipment	Straight-line	3 to 5 years

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

### 9. INTANGIBLE ASSETS

	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	127 250	(61 465)	65 785	127 250	(7 091)	120 159

#### Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software	120 159	(54 374)	65 785

#### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Amortisation	Total
Computer software	-	127 250	(7 091)	120 159

#### Pledged as security

None of these intangible assets have been pledged as security.

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
<b>10. DEFERRED TAX</b>		
<b>Reconciliation of deferred tax asset</b>		
At beginning of year	(112 926 672)	-
Investment property	(486 955 026)	(109 600 255)
Interest received credited to unspent conditional grant prepaid expenses	6 357 932	1 581 136
S24C Allowance	(3 328 500)	(5 001 822)
Provision for variable remuneration	49 280	-
Provision for bonus	1 271 995	-
Provision for leave pay	528 067	42 029
Exempt grants received	(593 539)	-
Lease smoothing	(4 531)	52 240
	<b>(595 637 291)</b>	<b>(112 926 672)</b>

## 11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	236 204	32 351 177
Other accrued expenses	197 034	3 890 056
	<b>433 238</b>	<b>36 241 233</b>

## 12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

The entity received grants from the Department of Trade, Industry and Competition (the dtic) and the Gauteng Department of Economic Development (GDED) for infrastructure development. If the projects are cancelled the funds would have to be returned to these funders.

The grants received for capital projects cannot be utilised for other activities as the agreements with the funders specify the purpose for which these funds should be utilised.

**Unspent conditional grants and receipts comprises of:**

**Unspent conditional grants and receipts**

Unspent grant (DTIC)	314 684 289	1 286 477 202
Unspent grant (GDED)	96 887 848	156 317 092
	<b>411 572 137</b>	<b>1 442 794 294</b>
<b>Movement during the year</b>		
Balance at the beginning of the year	1 442 794 294	-
Additions during the year	1 148 105 682	1 921 424 457
Income recognition during the year	(2 179 327 839)	(478 630 163)
	<b>411 572 137</b>	<b>1 442 794 294</b>

These amounts are deposited into call accounts.

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
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### 13. PROVISIONS

#### Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Provision for leave	150 105	1 885 955	2 036 060
Provision for bonus	-	3 050 288	3 050 288
	<b>150 105</b>	<b>4 936 243</b>	<b>5 086 348</b>

#### Reconciliation of provisions - 2021

	Opening Balance	Additions	Total
Provision for leave	-	150 105	150 105

#### Provision for bonus

The provision for performance bonus relates to the payment of bonuses to the entity's employees based on the assessment of performance for the financial period ended 31 March 2022. The outflow is considered to be probable. The settlement of the provision is dependant on key factors such as the performance of employees as well as the timing of the approval of the board directors. The entity's remuneration policy bases the performance bonus on the organisational, business unit and an individual's performance for the financial year in question. The performance bonus for any individual is capped at a maximum of 20% of total cost to company.

#### Provision for leave

The provision for leave represents the unutilised leave earned by employees as at 31 March 2022. The timing of when the leave will be utilised is not known.

### 14. OPERATING LEASE ASSET (LIABILITY)

Non-current liabilities	(108 542)	(145 440)
Current liabilities	(61 845)	(41 132)
	<b>(170 387)</b>	<b>(186 572)</b>

### 15. VAT PAYABLE

Tax payables	69 000 026	217 036 086
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# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
<b>16. TAX LIABILITY</b>		
Balance at beginning of the year	(1 872 216)	-
Current tax for the year recognised in surplus or deficit	(17 994 658)	(1 872 216)
Balance at end of the year	19 866 874	1 872 216
	-	-

## 17. RECOVERIES

Diesel Recovery	5 499 672	-
Water Recovery	209 119	-
Electricity recovery	7 274 170	-
Equipment Cost Recovery	19 880 048	-
	<b>32 863 009</b>	-

## 18. INTEREST RECEIVED

<b>Interest revenue</b>		
Bank	1 469 162	225 752

## 19. GOVERNMENT GRANTS & SUBSIDIES

<b>Operating grants</b>		
Government grant - Operating	66 602 183	32 000 000
<b>Capital grants</b>		
Government grant - Capital	2 179 327 841	492 964 331
	<b>2 245 930 024</b>	<b>524 964 331</b>
<b>Conditional and Unconditional</b>		
Included in above are the following grants and subsidies received:		
Conditional grants received	2 179 327 841	492 964 331
Unconditional grants received	66 602 183	32 000 000
	<b>2 245 930 024</b>	<b>524 964 331</b>
<b>Department of Trade and Industry and Competition Grant - CAPEX</b>		
Balance unspent at beginning of year	1 286 477 202	-
Current-year receipts	1 025 910 086	1 756 194 336
Interest received	19 804 260	4 699 756
Conditions met - transferred to revenue	(2 017 507 259)	(474 416 890)
	<b>314 684 289</b>	<b>1 286 477 202</b>

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
<b>19. GOVERNMENT GRANTS &amp; SUBSIDIES (CONTINUED)</b>		
Conditions still to be met - remain liabilities (see note 12).		
<b>Gauteng Department: Economic Development Grant - CAPEX</b>		
Balance unspent at beginning of year	156 317 092	-
Current-year receipts	99 488 695	173 913 043
Interest received	2 902 641	947 158
Conditions met - transferred to revenue	(161 820 580)	(18 543 109)
	<b>96 887 848</b>	<b>156 317 092</b>

Conditions still to be met - remain liabilities (see note 12).

## 20. REVENUE

Recoveries	32 863 009	-
Interest received	1 469 162	225 752
Government grants & subsidies	2 245 930 024	524 964 331
	<b>2 280 262 195</b>	<b>525 190 083</b>

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

Recoveries	32 863 009	-
Interest received	1 469 162	225 752
	<b>34 332 171</b>	<b>225 752</b>

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

### Transfer revenue

Government grants & subsidies	2 245 930 024	524 964 331
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## 21. EMPLOYEE RELATED COSTS

Basic	32 598 476	7 651 331
Bonus provision	3 050 288	-
UIF	66 359	40 181
SDL	302 362	-
Leave pay provision	1 885 955	150 105
Group life insurance	199 333	-
Car allowance	348 000	118 000
Cell phone allowance	322 000	37 745
	<b>38 772 773</b>	<b>7 997 362</b>

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
<b>22. LEASE RENTALS ON OPERATING LEASE</b>		
<b>Premises</b>		
Contractual amounts	833 053	186 572
<b>Equipment</b>		
Contractual amounts	59 320	-
	<b>892 373</b>	<b>186 572</b>

## 23. GENERAL EXPENSES

Accounting fees	87 593	299 234
Advertising	137 335	2 264 569
Auditors remuneration	1 253 634	-
Bank charges	40 535	13 122
Computer expenses	251 211	223 496
Consulting and professional fees	2 544 893	1 967 865
Consumables	46 367	6 107
Fines and penalties	14 059 719	-
Insurance	566 687	-
Diesel	10 173 566	-
IT expenses	3 232 408	-
Levies	187 728	48 798
Postage and courier	1 548	-
Printing and stationery	60 690	42 294
Protective clothing	33 368	1 129
Secretarial fees	322 464	86 026
Staff Bursaries	49 000	-
Subscriptions and membership fees	7 661	-
Internet - 3G	123 786	2 082
Training	-	20 807
Travel - local	197 516	161 849
Assets expensed	12 917	60 897
Electricity related costs	1 212 563	-
General expenses	-	33 175
Community Liaison Officer costs	-	750 001
SMME Development	9 451 648	2 927 479
Venue expenses	165 478	22 570
	<b>44 220 315</b>	<b>8 931 500</b>

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
<b>24. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	459 638	58 565
Intangible assets	54 374	7 091
	<b>514 012</b>	<b>65 656</b>

## 25. FINANCE COSTS

Interest on VAT liability	11 119 385	-
The interest on VAT liability is actual interest levied by SARS as result of late payment of VAT.		

## 26. TAXATION

### Major components of the tax expense

#### Current

Local income tax - current period	17 994 658	1 872 216
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#### Deferred

Deferred tax temporary differences	482 710 619	112 926 672
	<b>500 705 277</b>	<b>114 798 888</b>

## 27. CASH GENERATED FROM OPERATIONS

Surplus	1 682 272 122	393 054 332
<b>Adjustments for:</b>		
Depreciation and amortisation	514 012	65 656
Movements in operating lease assets and accruals	(16 185)	186 572
Movements in provisions	4 936 243	150 105
Movement in tax receivable and payable	17 994 658	1 872 216
<b>Changes in working capital:</b>		
Inventories	(1 167)	(14 539)
Receivables from exchange transactions	(27 524 293)	(2 313 586)
Prepayments	(947 792)	-
Payables from exchange transactions	(5 623 621)	5 825 019
VAT	(148 036 060)	217 036 086
Unspent conditional grants and receipts	(1 031 222 157) 1	442 794 294
Deferred tax asset	482 710 619	112 926 672
	<b>975 056 379</b>	<b>2 171 582 827</b>

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

31 March 2022	31 March 2021
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### 28. BUDGET DIFFERENCES

Material differences between budget and actual amounts

#### 28.1 Rental income

The variance between the amount budgeted for rental of facilities and equipment is due to none of the tenants being billed for rental and levies as at year end.

#### 28.2 Recoveries

The variance between the amount budgeted for recoveries and the actual amount invoiced is largely attributed to the recoveries of equipment cost from the tenants.

#### 28.3 Interest received

Interest received was more than anticipated due more funding available to earn interest compared to that which was anticipated.

#### 28.4 Employee cost

The difference between the budgeted and actual is due to the vacancies in the organisation. A moratorium was placed on the filling of vacant posts resulting in this saving. The moratorium was placed due to shortfalls brought about by unexpected diesel costs.

#### 28.5 Operational Expenditure

The operational expenditure (Lease rental on operating lease, Contracted Services, General Expenses, Capital Expenditure) are underspent mainly due to cost-containment measures put in place by the entity and as a result of vacancies.

### 29. COMMITMENTS

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Property, plant and equipment	788 850	-
• Investment property	787 195 841	3 004 495 057
	<b>787 984 691</b>	<b>3 004 495 057</b>

#### Total capital commitments

Already contracted for but not provided for	787 984 691	3 004 495 057
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#### Total commitments

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
<b>29.COMMITMENTS (CONTINUED)</b>		
<b>Total commitments</b>		
Authorised capital expenditure	787 984 691	3 004 495 057
<b>Operating leases - as lessee (expense)</b>		
<b>Minimum lease payments due</b>		
- within one year	2 089 674	414 276
- in second to fifth year inclusive	2 782 158	891 729
	<b>4 871 832</b>	<b>1 306 005</b>

Operating lease payments represent rentals payable by the entity for office spaces from AIDC and COLAB and rental of printers from Konica Minolta. The lease term for all these contracts is three years. The lease contract with AIDC was effective from 1 October 2020 and will terminate on 31 March 2024 and escalates by 5% annually. The lease contract with COLAB was effective 1 November 2021 and will terminate on 30 October 2024 and escalates by 6% annually. The lease contract with Konica Minolta was effective 1 April 2021 and will terminate on 31 March 2024 and no escalation rate is applicable on this contract. No contingent rent is payable.

## 30.AUDITORS' REMUNERATION

Fees	1 253 634	-
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## 31.PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance that have been affected by prior-year adjustments:

<b>Statement of financial position</b>					
<b>2021</b>	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories		16 720	(2 181)	-	14 539
Investment property		563 529 599	(70 212 575)	-	493 317 024
Intangible assets		139 247	(19 088)	-	120 159
Prepayments		49 721 853	(6 485 459)	-	43 236 394
Unspent conditional grants and receipts		(1 653 224 475)	216 077 096	(5 646 915)	(1 442 794 294)
Property, plant and equipment		806 493	(112 833)	-	693 660
Deferred tax		-	(112 926 672)	-	(112 926 672)
VAT payable		-	(217 036 086)	-	(217 036 086)
Current tax payable		-	(1 872 216)	-	(1 872 216)
Payables from exchange transactions		(35 184 342)	(1 056 891)	-	(36 241 233)
Accumulated surplus		592 348 152	-	(5 646 915)	586 701 237
		<b>(481 846 753)</b>	<b>(193 646 905)</b>	<b>(11 293 830)</b>	<b>(686 787 488)</b>



# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

		31 March 2022	31 March 2021		
<b>31. PRIOR-YEAR ADJUSTMENTS (CONTINUED)</b>					
<b>Statement of financial performance</b>					
<b>2021</b>					
	Note	As previously reported	Correction of error	Re- classification	Restated
Government grants & subsidies		604 924 406	(79 960 075)	-	524 964 331
Interest income		5 872 667	-	(5 646 915)	225 752
Employee related costs		(7 997 182)	-	-	(7 997 182)
Depreciation and amortisation		(65 656)	-	-	(65 656)
Lease rentals on operating lease		(186 572)	-	-	(186 572)
Contracted services		(170 594)	14 821	-	(155 773)
General Expenses		(10 028 917)	1 097 417	-	(8 931 500)
Taxation expense		-	(114 798 888)	-	(114 798 888)
<b>Surplus for the year</b>		<b>592 348 152</b>	<b>(193 646 725)</b>	<b>(5 646 915)</b>	<b>393 054 512</b>

### Explanation prior period errors

#### Omission of VAT impact

In the prior year, the financial statements were prepared without taking into account the effect of VAT. The affected line items have now been adjusted to account for VAT separately.

The effect of the error is:

#### Effect on statement of financial position

Decrease in inventory	(2 181)
Decrease investment property	(70 212 575)
Decrease in intangible assets	(19 088)
Decrease in unspent conditional grants and receipts	216 077 096
Decrease in property, plant and equipment	(112 833)
Increase in VAT payable	(217 036 086)
Decrease in prepayment	(6 485 459)
	<b>(77 791 126)</b>

#### Effect on the statement of financial performance

Decrease in government grants & subsidies	(79 960 075)
Decrease in contracted services	14 821
Decrease in general Expenses	1 097 417
	<b>(78 847 837)</b>

#### Omission of income tax implication

In the prior year, the financial statements were prepared without taking into account the effects of income and deferred tax. Income and deferred tax implication have now been correctly accounted for.

# Tshwane Automotive Special Economic Zone

Annual Financial Statements for the year ended 31 March 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	31 March 2022	31 March 2021
<b>31. PRIOR-YEAR ADJUSTMENTS (CONTINUED)</b>		
The effect of the error is:		
<b>Effect on statement of financial position</b>		
Increase in deferred tax liability		(112 926 672)
Increase in current tax payable		(1 872 216)
		<b>(114 798 888)</b>
<b>Effect on statement of financial performance</b>		
Increase in taxation expense		(114 798 888)

### Reclassification of interest received on grant funds

Interest received from conditional grant funds was incorrectly classified as interest received in the prior year. TASEZ requires approval before interest received is spent and therefore this interest did not constitute revenue for the entity. Consequently, interest received from conditional grant funds has now been reclassified as unspent conditional grants.

The effect of the error is:

<b>Effect on the statement of financial position</b>		
Increase in unspent conditional grants and receipts		(5 646 915)
<b>Effect on the statement of financial performance</b>		
Decrease in interest income		(5 646 915)

## 32. ACCOUNTING BY PRINCIPALS AND AGENTS

The entity is a party to a principal-agent arrangement.

### Details of the arrangement are as follows:

TASEZ entered into an agreement with the City of Tshwane as an implement agent for the provision of bulk infrastructure services (water, sewer, electricity, roads and storm water) for the TASEZ phase 1 and 1A.

### Entity as agent

#### Resources held on behalf of the principal, but recognised in the entity's own financial statements Resources held on behalf of the principal, but recognised in the entity's own financial statements

TASEZ did not hold any resources on the behalf of the City of Tshwane at year end.

### Revenue recognised

TASEZ does not receive any compensation for the transactions that it carries out on the behalf of the City of Tshwane.

At the end of the reporting period, no liabilities were incurred on the behalf of the principal that have been recognised by the entity as all liabilities have been settled. R15 402 151 has been recognised by the entity as receivables for the reimbursement of the liabilities settled.

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### 33. RELATED PARTIES

#### Relationships

##### Shareholders

Department of Trade, Industry and Competition (the dtic), The Gauteng Department of Economic Development (GDED) and the City of Tshwane (CoT)

##### Members of Key Management :

SL Hamilton  
A. Moolla  
M. Ntombana  
A. Sangweni  
T. Baloyi

##### Non-Executive Directors :

L.V. October  
S.P. Mangole  
M.N. Molefane  
M. Khumalo  
J. Murphy  
D. Vanmali  
O. Berry  
J. Koseff  
N. Sithebe  
L. Stander  
B. Mosley-Lefatola

#### Related party balances

##### Amounts included in Trade receivable regarding related parties

City of Tshwane

15 402 151

1 215 426

The transactions with Related Parties are at arms length.

#### Key management information

Class	Description	Number
Non-executive board members	Non-remunerative	11
Executive board members	Remunerative	2
Executive management	Remunerative	3

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### 33. RELATED PARTIES (CONTINUED)

#### Remuneration of management

Management class: Board members

2022

	Basic salary	Other short term employee benefits	Travel	Total
<b>Name</b>				
Simphiwe L Hamilton (contract ended 30 April 2022)	2 041 416	270 000	240 000	2 551 416
Ahmed Moolla	1 600 714	14 400	-	1 615 114
	<b>3 642 130</b>	<b>284 400</b>	<b>240 000</b>	<b>4 166 530</b>

2021

	Basic salary	Other short-term employee benefits	Total
<b>Name</b>			
Simphiwe L Hamilton (appointed 1 November 2020)	890 590	122 025	1 012 615
Ahmed Moolla (seconded CFO since 1 July 2020)	1 214 480	-	1 214 480
Msokoli Ntombana - (Acting CEO from 1 Sept 2020 to 31 October 2020)	266 785	-	266 785
Zirk Jansen (CEO from 1 July 2020 to 31 August 2020)	177 954	-	177 954
	<b>2 549 809</b>	<b>122 025</b>	<b>2 671 834</b>

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<b>33. RELATED PARTIES (CONTINUED)</b>			
<b>Management class: Executive management</b>			
<b>2022</b>			
	Basic salary	Other short- term employee benefits	Total
<b>Name</b>			
Andile Sangweni	1 600 714	26 400	1 627 114
Msokoli Ntombana (Acting CEO from 1 May 2022)	1 600 714	17 600	1 618 314
Tebogo Baloyi	1 325 751	22 800	1 348 551
	<b>4 527 179</b>	<b>66 800</b>	<b>4 593 979</b>
<b>2021</b>			
	Basic salary	Other short- term employee benefits	Total
<b>Name</b>			
Msokoli Ntombana	800 357	-	800 357
Andile Sangweni	373 500	10 254	383 754
	<b>1 173 857</b>	<b>10 254</b>	<b>1 184 111</b>

## 34. RISK MANAGEMENT

### Financial risk management

The Board has overall responsibility for the establishment and oversight of the company risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Audit Committee oversees how management monitors compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Company Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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### 34. RISK MANAGEMENT (CONTINUED)

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed grants allocated and own generated revenue. The entity manages liquidity risk by continuously monitoring forecast and actual cash flows. Liquidity risk is the risk that the entity may fail to meet its payment obligations as they fall due, the consequences of which may be the failure to meet the obligations to creditors. The company identifies this risk through periodic liquidity gap analysis and the maturity profile of the assets and liabilities. Action is taken in advance to close or minimise the gaps. The Company's exposure to liquidity risk is reduced as it is funded by DTIC and the GDED. The annual budgets are approved at the beginning of each fiscal year and funding agreements concluded between the parties. Cash flows are monitored monthly against budgets and adjustments are made where necessary. Risk management assessments are conducted to assist with identifying any possible cash flow, liquidity or other risks. In addition, the entity is exploring opportunities for raising more own revenue to ensure the sustainability of the organisation in case the grant is reduced or cut back.

A maturity analysis of TASEZ's financial instruments as at 31 March 2022 is as follows:

<b>2022 Liquidity gap analysis</b>	<b>On demand and less than one month</b>	<b>1 to 12 months</b>	<b>1 to 12 months</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	482 102 099	-	-	482 102 099
<b>Liabilities</b>				
Payables from exchange transactions	(2 111 580)	-	-	(2 111 580)
	<b>479 990 519</b>	<b>-</b>	<b>-</b>	<b>479 990 519</b>
<b>2021 Liquidity gap analysis</b>	<b>On demand and less than one month</b>	<b>1 to 12 months</b>	<b>1 to 12 months</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	664 566 148	-	-	664 566 148
<b>Liabilities</b>				
Payables from exchange transactions	(36 241 236)	-	-	(36 241 236)
	<b>628 324 912</b>	<b>-</b>	<b>-</b>	<b>628 324 912</b>



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### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Management evaluated credit risk relating to tenants before they were incorporated into the zone. Management evaluates credit risk relating to customers on an ongoing basis. The carrying amounts of financial assets, represent the entity's maximum exposure to credit risk in relation to these assets. The company's cash and cash equivalents and short-term deposits are placed with high credit quality financial institutions.

Credit risk is managed on a group basis.

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

There has been no significant change during the year, or since the end of the previous financial year, to the company's exposure to credit risk, the approach of measurement or the objectives, policies and processes for managing the risk. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk. Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge a contract. Credit risk arises from cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures to members, including outstanding receivables and committed transactions. For banks and financial institutions, only well-established institutions with sound financial positions are used. Credit exposures are closely monitored for indications of impairment.

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

#### The entity's exposure to credit risk by class of financial asset is as follows:

Cash and cash equivalents	482 102 099	1 664 566 148
Receivables from exchange transactions	31 614 388	2 313 586
	<b>513 716 487</b>	<b>1 666 879 734</b>

#### Analysis by credit quality of financial assets is as follows:

##### Neither past due nor impaired

Cash and cash equivalents	482 102 099	1 664 566 148
Receivables from exchange transactions	24 901 973	2 313 586

##### Past due and not impaired

Receivables from exchange transactions	4 875 783	-
	<b>511 879 855</b>	<b>1 666 879 734</b>

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### 34. RISK MANAGEMENT (CONTINUED)

#### Market risk

#### Interest rate risk

The entity's interest-bearing assets are included under cash and cash equivalents. As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates due to short term nature of interest bearing assets. Balances with banks, deposits and all call and current accounts attract interest at rates that vary with the South African prime rate. The company's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus/deficit. Interest charged on trade debtors in arrears is linked to the South African prime interest rate.

#### Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the potential change in interest rates. A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected changes in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite percentage adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below. The disclosure only indicates the effect of the change in interest rate on surplus.

Estimated increase in rates	2022	2021
Cash and cash equivalents	482 102 099	664 566 148
1% thereof	4 821 020	16 645 661

### 35. COMPARATIVE FIGURES

The previous reporting period is 10 months compared to the current reporting period of 12 months because TASEZ was incorporated in May 2020. Consequently, the statement of financial position, cash flow statements and their related notes are not entirely comparable.

### 36. GOING CONCERN

The entity has an accumulated surplus and the entity's total assets exceed its liabilities.

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.

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### 37. EVENTS AFTER THE REPORTING DATE

No significant non-adjusting events has been identified by management after reporting date.

### 38. CONTINGENT LIABILITIES

As at the 31 March 2022, the TASEZ had an adjusted cash surplus of R32 730 983. The TASEZ was required to request retention of the same and it might have to forfeited to Gauteng Provincial Treasury.











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