2022

ANNUAL REPORT

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LETTER FROM THE CHAIRPERSON

Andrew Velleman

Chairperson,
DAC CEO, CFAO
South Africa

TThe Durban Automotive Cluster (DAC) continues to support the regional automotive value chain during what was another challenging year. Having faced critical challenges due to extensive flood damage, persistent interrupted electricity supply, port constraints and pressure on consumers from interest rate hikes, our sector has persevered, and the DAC has supported our members and the greater stakeholders to navigate these issues. The automotive industry contributes 4.3% to South Africa's GDP and KwaZulu-Natal remains a major contributor. The DAC continues to be a growth-enabling platform that supports member firms to proactively address challenges and to realise growth opportunities through its various programmes.

In 2022, our Skills Development programmes achieved remarkable success by training and developing over 180 individuals. The number of individuals we trained surpassed our expectations, affirming the impact and value of our programmes.

We take pride in equipping these individuals with valuable skills that make a meaningful contribution to their personal and professional growth. Our Shared Learning and Skills Development programmes support knowledge sharing and the development of lean manufacturing tools to improve cost competitiveness, quality and agility within our members.

The cluster hosted 12 shared learning best-practice events during 2022 for DAC members which were highly engaging and focused on areas related to competitiveness, sustainability, growth and localisation. These were delivered through online Manufacturing Meetup webinars, in-person best-practice factory tours and hybrid sessions. The events are demand driven and focused on themes and topics of relevance to cluster members, with input and content presented by leading firms and experts.

An additional benefit for the DAC has been welcoming 9 SMEs as member firms in the cluster through our SME Business Accelerator programme.

And even more important for our sector is that this programme and the resulting commercial opportunities saw 16 permanent jobs created. This is one of the ways that the impact from the cluster is seen.

Lastly, I would like to draw your attention to the Energy Wheeling Project that the cluster has initiated. Firms in eThekwini need to generate and/or purchase renewable energy to bridge the gap between current non-renewable energy generation limitations in South Africa and to be able to achieve carbon net-zero targets. Phase 1 of the cluster's energy wheeling project was to survey the current energy requirements of local industrial firms.

The objective of this project going forward is to setup a framework for energy wheeling between businesses by first quantifying the demand. The firms survey so far account for 77% of the local industrial energy demand. The preliminary findings are that though there has been some focus on energy efficiency across the cluster, 47% of firms have not yet undertaken any energy efficiency projects. More needs to be done.

In parallel with alternative energy generation, firms need to improve their current energy efficiency baselines.

The DAC has a role to play helping firms to navigate these challenges.

The Durban Automotive Cluster is in a healthy and sustainable financial position and the cluster's revenue at the end of fiscal year 2022 was R3 637 477. We ended 2022 with a healthy membership base of 57 members.

The DAC is also coming to the end of a three-year business cycle with eThekwini Municipality and will be launching a revised cluster strategy, with long-term projects and programmes. We value the continued commitment of eThekwini Municipality to the automotive industry.

The success and impact of the cluster would not have been possible without the input and support of the DAC's Executive Committee, public sector funders, large lead automotive enterprises and the SMEs. We look forward to more fruitful collaborations between the public and private sectors to continue facilitating sustained localisation, to address energy challenges and to deliver impact throughout the automotive industry.

LETTER FROM THE CITY COUNCILLOR

Councilor Thembo Ntuli

Chairperson: Economic Development and Planning Committee

The automotive manufacturing sector is one of the most significant manufacturing sectors in KZN, with eThekwini Municipality being the hub of this value chain. In the coming years, the industry will have to respond to the demands of climate change, increasing fuel prices and unstable energy supply, and consumer demands including those for green(er) alternatives. It is through organisations such as the Durban Automotive Cluster working collectively with government that we can meet these challenges to grow the size of and jobs in the automotive sector.

With an unemployment rate of 26% in eThekwini, manufacturing is needed to deepen technological capabilities and to create attractive and high-paying jobs for youths. Manufacturing is a key driver of transformation and provides meaningful employment for the most marginalised among us and is crucial for the development of advanced technological capabilities that are scalable, attractive and high paying. Manufacturing provides jobs with strong economic multipliers, that can elevate eThekwini to become a high-employment area.

I was happy to see that 2022 was another steady year of delivery by the Durban Automotive Cluster, which had a significant impact on industry and its members especially in the efforts to support the restart of key businesses following the destructive floods. The guidance and peer support offered to members surely helped to navigate through the crisis.

It has been particularly rewarding to see the outcomes of initiatives such as the Business Accelerator Programme that have been established to develop high-potential black SMEs to become strategic suppliers to lead enterprises. The Accelerator has been well supported by both public sector funders and private sector firms in the automotive sector and I know that this programme will continue to play a role in facilitating sustainable access to market for black suppliers.

eThekwini Municipality is pleased to announce that a further three years of funding support has been awarded to the DAC, based on a renewed business plan, to the year 2026. The municipality reinforces its dedication and commitment to the Durban Automotive Cluster and looks forward to the ongoing success and outcomes provided by the cluster.

THE EXECUTIVE COMMITTEE

Senior executives from member firms and officials from the eThekwini Municipality make up the DAC's Executive Committee. The Executive Committee provides strategic oversight and programmatic direction for the cluster and is made up of the following committee members:

Name	Position	Firm
Andrew Velleman	Chairperson and Localisation & Growth Programme Chair	CFAO Africa
Paul Vermaak	Skills Development Programme Chair	HESTO Harnesses / Smiths Manufacturing
Mark Gutridge	Manufacturing Excellence Programme Chair	Brink Towing Systems
Theunis Rootman	Nominated Industry Representative	Toyota South Africa Motors
Alex Holmes	Nominated Industry Representative	MAHLE Behr SA
Nigel Ward	OEM Representative	Toyota South Africa Motors
Michael Waldburger	OEM Representative	Toyota South Africa Motors
Riaz Haffejee	Nominated Industry Representative	Metair
Takalani Rathiyaya	eThekwini Municipality	Funder Representative
Ravesha Govender	eThekwini Municipality	Funder Representative
Russell Curtis	eThekwini Municipality	Funder Representative
Michelle Raw	Nominated Industry Representative	GUD Holdings
Judith Serafim	Nominated Industry Representative	Imvusa Interior Trim
Meghan King	Facilitator (Non-voting)	BMA

Q&A WITH THE DAC FACILITATION TEAM

Q:

HOW DOES A CLUSTER FUNCTION AND WHAT ARE SOME OF THE BENEFITS OF CLUSTERING?

A:

A cluster is different to other industry forums, industry membership bodies, or public support functions in that it is positioned at the intersection of three critical entities – private industry, public institutions, research and education institutions. A cluster is geographically based and connects these three entities to find collective solutions to increase growth, competitiveness, and industry-specific skills.

Clustering provides an effective solution to rapidly identify common weaknesses, challenges, opportunities and pockets of best practice, accumulate persuasive data regarding the internal and external environment and speak with a collective voice for the industry.

It is cost-effective in that there are shared costs of addressing common needs and lastly, an amplified growth potential because your success is often linked with the success of those around you.

Q:

THE NEW DAC STRATEGY IS BEING DEVELOPED TO GUIDE THE NEXT 3-5 YEARS. WHAT CAN WE EXPECT THE CLUSTER TO FOCUS ON?

A:

The previous cluster strategy was developed at the onset of the Covid-19 pandemic. The DAC responded quickly to specific industry needs at that time and the previous strategy reflected this. This was effective and we were able to support businesses through that uncertain period.

However, the conditions of business have changed and now is the right time to redesign the strategy to reflect a longer-term vision for the cluster based on current market conditions, current infrastructure challenges and global trends. The strategy will be developed in collaboration with our member firms, but the intention is to move from a widespread approach to a more targeted approach that aligns specific activities along the value chain. We will focus on specific strategic goals that are actionable and achievable through the cluster activities while focusing on growth in the automotive sector.

Key themes for the automotive sector are the transformation of the supply chain to align with the new Automotive Production and Development Programme requirements, decarbonisation of the supply chain to remain competitive in the export market and developing and retaining skills that are aligned with what the industry needs. The new strategy will crystalise these themes into an actionable plan for the benefit of Durban Automotive Cluster firms and the wider industry.

O'Neill Marais

Facilitator: DAC

Q:

WHAT WERE SOME OF THE KEY FOCUS AREAS OF THE SHARED LEARNING PROGRAMME IN 2022 THAT WERE OF PARTICULAR INTEREST FOR MEMBERS AND WHAT WILL BE SOME OF THE AREAS FOR FURTHER INVESTIGATION IN THE 2023 PROGRAMME?

A:

In 2022 the Shared Learning programme focused themes ranging from fostering a passion for lean manufacturing amongst employees to showcasing next gen manufacturing technologies that firms should be looking to incorporate into their operations. There was also a keen focus on green manufacturing and sustainability, which is becoming increasingly important to manufacturing firms around the world.

The emphasis on green manufacturing will continue to be a priority in 2023 and the cluster will consider sustainable strategies that firms must adopt, including around renewable energy solutions, implementing green manufacturing practices to reduce waste and energy consumption, best practices linked to water management, as well as using sustainable materials and packaging.

Sean Ellis

Facilitator: DAC

THE STATE OF THE SOUTH AFRICAN AND KWAZULU-NATAL AUTOMOTIVE INDUSTRY

2022 was once again a challenging year for operations involved in the automotive sector. Compounding global challenges from 2021, including supply chain and logistics challenges and major part and component availability (e.g., semiconductors) and materials pricing, new challenges emerged that impacted the global sector.

This included the Russian-Ukrainian war that continues to impact the global economy and locally, the consistent strain on access to electricity and water and the severe flooding in KZN that especially devastated firms located in the Southern Industrial Basin, including Toyota South Africa Motors, which lead to plant shutdowns for several months.

REVIEWING THE DEVASTING IMPACT OF THE KZN FLOODS & THE RESILIENCE OF TOYOTA SA & G.U.D. FILTERS, TWO DAC MEMBERS

The heavy rains in April 2022 had a massive impact on KZN as a whole and especially the greater eThekwini region. The confirmed death toll is 448 people, with over 40,000 people displaced and more than 12,000 homes destroyed. While the actual cost of the damage may never be known, the regional government estimated the total cost to be around R 17 billion.

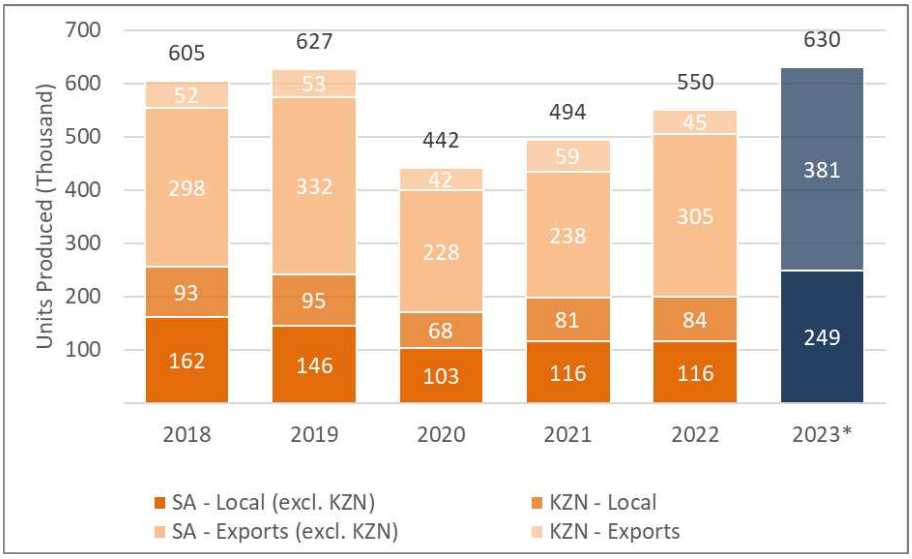
The Southern Industrial Basin region around Prospecton was severely impacted, with substantial damage caused to numerous operations. Two of the most affected automotive operations, and also members of the DAC, were Toyota SA and G.U.D. Filters. The extent of the damage caused by the floods meant that these facilities were unable to operate for a long period.

Despite this, and due to the resilience and commitment of the leaders of each operation to the region as well as their employees, significant attention and resources were focused on the substantial rebuilding. These companies moved quickly to recover, with G.U.D. Filters commencing operations after a few months, and Toyota officially operateing near full capacity in August 2022. This extreme resolve and the commitment from G.U.D. Filters and Toyota SA to get their operations back to full production is highly commendable.

SA AND KZN-BASED OEM VEHICLE PRODUCTION (2018 TO 2022 ACTUAL AND 2023 PROJECTIONS)

Encouragingly, total South African vehicle production still managed to increase by over 50 thousand units in 2022, similar to the unit growth in 2021, reaching 553 000 units. And while this remains behind pre-2020 levels, the year-on-year growth and recovery since the impact of COVID-19 in 2020 are very encouraging. In addition, total vehicle production is forecast at 630 000 units in 2023, which would be the highest production level ever achieved by the sector.

The analysis of total production reveals that local production has been driven by exports which increased from 270 000 in 2020 to almost 300 000 in 2021, and then to 350 000 in 2022, representing around 61% of total production. 380 000 units are projected to be exported in 2023, accounting for almost 64% of total local production.



Number of Vehicles Produced from 2018 to present | Source: AutoStats / NAAMSA

In KZN though, after increasing to 140 000 units in 2021, from 110 00 in 2020, total vehicle production declined to just under 130 000 in 2022. This decline is directly related to the shutdowns following the KZN Floods. Considering that Toyota was unable to operate at normal production for several months, it is remarkable that the regions production is only down by almost 11 000 units when compared to 2021. This is due to local production reaching almost 40 000 units in the final quarter of 2022. This is the highest quarterly production figure for the region in the last eight years. Further positive recovery and growth is forecast for the KZN region in 2023.

Meghan King

DAC Chief Facilitator

2022 HIGHLIGHTS & SUMMARY OF PROGRAMME ACTIVITIES

THE DAC IN 2022

- 21 years of adding value to automotive manufacturers
- 57 member firms, including 11 SMEs
- 64% of SME member firms are black-owned
- 12 best-practice shared learning sessions with 949 members participating
- 20 firm diagnostics completed with a 96% average satisfaction rating received on the diagnostics reports
- 15 firms submitted surveys for the OEM reports
- 46 people trained through the ELDP
- 36 people trained through the TLDP
- 60 unemployed future operators trained

READYING THE INDUSTRY FOR A NET-ZERO FUTURE - AGM 2022

The cluster held an in-person annual general meeting (AGM) on 21st September 2022. This exciting event allowed members and stakeholders to meet, greet and engage on a face-to-face level again, creating a sense of community and shared purpose. This platform for networking and relationship building is valuable for conversation and debate, which contribute to business growth and development.

During the AGM, the panellists discussed greener production. Globally, all leading automotive manufacturers are talking about the drive to net zero carbon emissions, setting aggressive decarbonisation targets and seeking to create and develop more sustainable supply chains. With legislative requirements in South Africa's key export markets, most notably the fast-tracking of the EU Carbon Border Adjustment Mechanism (CBAM), the local industry is likely to face significant pressure to understand and report on its carbon footprint and to deliver greener production.

As the sector undergoes one of its most important transitions ever, the cluster panel discussion helped to unpack the variety of viewpoints and current thinking on the topic to support decision-makers through this process.

Some of the key items discussed included:

- OEM sustainability goals and associated supply chain impacts
- Market and policy pressures, timeframes, and the impacts on the sector
- Practical and implementable measures for firms to support carbon neutrality and cost competitiveness

We were thrilled to have had an exceptional line-up of speakers at our Annual General Meeting on carbon-neutral supply chain session. Their insights and current thinking on the topic were truly captivating, leaving the audience inspired and eager to drive change. With their visionary perspectives and ground-breaking solutions, these panellists showcased the possibilities for businesses in an eco-conscious world. Their collective energy and expertise made the event an unforgettable success, igniting a passion for a greener future.

PANELLISTS

Theunis Rootman
Vice President
at Toyota South Africa

Prof. Justing Barnes
Chairman of BMA

Liesel Kassier
Head of Green
Manufacturing:
Toyota Wessels Institute
of Manufacturing
Studies

Riaz Haffejee
CEO: Metair

UNLOCKING COMMERCIAL OPPORTUNITIES AND CREATING JOBS AT SME FIRMS - ACCELERATOR PROGRAMME

The Business Case Development phase of the SME Business Accelerator programme began in 2022. This phase included:

- Financial and compliance due diligence – this was delivered by an external financial consultant in Q1 to support the business case for 2 SMEs as part of the process to secure contracts with large, lead-firms
- A GrowthFinder Diagnostic for these 2 SMEs – the assessments used six growth predictors (Historical Growth, NextGen Growth Drivers, Market Demand, Customer Satisfaction, Productivity and Operational Excellence, and Green Manufacturing) to uncover areas for improvement and to enable more informed decision-making in order to achieve profitable and sustainable growth for the SME firms.
- Mentorship – 3 SMEs were assigned a mentor who assisted them in developing their business cases, providing strategic guidance and financial insights to ensure that they demonstrate their product capabilities, capacity, competitiveness, and compliance, and their ability to collaborate with a lead firm.
- Commercial opportunities have been identified for 3 SMEs.
- 16 permanent jobs were created

Preparations for the next iteration of the Durban Automotive Cluster Business Accelerator began in Q2, especially focused on the lead firms that are already a part of the programme that might want to continue their engagements with SMEs. The next SME Accelerator will launch early in 2023.

> "*Thank you very much for such platforms, they do give SMMEs the steppingstone that they need to be visible in front of their potential customers and allows them the ability to network. This (DAC) platform is great*"
>
> **- Zakhele Myeza from Umbondo Trading**

Photos: Business Accelerator Dragon's Den

LIGHTING THE WAY TO AN ENERGY RESILIENT FUTURE - ENERGY WHEELING PROJECT

Phase 1 of the energy wheeling project was completed at the end of 2022. The purpose of the project was to survey the energy requirements of local industrial firms and to set up a framework for energy wheeling between businesses based on demand. The firms included in the survey accounted for 77% of the local industrial energy demand.

The next phase of the energy wheeling project will focus on building the business case:

- Identification of potential partners and stakeholders
- Outlining of trading model and associated costs
- Potential investment costs, payment periods and financing opportunities
- Final eThekwini cluster renewable energy opportunities report
- Workshop cluster opportunities for renewables co-generation cluster model

MANUFACTURING EXCELLENCE - SHARED LEARNING

The Shared Learning manufacturing meetup events are highly engaging sessions that focus on areas related to competitiveness, sustainability, growth and localisation. The events in 2022 included online webinars, in-person best factory tours and hybrid sessions. These events are demand driven and focused on themes and topics of relevance to cluster members, with inputs and content presented by leading firms and experts.

The following are some of the manufacturing meet-up themes that were covered in 2022

The shared learning programme introduced the "one new idea" concept to their meet-up sessions, inviting all participants to derive at least one new idea from every event that could be implemented within their own firms.

"The topics look relevant and interesting for the manufacturing sector."

- Robert Gooch from Feltex Automotive

"Work done by the DAC is commendable. Thank you for all the support with the shared learning."

- Pamella Khumbuza from Commercial Auto Components & SA Bulbars

Stepping into the future with next gen manufacturing

The 4th industrial revolution has as its key objective to drive manufacturing forward. This means faster, more efficient and customer-centric operations that go beyond automation and optimisation to discovering new business opportunities and models and by embedding modern technology into manufacturing. Industry 4.0 transformation makes us work alongside a machine in a highly productive way.

DAC members attended the TWIMS management sandbox hybrid event presented by Dr Malika Khodja Moller, TFG Research Head of Future of Manufacturing. She provided insight into the 9 pillars of Industry 4.0:

1. Additive Manufacturing - 3D printing
2. Augmented reality (AR)
3. Big Data
4. Autonomous robots
5. Simulation & digital twinning
6. System Integration
7. IoT (Internet of Things)
8. Cybersecurity
9. Cloud computing

This interactive and engaging session was also used to demonstrate new technologies including:

- IIOT and Digital Twinning - simulation of real-world systems that allow businesses to improve industrial systems and products
- augmented reality (AR) - can be used to integrate and add value to a user's interaction, can be used for repairs or assembly instructions and can monitor quality and maintenance functions, can be used for training purposes
- additive manufacturing - creates physical objects layer by layer with materials made of polymers or metals. Low carbon emission and can reduce waste, tool wear, and lead time, saving significantly on material costs

Some of the key learning outputs for firms are:

- Each business needs a clear technology strategy to define the most appropriate technologies for implementation in their factories based on a clear understanding of what value can be derived from the various technologies.
- Technology, especially 3D can be integrated within any production line and sector
- Focused early investment and adoption can give firms a competitive edge and greater market share
- Business needs to look at the potential risks and benefits the business will take when investing in technology, but it is almost certain that if implemented and used correctly, spending on technologies such as AR and AI will pay off in the longer term

Photos from the Twims Sandbox Event

"It was great to get hands on with some of the technologies you have heard about for years now. Really useful session"

- Gary Royston from Webroy

MANUFACTURING EXCELLENCE – GROWTHFINDER DIAGNOSTICS

Besides being used to support SMEs as part of the Business Accelerator programme, 19 diagnostics were carried out with cluster members. The GrowthFinder Diagnostic tool was used to identify key opportunities for firms and provided them with the intelligence needed to make smarter decisions in pursuit of growth. The tool was also used to provide insight to the DAC team to help shape the product/programme offerings for maximum impact.

As a result, the GrowthFinder Diagnostic model has been refined to provide firms with even more focused information to grow the business with an improved reporting capability and user interface. Additionally, the diagnostic will include an in-person site visit from a DAC manufacturing expert. Registrations are open for the programme in 2023.

Revised modularised growth and performance diagnostic product – GrowthFinder

DEVELOPING PEOPLE TO SUPPORT PRODUCTIVITY AND GROWTH WITH SOLUTIONS THAT WORK FOR YOU – SKILLS PROGRAMME

The 2022 skills programme delivered 2 online training programmes for members – the Team Leader Development Programme (TLDP) and the Emerging Leader Development Programme (ELDP). The ELDP comprises of 6 modules, which include theory and summative assessments. The TLDP comprises of 7 modules, which include theory and summative assessment and practical assessments. The learning outcomes of the course include motivating a team, identifying and reducing waste and measuring and displaying performance and is aimed at team leaders on the floor. The ELDP is aimed at middle managers and the learning outcomes of the course include conflict and change management and identifying business opportunities and improvement areas. Additional executive management training was also offered to DAC member firm executives in partnership with TWIMS.

A further exciting initiative in 2022 was a technical skills development programme for unemployed and employed youth in KZN, which was delivered through a partnership between the Durban Automotive Cluster and the Automotive Learning Academy (ALA). The programme focused on developing critical technical skills required by the industry to improve the quality and productivity of shop floor employees and to deepen the pipeline of technical skills within the industry. The key outcomes of the training included providing:

- 60 work ready TVET-trained operators into the automotive manufacturing work environment
- The 60 learners with relevant work-experience (manufacturing and/or assembly environments) to be able to start working effectively in the automotive manufacturing work environment
- The 60 learners with direct exposure to short-term contracts/self-employment opportunities

The DAC has received R4M in funding to deliver the programme again in 2023 from merSETA.

In total, the 2022 Skills programme saw more than 180 people being trained through cluster programmes

Executive Development:
20 x executives trained in partnership with TWIMS

Team Leader Development:
36 learners trained

Emerging Leadership Development:
46 learners trained

Unemployed Youth
60 work ready TVET-trained operators

"The ELDP has given me insight into departments of MAHLE and organisations that I am not normally exposed to in my current role. I enjoyed the flow of the programme and the ease at which I was able to follow the content and requirements of the course. The project was most enjoyable and the support from the external mentors, the DAC team and MAHLE management was outstanding. My project is about designing and implementing a tool that will assist with the identification of Scarce Skills in our organisation. The outcome of the tool allows MAHLE to implement development plans to upskill and develop potential internal and external candidates for the position for when they are available."

- Jo-Anne Gildea from MAHLE Behr

Photos from the Skills Graduation

A highlight of the Skills programme was the graduation ceremony for 2021 TLDP and ELDP learners. The event was attended by over 400 graduates on 5 May 2022 and was a combined session with leaners from other manufacturing clusters, both in-person and online.

Whilst the spectacular event was a deserved honour for all learners, the real celebration was the outcomes from the programme, which saw several improvements implemented in firms as a result of lessons learned and through the practical component of the training. The event included a pre-recorded factory tour by Evan Slack from GUD as well as learner presentations.

ENERGY WHEELING - COLLECTIVE ENERGY EFFICIENCY OPPORTUNITIES IN ETHEKWINI MUNICIPALITY

The current energy supply crisis in South Africa, together with carbon taxation pressures, is creating a strong impetus for manufacturers to find alternative ways of procuring electricity to run their operations. Energy security, future electricity cost increases, and the CO2 intensity of energy supply are all critical factors facing manufacturers that need to remain competitive, whether locally or internationally.

International Pressure

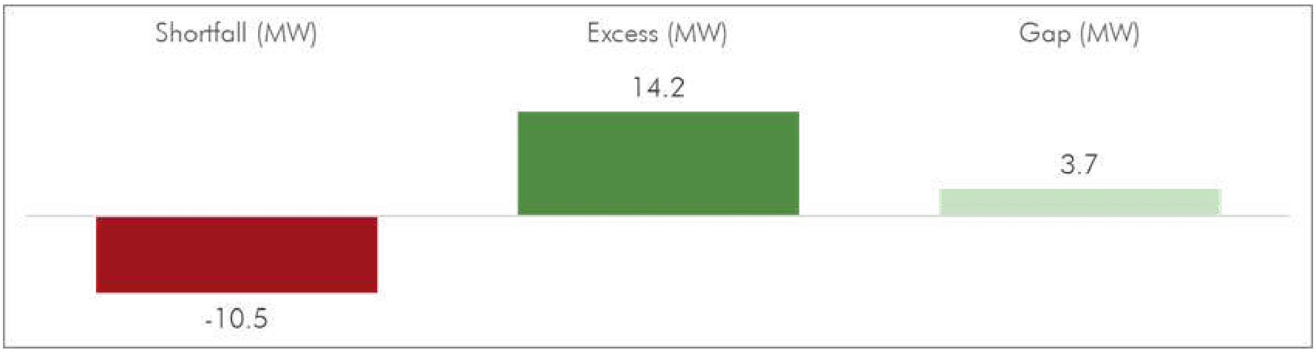
International pressure to reduce carbon emissions is increasing. Most notably, in June 2022 the EU parliament voted on a revised plan which extends the scope of the proposed Carbon Border Adjustment Mechanism (CBAM) and reduces the time frame for its implementation, now starting from January 2023-2026. This will require exporters to the European Union to account for the Green House Gases embedded in their processes. This includes the emissions that result from the electricity used in manufacturing processes. By 2027, EU-focused manufacturers tied to the South African coal-based grid will face significant CO2 tax implications. At present, the CBAM equates to around €85 per ton of CO2 embedded in products landing at EU ports. For a South African exported vehicle that contains 10 tons of embedded CO2 when it lands in the EU, this represents another **€850 trade barrier**.

SA manufacturers need to respond proactively and quickly given that the largest contributor to the carbon footprint of manufacturers is the energy supply and South Africa's electricity grid will not be decarbonised by 2027. Alternative energy generation solutions are needed as failure to transition rapidly to green energy sources may result in South African manufacturers being priced out of key export markets.

The eThekwini Opportunity

To hasten the transition to renewable energy sources for manufacturing firms, especially those with a strong export focus, clusters of firms in the eThekwini municipality in collaboration with the municipality have been exploring opportunities for shared renewable energy generation, distribution, and consumption. The calculated current energy demand for eThekwini cluster firms is 67 MW based on 2019-2021 energy demand data provided by cluster firms. Of this, 8 MW is currently generated using solar photovoltaic panels. Based on the concept of Collective Energy Efficiency, the findings from the research phase of the initiative indicate that the opportunities for shared renewable energy generation and distribution within the municipality are substantial.

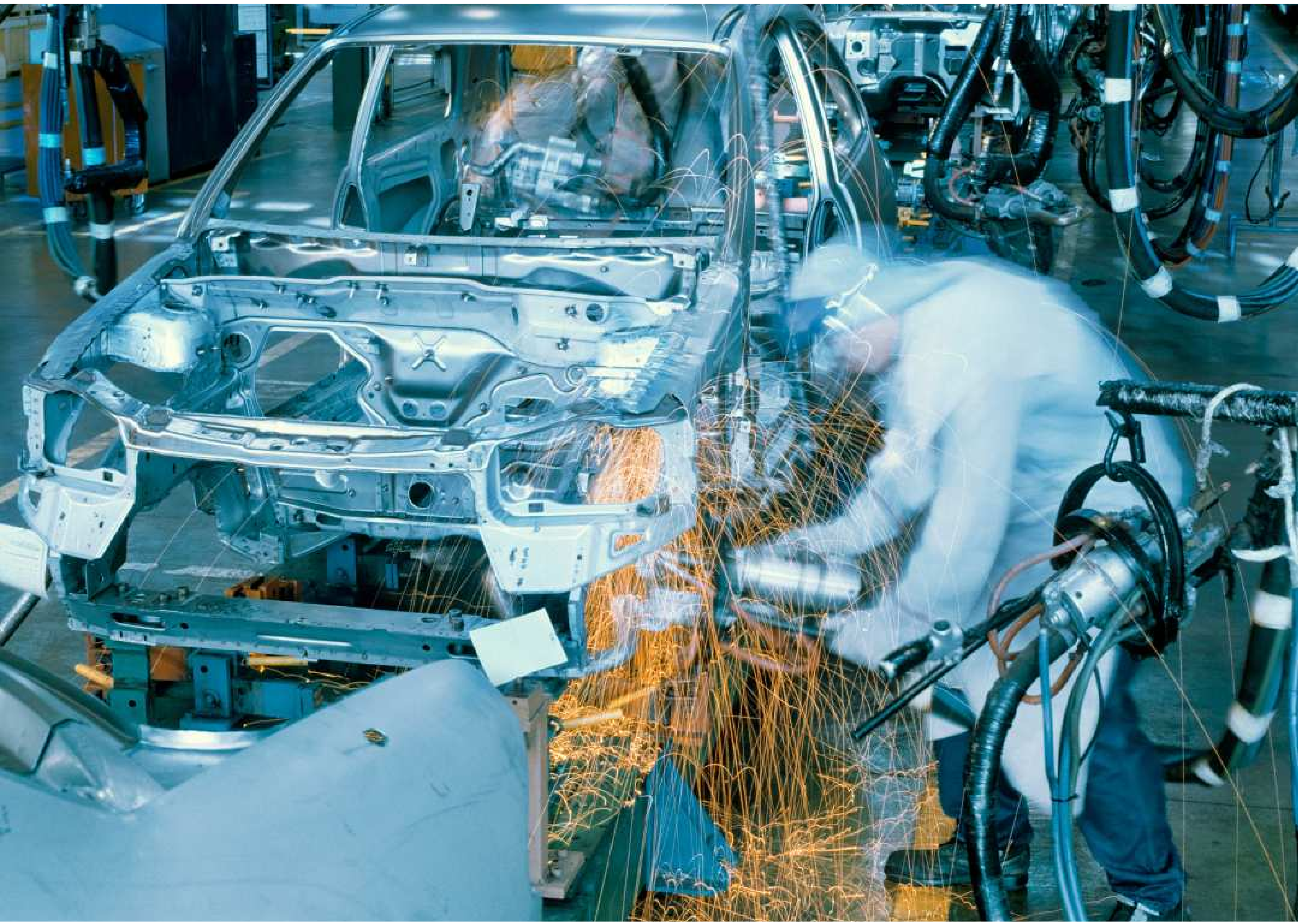
At a firm level, using all potential viable roof space for solar (90% of north-facing asbestos-free roof space not already containing solar PVs), some firms would still not be able to generate sufficient renewable energy to meet their own energy demand requirements with an estimated 10.5 MW shortfall. However, some firms with a large roof space and low energy demand would be able to produce enough energy for their own demand plus have excess to sell on. The calculated energy surplus for these 'surplus' firms over and above their own demand is estimated at 14,2 MW, which would be sufficient to cover the shortfall from other firms with 3.7 MW to spare (see Figure 1).



Energy gaps at an aggregated level for 102 eThekwini cluster firms

Apart from securing greater energy security, the transition toward renewables would also represent a major cost-hedging opportunity for firms against the expected 15% annual rate increase expected from coal-based energy. By 2030, the cost of coal-based electricity will likely surpass R6.50 per kW, whereas solar is projected to cost less than R1.00 per kW.

Switching to solar would therefore drive down the cost of energy and boost the competitiveness of manufacturers, especially those with energy-intensive operations. There is a clear opportunity for renewable energy trading/wheeling amongst manufacturers and a sustainable business model needs to be structured to facilitate a rapid transition to renewables as 2027 approaches.



OUR DAC STORIES

BUSINESS ACCELERATOR CASE STUDY - UMBONDO TRADING - OWNER: ZAKHELE MYEZA

Umbondo Trading is an innovative automotive and industrial packing supplier. Their services and products are mainly focused on injection moulding, tool and die making and general engineering. They have capabilities of producing cable joint kits, cat eyes, bonnets, aluminium brackets, conveyor cleaners, engine lifts, and Putco headlights. In the last quarter, Umbondo Trading has supported HESTO Harnesses by providing fabrication services to finalise the preparation of the Ford plant before the launch. This included the FIFO racks that were produced earlier in the year.

Owner: Zakhele Myeza

The Umbondo is currently setting up their operations in the HESTO Harnesses facilities in Stanger, which will enable them to deliver the sleeve-cutting process for HESTO Harnesses.

SKILLS TLDP CASE STUDY - PRESSURE DIE CASTINGS - OWNER: KUBEN MOODLEY

Photo: Example of the die colour

While conducting a waste walk to identify areas that could be improved, Kuben Moodley noticed that most die colour defects happened during shift change. He conducted a root cause analysis and established that there is no process in place to identify the die colour in operation at any one time. Furthermore, the operators do not communicate with one another at shift change, meaning that colour variances could be introduced.

Kuben worked with his team to create a method where the die colour could be easily identified visually.

Kuben labelled the die castings with the colour to enable easy communication of die colour in the machine. This has reduced the defects due to die colour variances significantly.

SKILLS TLDP CASE STUDY - BT INDUSTRIES - OWNER: TYRON RAMSAMMY

BT Industries, with operating locations in Durban and the Eastern Cape, is a full-service fastener and component provider. Tyron Ramsammy completed the Team Leader Development Programme in 2022. He noticed that significant time was wasted by employees looking for different tools and equipment in the office and the factory.

Understanding that implementing 6S is a tool for waste reduction, Tyron and his team completed a 6S audit across the factory. It was established that SORT was not applied adequately. The team re-arranged the factory and office to ensure that unused items were red-tagged or removed and that all items used on a daily basis were put in a clearly demarcated space.
The team spent less time looking for the equipment or tools needed, which enabled them to spend more time on production.

Before

After

DAC CLUSTER EXCELLENCE AWARDS

The cluster recognises the engagement and support from member firms and would like to present the following members with awards for supporting the cluster's successes in 2022:

Firm Awards	Description of Award	Reason for Nomination
G.U.D. Holdings	Excellence Award	This award is given in recognition of exceptional resilience and perseverance in overcoming adversity and facing difficult circumstances with unparalleled strength and determination. G.U.D quickly and admirably recovered from significant flood damage and persevered to continue operations and support their customers despite adversity.
MAHLE Behr	Partnership Award	For driving strategic partnerships between the cluster and local, and global partners to develop strategic projects in skills development. This member represents the cluster Executive Committee in multiple forums and advocates for the development of the industry through alignment and seeking to develop strong partnerships.
TSAM	Leadership Award	In what was likely one of the most challenging years for the industry, this firm stood tall as a leader and a pillar of resilience. The quick response and bounce back from the devastating floods, the sound and regular communication with suppliers on progress and outcomes and the sheer dedication to not only the local industry, but the South African economy is worthy of great acknowledgement.
Enermous	Tenacity and Grit Award	For the ability to triumph over adversity, and display outstanding courage and resilience in the face of challenging circumstances – this member rebuilt a factory from the ground up and is a great example of excellence to the industry

Firm Awards	Description of Award	Reason for Nomination
Bell Equipment	Skill Development Champion Award	A longstanding member that has embodied skills development as a driver of continuous improvement. This member has seen fantastic results through investing in people, embracing the cluster's skills development programmes and implementing solutions identified by learners on training. This firm is a great example of how investing in your people brings returns to your business.
TTAF	Commitment to Industry	As a long-standing cluster member, this firm has driven and supported the industry through driving the cluster strategy and executive leadership and oversight of the cluster. The leadership willingly and selflessly gives of their time and energy in support of, not just their own firm's competitiveness, but those of the entire value chain. For years of dedication and service, we honour this firm.
Brink Towing Systems	Manufacturing Excellence	Awarded to a firm that facilitated knowledge sharing as a key example of world class manufacturing best practice in South Africa and played a leading role in manufacturing excellence through chairing the manufacturing excellence programme.
Nigel Ward	Long Service Award	Nigel Ward is the Executive Vice President of Manufacturing and Support at Toyota South Africa. In a career spanning 4 decades, he has had a leading role at Toyota, in industry forums and in the Durban Chamber of Commerce and Industry having also served as its president and serving as a distinguished ambassador and the face of the automotive and broader manufacturing industry. Nigel has a philosophy to grow, build and uplift people. So, for a contribution of more than 4 decades to the automotive manufacturing industry, we present Nigel Ward with a Service to Industry award.

OUR PARTNERS

THE DAC IS GRATEFUL TO ETHEKWINI MUNICIPALITY AND ALL SUPPORTING PARTNERS FOR THEIR ASSISTANCE IN 2022.

KWAZULU-NATAL PROVINCE
ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

ETHEKWINI MUNICIPALITY

a NAACAM Initiative
EAST CAPE AUTOMOTIVE INDUSTRY FORUM
PE / Uitenhage / East London Auto Sector

UNDP

South Africa DURBAN
INVESTDURBAN

SAABC

TWIMS

harambee
YOUTH EMPLOYMENT ACCELERATOR

THE AUTOMOTIVE LEARNING ACADEMY

GOVERNANCE AND COMPLIANCE

Registered as Non-Profit Company

Memorandum of Incorporation (MOI) that entrenches Public-Private

Partnership (PPP) model transparent governance and clear accountability

Clear business plan and accompanying implementation plan

Memorandum of Agreement (MOA) governing relationship with primary funder

Performance management and reporting systems that are effective and efficient

Financial control systems that are effective, efficient and transparent

Adequate solvency and liquidity provisions

Clean, unqualified annual financial audit

Risk management practices that are effective, efficient and transparent

Competition Law checklist and related safeguards

Procurement systems that are effective, efficient and transparent

Service Level Agreement (SLA) governing the relationship with the facilitation service provider

Capacity to comply with funding agreements

Compliance with the Companies Act; The Income Tax Act; Consumer Protection Law; the Public Finance Management Act; the Municipal Finance Management Act and the POPI Act

Broad-Based Black Economic Empowerment (B-BBEE) level 4 contributor and 100% of expenditure can therefore be claimed as Preferential Procurement

MEMBER LISTING

Firm	Contact Number	Email	Website
Aeroklas Duys	+27 (31) 713 1700	sales@duys.co.za	www.duys.co.za
Adventure Automotive Products	+27 (31) 913 5200	d.vernon@venture-sa.co.za	www.venture-sa.co.za
Allied Steelrode	+27 (31) 914 0071	info@alliedsteelrode.co.za	www.alliedsteelrode.com
Aunde South Afric	+27 (31) 913 8000	southafrica@aunde.com	www.aunde.co.za
Aveng Trident Steel	+27 (31) 913 2300	info@trident.co.za	ww.avengtridentsteel.co.za
Bell Equipment Ltd	+27 (35) 907 9111	stephenj@bell.co.za	www.bellequipment.com
Brace Able Manufacturing	+27 (31) 792 1000	richardr@braceable.co.za	www.braceable.co.za
Brink Towing Systems	+27 (33) 401 0120	Mark.Gutridge@brink.eu	www.brinkgroup.eu
Brits Nonwoven	+27 (31) 710 7707	Kealin.Debruin@brits.co.za	www.brits.co.za
BT Industries	+27 (31) 902 8134	clinton@btindustries.co.za	www.btindustries.co.za
Bundu Gear	+27 (32) 940 0412	drwlab@bundugear.co.za	www.bundugear.co.za
Commercial Auto Components	+27 (31) 705 5024	info@cactruckbars.co.za	www.comautocomp.com
DRiV Pinetown Bearings & Valves	+27 (31) 717 3313	Vicky.rajkumar@federalmogul.com	www.federalmogul.com
Enermous Foam Tapes & PSA	+27 (83) 232 2731	info@enermous.co.za	www.enermous.co.za
eThekwini Precision Works	+27 (31) 914 4689	ricardo@e-pw.co.za	www.ethekwiniprecisionworks.co.za
Expert Automotive Trim	+27 (31) 463 1350	pragasen@expertautotrim.co.za	www.expertautotrim.co.za
Feltex Automotive Trim	+27 (31) 460 4200	autotrim@feltex.co.za	www.feltex.co.za
Feltex Fehrer	+27 (31) 460 4200	automoulding@feltex.co.za	www.feltex.co.za
Freudenberg Nonwovens	+27 (31) 206 0470	info@freudenberg.co.za	www.nonwovens-group.com
G.U.D. Filters	+27 (31) 910 3111	marketing@gud.co.za	www.gud.co.za
GST Automotive Safety SA	+27 (31) 736 1016	Clive.reinhardt@gst-global.com	www.global-safety-textiles.com

Firm	Contact Number	Email	Website
Handel Street	+27 (31) 332 6025	hsdurban@handelstreet.co.za	www.handelstreet.co.za
HESTO Harnesses	+27 (32) 437 6700	sales@HESTO.co.za	www.HESTO.co.za
Horizon Components	+27 (31) 943 3391	maryanne@btindustries.co.za	www.btindustries.co.za
Hulamin	+27 (33) 395 6911	hulamin@hulamin.co.za	www.hulamin.co.za
Imvusa Interior Trim	+27 (31) 943 1826	judith@imvusat.co.za	N/A
Kholeka Engineering	+27 (31) 700 1221	sipho@kholeka.com	www.kholeka.com
L&J Tool and Engineering Works	+27 (31) 914 4294	rex@ljtools.co.za	www.ljtools.co.za
Lumen Special Cables	+27 (31) 702 1211	sales@lumensouthafrica.com	www.lumen.com
MAHLE Behr South Africa	+27 (31) 719 7600	www.behrgroup.com	www.mahle.com
Maxe	+27 (31) 536 8005	kevin@maxe.co.za	www.maxe.co.za
MK Bolt	+27 (10) 442 6607	khosi@mkbolt.co.za	NA
Natal Gaskets (Pty) Ltd	+27 (31) 914 0136	sales@natalgaskets.com	www.jmp.co.za
Pressure Die Casting	+27 (33) 397 5500	enquires@pdc.co.za	www.pdc.co.za
Ramsay Engineering	+27 (33) 387 1575	re@ramsay.co.za	www.ramsay.co.za
Smiths Manufacturing	+27 (31) 719 4911	info@smiths.co.za	www.smiths.co.za
Sumitomo Rubbers SA	+27 (31) 242 1111	marketing@srigroup.co.za	www.srigroup.co.za
Thekwini Wire & Fasteners	+27 (31) 902 7097	bala@thekwiniwire.co.za	www.thekwiniwire.co.za
Toyoda Gosei SA	+27 (31) 949 5051	leevani.p@tg-southafrica.co.za	www.toyoda-gosei.com
Toyota Boshoku South Africa	+27 (31) 949 4000	tbsainfo@toyota-boshoku.sa.com	www.toyota-boshoku.sa.com
Toyota South Africa Motors	+27 (31) 910 2911/4750	ccc@tsb.toyota.co.za	www.toyota.co.za
Toyota Tsusho Africa	+27 (31) 949 5000	andrew.velleman@ttaf.co.za	www.ttaf.co.za
Wasomi Enterprises CC	073 963 2100	neason@wasomi.co.za	www.wasomi.co.za
Wave Paper	+27 (31) 705 3344	Andrew@wavepaper.co.za	www.wavepaper.co.za
Webroy	+27 (33) 387 2331	sales@webroy.co.za	www.webroy.co.za
Zululand Filters	+27 (35) 789 9226	sales@zululandfliters.co.za	www.zululandfliters.co.za

DURBAN AUTOMOTIVE CLUSTER NPC
(Registration number 2005/035247/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

General Information

Country of incorporation and domicile	South Africa	
Nature of business and principal activities	Provision of cluster-based development and support to the automotive sector.	
Directors	J R Chandler	Resigned (04/04/2022)
	P Vermaak	
	A G Holmes	
	A P Velleman	
	M J Gutridge	Appointed (04/04/2022)
Registered office	Block B, Bellevue Campus 5 Bellevue Road Kloof 3610	
Business address	Block B, Bellevue Campus 5 Bellevue Road Kloof 3610	
Postal address	Postnet Suite 10139 Private Bag X7005 Hillcrest 3650	
Bankers	Investec Bank Limited	
Auditors	Mazars Registered Auditor	
Company registration number	2005/035247/08	
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.	
Preparer	The annual financial statements were internally compiled by: Maggie Cassan Chartered Accountant (S.A)	
Issued	04 May 2023	

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

The following supplementary information does not form part of the annual financial statements and is unaudited:

Durban Automotive Cluster NPC
(Registration number: 2005/035247/08)
Annual Financial Statements for the year ended 31 December 2022

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008 of South Africa, 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 their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa. The external auditors are engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

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

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 5 - 7.

The annual financial statements set out on pages 9 to 16, which have been prepared on the going concern basis, were approved by the board on 04 May 2023 and were signed on its behalf by:

A P Velleman	**A G Holmes**

The directors have pleasure in submitting their report on the annual financial statements of Durban Automotive Cluster NPC for the year ended 31 December 2022.

1. Nature of business

Durban Automotive Cluster NPC was incorporated in South Africa with interests in the provision of cluster based development and support to the automotive sector. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements and do not, in our opinion require further explanation.

3. Directors

The directors in office at the date of this report are as follows:

Directors	
J R Chandler	Resigned 04 April 2022
P Vermaak	
A G Holmes	
A P Velleman	
M J Gutridge	Appointed 04 April 2022

4. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

5. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future, including specific consideration of the risk associated with COVID-19. Accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

6. Auditors

Mazars continued in office as auditors for the company for 2023.

Mazars, Ridgeside Office Park
21 Richefond Circle, Umhlanga Ridge
Durban, 4319

Tel: +27 31 818 9000
Email: dbn@mazars.co.za
www.mazars.co.za

Independent Auditor's report

31 December 2022

To the Directors of Durban Automotive Cluster NPC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Durban Automotive Cluster NPC set out on pages 9 to 16, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Durban Automotive Cluster NPC as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Continued-/

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Durban Automotive Cluster NPC Annual Financial Statements for the year ended 31 December 2022", which includes the Directors' Report, as required by the Companies Act 71 of 2008 of South Africa and the supplementary information as set out on page 17, which we obtained prior to the date of the report. The other information does not include the Annual Financial Statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act 71 of 2008 of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Continued-/

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mazars
Partner: S Doolabh
Registered Auditor
04 May 2023
Durban

Mazars, Ridgeside Office Park
21 Richefond Circle, Umhlanga Ridge
Durban, 4319

Tel: +27 31 818 9000
Email: dbn@mazars.co.za
www.mazars.co.za

Practitioner's Compilation Report

To the Management of Durban Automotive Cluster NPC

We have compiled the accompanying annual financial statements of Durban Automotive Cluster NPC based on information you have provided. These financial statements comprise the statement of financial position of Durban Automotive Cluster NPC as at 31 December 2022, the statement of comprehensive income, statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these annual financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SME's), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence, and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these annual financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SME's), the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa.

Mazars
MJ Cassan
04 May 2023
Durban

Statement of Financial Position as at 31 December 2022

Figures in Rand	Notes	2022	2021
Assets			
Current Assets			
Trade and other receivables	2	50,844	713,867
Cash and cash equivalents	3	176,926	93,793
		227,770	**807,660**
Total Assets		**227,770**	**807,660**
Equity and Liabilities			
Equity			
Retained income		49,354	384,334
Liabilities			
Current Liabilities			
Trade and other payables	4	178,416	423,326
Total Equity and Liabilities		**227,770**	**807,660**

Statement of Comprehensive Income

Figures in Rand	Notes	2022	2021
Revenue	5	3,637,477	4,662,421
Other income	6	76,672	-
Operating expenses		(4,052,121)	(4,369,114)
Operating Surplus / (Deficit)		**(337,972)**	**293,307**
Investment revenue	8	2,992	2,073
Surplus / (Deficit)		**(334,980)**	**295,380**

Statement of Changes in Equity

Figures in Rand	Retained income	Total equity
Balance at 01 January 2021	**88,954**	**88,954**
Surplus for the year	295,380	295,380
Balance at 01 January 2022	**384,334**	**384,334**
Deficit for the year	(334,980)	(334,980)
Balance at 31 December 2022	**49,354**	**49,354**

Statement of Cash Flows

Figures in Rand	Notes	2022	2021
Cash flows from operating activities			
Cash generated from operations	10	80,141	36,911
Interest income		2,992	2,073
Net cash from operating activities		**83,133**	**38,984**
Total cash movement for the year		**83,133**	**38,984**
Cash and cash equivalents at the beginning of the year		93,793	54,809
Total cash at end of the year	3	**176,926**	**93,793**

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 71 of 2008 of South Africa. The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. They are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

1.3 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Revenue received from government funding is recognised on the receipt of funding.

Investment revenue is recognised, in profit or loss, using the effective interest rate method.

Figures in Rand	2022	2021

2. Trade and other receivables

Trade receivables	1,615	605,585
Value added taxes	49,229	108,282
	50,844	**713,867**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	176,926	93,793

4. Trade and other payables

Trade payables	161,568	423,326
Income received in advance	16,848	-
	178,416	**423,326**

5. Revenue

Membership fees	1,147,996	1,082,277
Other project income	139,000	184,150
KZN EDTEA	-	1,000,000
eThekwini Municipality	2,350,481	2,214,744
TIKZN	-	181,250
	3,637,477	**4,662,421**

6. Other income

Decrease in provision for bad debts	76,672	-

7. Auditor's remuneration

Fees	33,833	31,620
Tax and secretarial services	1,200	1,050
	35,033	**32,670**

8. Investment revenue

Interest revenue		
Bank	2,992	2,073

9. Taxation

Non provision of tax

No provision has been made for 2022 tax as the company is exempt from South Africa normal tax in terms of Section 10(1)(d)(iv)(bb) of the Income Tax Act.

Figures in Rand	2022	2021

10. Cash generated from operations

Net surplus / (deficit) before taxation	(334,980)	295,379
Adjustments for:		
Interest received	(2,992)	(2,073)
Impairment loss	-	30,277
Changes in working capital:		
Trade and other receivables	663,022	(685,181)
Trade and other payables	(244,909)	398,509
	80,141	**36,911**

11. Related parties

Relationships	
Entity under common management	B and M Analysts Proprietary Limited

Related party balances and transactions with entities with control, joint control or significant influence over the company

Related party balances

Amounts included in Trade Payable regarding related parties		
B and M Analysts Proprietary Limited	(152,022)	(423,325)

Related party transactions

Amounts paid to (received from) related parties		
B and M Analysts Proprietary Limited	4,004,550	4,304,200

12. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

13. Events after the reporting period

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

14. Directors' emoluments

No emoluments were paid to the directors during the year (2021:nil).

Figures in Rand	2022	2021

15. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2022

	Financial assets at amortised cost	Total
Trade and other receivables	1,615	1,615
Cash and cash equivalents	176,926	176,926
	178,541	**178,541**

2021

	Financial assets at amortised cost	Total
Trade and other receivables	605,585	605,585
Cash and cash equivalents	93,793	93,793
	699,378	**699,378**

16. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2022

	Financial liabilities at amortised cost	Total
Trade and other payables	178,415	178,415

2021

	Financial liabilities at amortised cost	Total
Trade and other payables	423,326	423,326

Detailed Income Statement

Figures in Rand	Notes	2022	2021
Revenue			
KZN EDTEA		-	1,000,000
Membership fees		1,147,996	1,082,277
Other project income		139,000	184,150
TIKZN		-	181,250
eThekwini Municipality		2,350,481	2,214,744
	5	**3,637,477**	**4,662,421**
Other income			
Decrease in provision for bad debts		76,672	-
		76,672	**-**
Operating expenses			
Auditors remuneration	7	35,033	32,670
Bad debts		10,522	-
Bank charges		2,015	1,968
Executive function		692,531	559,354
Increase in provision for bad debts		-	30,277
Localisation and growth		1,338,923	1,103,890
Manufacturing excellence		652,717	1,166,445
Skills development		1,320,380	1,357,584
TIKZN		-	116,927
		4,052,121	**4,369,115**
Operating Surplus / (Deficit)		**(337,972)**	**293,306**
Investment income	8	2,992	2,073
Surplus / (Deficit)		**(334,980)**	**295,379**

The supplementary information presented does not form part of the annual financial statements and is unaudited

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