DURBAN AUTOMOTIVE CLUSTER

ANNUAL REPORT

2023

Prepared By:

bma

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LETTER FROM THE CHAIRPERSON

The Durban Automotive Cluster (DAC) continues to play a pivotal role in fostering the resilience of the automotive industry in KwaZulu-Natal. As Chairperson, I emphasise the importance of this role, especially amidst the challenges faced by the industry during an era of significant supply chain disruptions and a difficult economic climate. In such times, initiatives like the DAC are crucial as they enable collaborative efforts and resource sharing to overcome obstacles. Despite the adversities, I'm pleased to report that our membership grown significantly over the year, boasting over 70 members for the first time, and we've achieved notable milestones.

PARTNERSHIPS

We've strengthened our ties with eThekwini Municipality, surpassing the targets set for our funding relationship. Additionally, we've forged a new partnership with the Southern African Chamber of Commerce and Industry to support unemployed youth development in the sector.

SUSTAINABILITY

Recognising the need to explore new growth and export opportunities, we've conducted a comprehensive analysis of industry of sustainability disclosure and export compliance. Collaborating with stakeholders and lead enterprises in the region, we're actively supporting the realisation of the movement of suppliers towards carbon neutrality and sustainability compliance through our decarbonisation programme led by and in collaboration with Toyota South African.

SKILLS

Our skills programmes have grown significantly. Tailored specifically for the manufacturing sector, we've focused on enhancing both technical and soft skills. This year we trained 133 Emerging Leadership Development Programme learner competencies and 238 Team Leader Development Programme learner competencies. Our programmes have also saved firms R 8.3 million from the implementation of practical's.

TRANSFORMATION

We launched our second Business Accelerator Programme funded by Toyota South Africa and leading tier 1s in the value chain. This programme is aimed at supporting potential Black suppliers with structured financing and market access opportunities. This programme provides a unique opportunity to source new Black suppliers and develop them to meet the requirements of tier 1s for localisation.

FINANCIAL POSITION

I'm pleased to announce that the cluster is in a robust financial position, with revenue reaching R 4 012 541.94 million in 2023.

APPRECIATION

I extend my heartfelt gratitude to the Executive Committee for their unwavering support and strategic contributions throughout the year. I also thank our members for their continuous engagement with our programs, without which our successes would not be possible. Special thanks are extended to eThekwini Municipality for their ongoing support in driving growth and transformation within the cluster.

Looking ahead, the DAC is poised for another year of success, and we anticipate continued progress and impact in the automotive industry.

Andrew Velleman

Chairperson, DAC
CEO, CFAO South Africa

Q&A WITH THE FACILITATION TEAM

WHAT ARE SOME OF THE CURRENT CHALLENGES FACING THE SOUTH AFRICAN AUTOMOTIVE INDUSTRY?

Some of the biggest challenges for the automotive industry are problems outside of their influence and control boundaries: electricity supply, water supply, road infrastructure, port efficiency, etc. Given this, the role of public-private partnerships, like the DAC, becomes extremely important. These organisations are the interface between the public sector and industry and facilitate joint action and collaboration to overcome some of these crucial challenges.

HOW HAS THE DAC CONTRIBUTED TO FOSTERING SUSTAINABILITY?

The automotive industry in South Africa is an export business, and most notably in exports to the EU. The EU through regulation is putting pressure on companies to disclose full carbon emissions data for their scope 1-3 carbon emissions. This is now impacting South African OEMs and tier 1 suppliers to measure and report on their carbon emissions for scope 1 to scope 3. The DAC is playing an active role in enabling companies to meet this challenge. The first step was a decarbonisation workshop where companies where able to participate and learn about the decarbonisation drive and practical ideas to get them going down the right path. Secondly, the DAC is currently working on part one, of a three part series, on sustainability disclosure for the automotive industry. The first part will give companies a guideline on sustainability materiality within automotives and is due for publication in the next few months. Part two and three will cover the organisational changes and structure necessary for successful disclosure. Lastly, part 3 will answer the questions around measurement of the sustainability metrics. This series will give companies in the automotive sector a clear road to becoming sustainable in this industry.

IN ADDITION TO PORT MANAGEMENT ISSUES, PERSISTENT ELECTRICITY CHALLENGES POSE A SIGNIFICANT THREAT TO THE SOUTH AFRICAN AUTOMOTIVE INDUSTRY; HOW DOES THE DAC AIM TO ADDRESS THESE?

Initially, the DAC focused on research and motivation for the energy wheeling solution. However, due challenges around the mechanism for energy wheeling in municipalities, the work shifted to bringing virtual energy wheeling to companies in KZN. This is now the most viable solution for renewable energy outside of on-site generation for companies in KZN. We are tracking the development and roll-out of virtual energy wheeling and it seems that by the end of 2024 this service will be commercially ready for use.

STATE OF THE SOUTH AFRICAN AND KWAZULU-NATAL AUTOMOTIVE INDUSTRY

2023 was the first year since 2019 that South Africa (SA) was not impacted by COVID-19 (2020 and 2021), or specific local disruptive factors such as social unrest (July 2021) and the KwaZulu-Natal (KZN) Flood (April 2022).

However, clear and significant local challenges remain, especially around electricity due to increased load shedding, unplanned outages, escalating usage and mitigating costs, and a failing infrastructure. In total, South Africa experienced a record 332 days of load shedding in 2023, with this up from 205 days in 2022 (IOL, 2023).

To compound SA's electricity challenges, operational inefficiencies related to the local ports emerged as a substantive factor towards the end of 2023. This has and is placing increased pressure on local operations, including the automotive sector.

SA OEM VEHICLE PRODUCTION: 2018 TO 2023 AND FUTURE PROJECTIONS

Despite the current challenges, encouragingly, total local vehicle production increased to 627 thousand units in 2023, up from 550 thousand in 2022 (Autostats). Local production levels are seemingly back to those achieved before the COVID-19 pandemic, with a total of 3.3 million vehicles having been produced locally over the 2018-23 period.

Positively, total local production is forecast to increase further and reach 676 thousand units in 2024 and then surpass 700 thousand in 2025 (naamsa). The analysis of the data confirms that the production of light vehicles, comprising passenger cars and light commercial vehicles (bakkies) accounted for 95.6% of the total for the 2028-23 period.

Local production growth has been driven by exports, reaching almost 400 thousand in 2023, and accounting for 63.4% of the total (Autostats). This is expected to continue, with vehicle exports projected to reach 421 and 436 thousand in 2024 and 2025 respectively, with this around 61-62% of the total (naamsa). It is clear that local vehicle production growth is highly dependent on producing light vehicles for the export market.

At a global level, SA represents only 0.68% of global vehicle production in 2023. And while this is extremely low, positively, its proportion has increased consistently from 0.58% in 2020, which is positive (OICA).

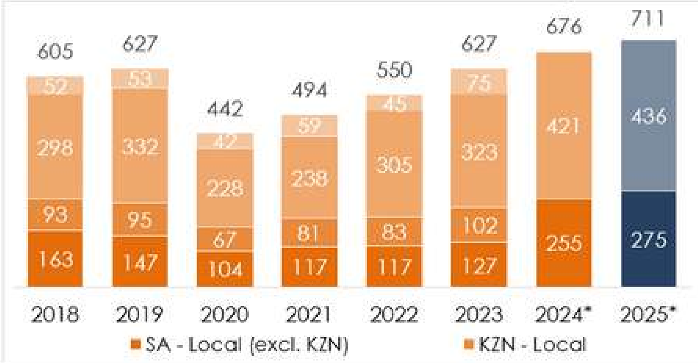
KWAZULU-NATAL OEM VEHICLE PRODUCTION: 2018 TO 2023

Total production in KwaZulu-Natal (KZN) increased substantially in 2023, reaching 177 thousand units. This is far higher than the comparative 2022 level of 129 thousand, that was negatively impacted by the Toyota plant being shut for several months due to the KZN Floods. This 2023 KZN level is also far higher the annual production levels recorded for over the 2018-22 period.

A total of 847 thousand vehicles have been produced in KZN since 2018, with this accounting for 25.3% of the SA production 2018-23 total. This highlights that 1 in 4 vehicles produced in SA are assembled in KZN. In line with the national profile, light vehicle production represents 94.9% of the regions 2018-23 total. However, in contrast to the SA picture, exports account for 38.5% of the KZN total. This highlights that 40.2% (2 out of every 5) of SA-produced vehicles that are sold in the local market are from KZN. In line with the national forecast, positive growth is projected for the KZN region in 2024, and the region to continue to remain crucial to the development of the local automotive sector.

NUMBER OF VEHICLES PRODUCED FROM 2018 TO 2023,

INCLUDING 2024 AND 2025 FORECAST



** Forecast*
Source: AutoStats / NAAMSA (2024)

TOTAL VEHICLE PRODUCTION

93,546,599 Vehicles are produced globally per year

0.68% →

626,938 Of these are produced in South Africa

→

176,890 Of these are produced in KwaZulu - Natal

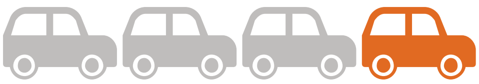
Vehicle Export %

61.28%

South Africa vehicle export: 61.28%

38.53%

KwaZulu-Natal vehicle export: 38.53%



1: 4 of all vehicles produced in South Africa are from KwaZulu-Natal

2: 5 of all vehicles produced in South Africa for local sales are from KwaZulu-Natal

PROGRAMME ACTIVITIES

SKILLS DEVELOPMENT PROGRAMME

In 2023, significant milestones were achieved through the Skills development programme. Notably, the first Skills Champion Session and ELDP Circle mentor session were successfully hosted, fostering productive dialogues and enhancing engagement among participants. Phase 2 of training programmes commenced with an impressive 80% participation rate within the first two months. The delivery of the first Lean Fundamental in-person training at Trident Steel marked a pivotal moment, with a significant number of learners equipped with valuable skills in lean manufacturing. Additionally, leadership development training saw learners trained in various competencies, while operator development training yielded positive outcomes in reducing defects and increasing safety ratings.

The period also witnessed commendable achievements, including black female competency in team leadership and successful completion of real firm projects utilising problem-solving skills acquired in training. Overall, these efforts underscored a commitment to continuous improvement and skill enhancement across participating firms. During this period, a new Blitz Fundamentals Training was introduced, emphasising practical, hands-on approaches to empower employees with knowledge and skills in Lean Manufacturing, waste elimination, and process optimisation through 6S methodology. Additionally, the cluster hosted their 2022 Graduation.

SKILLS GRADUATION

SKILLS YEAR IN REVIEW

Over R8.3 million saved by the class of 2023 through learner's practical improvement initiatives.

91
Employees are empowered to implement changes for the better of their work

100%
Of learners would recommend this course to a friend or collegue

76.47%
Of learners identified a problem to solve immediately after the training

96.6%
Of learners are confident that they can identify and solve problems at work

88.68%
Of learners found the online system accessible and easy to use

Launch of the skill matrix
In 2023 we launched the skills matrix to assist members to identify and prioritise critical skills for growth

SHARED LEARNING

The Shared Learning manufacturing meetup events offer engaging sessions centred around key themes. In 2023, our events featured a blend of online webinars, engaging in-person factory tours, and innovative hybrid sessions.

These gatherings are tailored to meet the specific demands of our cluster members, featuring insightful contributions from industry leaders and experts.

Here's a glimpse into some of the compelling sessions we covered in 2023:

OUR STORIES

CASE STUDIES ACROSS SERVICES

CASE STUDY: MAHLE BEHR

Skills learner: Nkululeko Thusi

In the Logistics department, Nkululeko found that there were challenges with maintaining control over warehouse inventory and managing material flow from external customers. This resulted in 30% of items being produced with defects.

In order to reduce the defect rate, Nkululeko decided to:

1. Implement a pull system (where items are produced to the customer's order) for external customers to streamline material flow.
2. Organise and maintain the warehouse for better inventory control.

Outcomes

- Improved control and organisation of warehouse inventory.
- Efficient material flow from external customers.
- Reduction in defects.
- Cost savings and resource optimisation.

Impact

- Enhanced efficiency in the team area leading to an initial 10% decrease in defects.
- Saved time and costs.
- Increased satisfaction among external customers.

Image: Newly organised warehouse and improved material control resulted in 10% fewer defective items produced.

OUR STORIES

CASE STUDIES ACROSS SERVICES

CASE STUDY: BELL EQUIPMENT

Skills learner: Ernest Mthembu

ELDP Circle learner saves firm R4 million annually by modifying production process

Ernest identified unnecessary movement of production parts before the final stage process that resulted in wasted time and resources.

Solution

1. Store required materials nearby to the processing plant.
2. Restructure path taken between production stages.

Outcomes

Transport distance of parts reduced from 154,4m to 16,4m.

Which is a motion waste reduction of 138m.

This equates to an 89,4% decrease in part transport distance.

Impact

- By reducing the employee time usage and forklift diesel cost, Ernest was able to save the firm R76 704 a week.
- This amounts to a **R4 million annual saving!**

22 YEARS

Of adding value to automotive manufacturers

77

Members

Over R8.3 million

Saved by the Skills learners class of 2023 through learner's practical improvement initiatives.

11 BEST - PRACTICE

Shared Learning sessions with 221 members participating

238 TEAM LEADER

Competencies trained

133 EMERGING LEADER

Competencies trained

2023 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.

ANDREW VELLEMAN

Chairperson and Localisation & Growth Programme Chair
CFOA South Africa

ALEX HOLMES

Executive Director
Nominated Industry Representative
Feltex

THEUNIS ROOTMAN

Executive Director
Nominated Industry Representative
Toyota South Africa Motors

PAUL VERMAAK

Nominated Industry Representative
Hesto Harnesses

RUSSELL CURTIS

Funder Representative
eThekwini Municipality

RAVESHA GOVENDER

Funder Representative
eThekwini Municipality

TAKALANI RATHIYAYA

Funder Representative
eThekwini Municipality

MARK GUTRIDGE

Nominated Industry Representative
Brink Towing Systems

JUDITH SERAFIM

Nominated Industry Representative
Imvusa Interior Trim

NIGEL WARD

OEM Representative
Toyota South Africa Motors

MICHAEL WALDBURGER

OEM Representative
Toyota South Africa Motors

RIAZ HAFFEJEE

Nominated OEM Representative
Toyota South Africa Motors

MEGHAN KING

Chief Facilitator
BMA

O'NEILL MARAIS

Facilitator
BMA

OUR PARTNERS

The DAC expresses gratitude to eThekwini Municipality and all supporting partners for 2023:

ETHEKWINI MUNICIPALITY

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

SAABC

AHK
Deutsche Industrie- und Handelskammer für das südliche Afrika
Southern African-German Chamber of Commerce and Industry

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 relationship with 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

AWARDS

SMITHS MANUFACTURING	**Industry Collaboration and Best Practice Integration** 6S best practice factory and driving knowledge sharing in the cluster.
MAHLE BEHR	**Continuous Improvement Mastery Award** CI and problem-solving excellence and driving knowledge sharing in the cluster.
BELL EQUIPMENT	**Skills Development Champion Award** Commitment to skills development.
MAHLE BEHR	**Skills Development Champion Award** Commitment to skills development. Highest learner completion rate.
TOYOTA SOUTH AFRICA MOTORS	**Automotive Industry Collaboration Excellence Award** Committed to driving and deepening localisation and meaningful transformation of Black industrialists in the automotive sector.
ETHEKWINI MUNICIPALITY	**Funder Appreciation Award** Commitment to driving the localisation and transformation the automotive sector.
IMVUSA INTERIOR TRIM	**Localisation Leadership Award** Commitment to localisation and representing emerging enterprises in industrial strategy.
HESTO HARNESSES	**Industry Innovation Catalyst** Knowledge sharing in support of industry.
SHUNNON TULSIRAM	**Outstanding Service to Industry Award** Outstanding contribution to economic impact and investment.
ANDREW VELLEMAN	**Executive Leadership of the Cluster**

GALLERY OF AUTOMOTIVE MILESTONES

Reflecting on the Past Year's Achievements


DAC


KZN CTC
CCTC
KZN CTC
CCTC
KZN CTC
DAC


DAC


I AM PART OF THE
1%
SAFER


DAC
DURBAN AUTOMOTIVE
CLUSTER

MEMBER LISTING

Firm:	Contact:	Email:
Adventure Automotive Products	031 913 5200	f.calitz@venture-sa.co.za
Aeroklas Duys	+27 (31) 713 1700	sales@duys.co.za
Allied Steel Rode	+27 (31) 914 0071	info@alliedsteelrode.co.za
Aunde South Africa	+27 (31) 913 8000	southafrica@aunde.com
Aveng Trident Steel/ Trident Steel Africa	+27 (31) 913 2300	info@trident.co.za
Bell Equipment	+27 (35) 907 9111	bellparts@bell.co.za
Brace Able Manufacturing	+27 (31) 792 1000	N/A
BRINK Towing Systems	+27 (33) 401 0120	salessa@brink.eu
Brits Nonwoven	+27 (31) 710 7707	Kealin.Debruin@brits.co.za
BT Industries - Sub division of Horizon Components.	+27 (31) 902 8134	inadmin@btindustries.co.za
Bundu Gear	+27 (32) 940 0412	wiaan@bundugear.co.za
Commercial Auto Components	+27 (31) 705 5024	info@cactruckbars.co.za
Enermous Foam Tapes & PSA	+27 (83) 232 2731	info@enermous.co.za
Ethekwini Precision Works	+27 (31) 914 4689	info@e-pw.co.za
Expert Automotive Trim	+27 (31) 463 1350	info@expertautotrim.co.za
Federal-Mogul Powertrain (DriV)		
Feltex Automotive Trim	+27 (31) 460 4200	autotrim@feltex.co.za
Feltex Fehrer	+27 (31) 460 4200	automoulding@feltex.co.za
Freudenberg Nonwovens	+27 (31) 206 0470	info@freudenberg.co.za
GST Automotive Safety SA	+27 (31) 736 1016	info@gst-global.com
GUD Holdings	+27 (31) 910 3111	marketing@gud.co.za
Hesto Harnesses	+27 (32) 437 6700	sales@HESTO.co.za
Horizon Components	+27 (31) 943 3391	inadmin@btindustries.co.za
Hulamin	+27 (33) 395 6911	hulamin@hulamin.co.za
HW Schmidt Industries	+27 (31) 702 3921	sales@schmidtindustries.co.za
Imvusa Trading	+27 (31) 943 1826	web@imvusa.co.za
L&J Tools and Engineering	+27 (31) 914 4294	info@ljtools.co.za
Lumen Special Cables	+27 (31) 702 1211	sales@lumensouthafrica.com
MAHLE Behr South Africa	+27 (31) 719 7600	www.behrgroup.com
MAXE	+27 (31) 536 8005	sales@maxe.co.za
Natal Gaskets	+27 (31) 914 0136	sales@natalgaskets.com
Notefull Engineering	+27 (35) 761 1015	reception@notefullkzn.co.za.
Pressure Die Caskets (PDC)	+27 (33) 397 5500	enquires@pdc.co.za
Ramsay Engineering	+27 (33) 387 1575	info@ramsay.co.za
Smiths Manufacturing	+27 (31) 719 4911	info@smiths.co.za

Firm:	Contact:	Email:
Springmaster	+27 (31) 569 2166	dac@springmaster.co.za
Sumitomo Rubber SA	+27 (31) 242 1111	marketing@srigroup.co.za
Thekwini Wire	+27 (31) 902 7097	bala@thekwiniwire.co.za
Technique	+27 (31) 700 9610	info@technique.co.za
Toyota Boshoku SA	+27 (31) 949 4000	tbsainfo@toyota-boshoku.sa.com
Toyoda Gosei	+27 (31) 949 5051	
Toyota SA Motors	27 (31) 910 2911/4750	ccc@tsb.toyota.co.za
Toyota Tsusho Africa	+27 (31) 949 5000	ttafwebsite@cfao.com
Wavepaper	+27 (31) 705 3344	info@wavepaper.co.za
Webroy	+27 (33) 387 2331	sales@webroy.co.za
Zululand Filters	+27 (35) 789 9226	sales@zululandfliters.co.za
AGP Manufacturing		
Azib Technologies		
BAP SA		
Feasible Plastic		
Ikamva Fleet Management		
Mechgen Engineering		
S Mach Engineering		
Smapp Mpongo Primary Cooperative		
Umbondo Trading		
Bundu Gear		
Wasomi Entrprises		
Afrilaser		
Altech UEC		
Artav		
Connectco		
Crisp-Air		
Engtec Engineering		
Finlam Technical		
Gamamboh Engineering		
Handel Street		
Kala Metal Finishings		
Kholeka Engineering		
Microfinish		
Mk Bolt		
PFK Electronics		
Production Logix		
Rock Solid Industries		
Rubbertek		
Samsung Electronics SA Production		
Sealtron		
Superlight		
Yenza Manufacturing		

CONTACT US

About the Durban Automotive Cluster (DAC)

Established over two decades ago, the Durban Automotive Cluster is the primary driver of investment, growth, competitiveness and transformation in the KwaZulu-Natal automotive manufacturing industry.

A representative group of over 70 automotive manufacturers are supported through the programmes and projects of the Durban Automotive Cluster.

Driven by a team of leading automotive manufacturers, and supported by eThekwini Municipality, the cluster creates space for the industry to share knowledge, develop critical skills, enable local sourcing and unlock catalytic industrial development projects to support industry-wide growth and expansion.

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DURBAN AUTOMOTIVE CLUSTER NPC
(Registration number 2005/035247/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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	P Vermaak A G Holmes A P Velleman M J Gutridge
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 annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were independently compiled by: MJ Cassan Chartered Accountant (S.A.)
Issued	12 April 2024

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

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

Directors' Responsibilities and Approval

The directors are required by the Companies Act 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 of South Africa. The external auditors are engaged to express an independent opinion on the annual 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 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 2024 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 page 5 to 7.

The annual financial statements set out on pages 8 to 16, which have been prepared on the going concern basis, were approved by the board on 12 April 2024 and were signed on its behalf by:

A G Holmes	Andrew Peter Velleman **A P Velleman**

mazars

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21 Richefond Circle, Umhlanga Ridge
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Practitioner's Compilation Report

To the Directors 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 at 31 December 2023, 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 Companies Act of South Africa and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. 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 Standards for Small and Medium-sized Entities (IFRS for SME's), the Companies Act of South Africa and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

Mazars

Mazars
MJ Cassan
12 April 2024
Durban

mazars

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Independent Auditor's Report

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 2023, 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 2023, 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 Accounting Standards as issued by the International Accounting Standards Board 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 2023", which includes the Directors' Report, as required by the Companies Act 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 reports 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 the International Financial Reporting Standard for Small and Medium-sized Entities Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act 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

Mazars
Partner: S Doolabh
Registered Auditor
12 April 2024
Durban

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Durban Automotive Cluster NPC for the year ended 31 December 2023.

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, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act 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.

3. Directors

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

P Vermaak
A G Holmes
A P Velleman
M J Gutridge

There have been no changes to the directorate for the period under review.

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 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.

6. Auditors

Mazars will continue in office as auditors for the company for the 2024 year end.

Statement of Financial Position as at 31 December 2023

Figures in Rand	Notes	2023	2022
Assets			
Current Assets			
Trade and other receivables	2	293,124	50,844
Cash and cash equivalents	3	521,968	176,926
		815,092	**227,770**
Total Assets		**815,092**	**227,770**
Equity and Liabilities			
Equity			
Accumulated surplus		111,938	49,354
Liabilities			
Current Liabilities			
Trade and other payables	4	703,154	178,416
Total Equity and Liabilities		**815,092**	**227,770**

Statement of Comprehensive Income

Figures in Rand	Notes	2023	2022
Revenue	5	4,012,542	3,637,477
Other income	6	-	76,672
Operating expenses		(3,959,380)	(4,052,121)
Operating surplus / (deficit)	8	**53,162**	**(337,972)**
Investment revenue	9	9,422	2,992
Surplus/(deficit) for the year		**62,584**	**(334,980)**

Statement of Changes in Equity

Figures in Rand	Accumulated surplus	Total equity
Balance at 01 January 2022	**384,334**	**384,334**
Deficit for the year	(334,980)	(334,980)
Balance at 01 January 2023	**49,354**	**49,354**
Surplus for the year	62,584	62,584
Balance at 31 December 2023	**111,938**	**111,938**

Statement of Cash Flows

Figures in Rand	Notes	2023	2022
Cash flows from operating activities			
Cash generated from operations	11	335,620	80,141
Interest income		9,422	2,992
Net cash from operating activities		**345,042**	**83,133**
Total cash movement for the year		**345,042**	**83,133**
Cash and cash equivalents at the beginning of the year		176,926	93,793
Total cash at end of the year	3	**521,968**	**176,926**

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 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 surplus or deficit) 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 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 surplus or deficit.

Trade and other payables

Trade payables are recognised initially at the transaction price, including transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise of cash in bank and is initially recognised at fair value plus transaction costs and subsequently at amortised cost.

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 surplus or deficit, using the effective interest rate method.

Figures in Rand	2023	2022

2. Trade and other receivables

Trade receivables	23,055	1,615
Prepayments	182,993	-
Value added taxes	87,076	49,229
	293,124	**50,844**

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	521,968	176,926

4. Trade and other payables

Trade payables	703,154	161,568
Income received in advance	-	16,848
	703,154	**178,416**

5. Revenue

Membership fees	1,299,538	1,147,996
eThekwini Municipality	2,601,504	2,350,481
Other project income	111,500	139,000
	4,012,542	**3,637,477**

6. Other income

Decrease in provision for bad debts	-	76,672

7. Auditor's remuneration

Fees	35,325	33,833
Tax and secretarial services	-	1,200
	35,325	**35,033**

8. Operating surplus / (deficit)

Operating surplus / (deficit) include the following expenses:

Competitiveness	871,372	652,717
Increase in provision for bad debts	103,254	-
Investment attractiveness	1,076,531	1,338,923
Management and administration	724,126	692,531
Skills development	1,146,688	1,320,380

9. Investment revenue

Interest revenue

Bank	9,422	2,992

Figures in Rand	2023	2022

10. Taxation

Non provision of tax

No provision has been made for 2023 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.

11. Cash generated from operations

Net surplus / (deficit) before taxation	62,584	(334,980)
Investment income	(9,422)	(2,992)
Changes in working capital:		
Trade and other receivables	(242,280)	663,022
Trade and other payables	524,738	(244,909)
	335,620	**80,141**

12. 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 payables owing to related parties		
B and M Analysts Proprietary Limited	693,608	152,022

Trade payables are paid within 60 days.

Related party transactions

Amounts paid to related parties		
B and M Analysts Proprietary Limited	3,818,717	4,004,550

13. Directors' and prescribed officer's remuneration

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

14. 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.

15. 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.

Figures in Rand	2023	2022

16. Financial assets by category

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

2023

	Financial assets at amortised cost	Total
Trade and other receivables	23,055	23,055
Cash and cash equivalents	521,968	521,968
	545,023	**545,023**

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**

17. Financial liabilities by category

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

2023

	Financial liabilities at amortised cost	Total
Trade and other payables	703,154	703,154

2022

	Financial liabilities at amortised cost	Total
Trade and other payables	161,568	161,568

Durban Automotive Cluster NPC
(Registration number: 2005/035247/08)
Annual Financial Statements for the year ended 31 December 2023
Detailed Income Statement

Figures in Rand	2023	2022
Revenue		
Membership fees	1,299,538	1,147,996
Other project income	111,500	139,000
eThekwini Municipality	2,601,504	2,350,481
	4,012,542	**3,637,477**
Other income		
Decrease in provisions for bad debts	-	76,672
Operating expenses		
Auditors remuneration	35,325	33,833
Bad debts	-	10,522
Bank charges	2,084	2,015
Competitiveness	871,372	652,717
Increase in provision for bad debts	103,254	-
Investment attractiveness	1,076,531	1,338,923
Management and administration	724,126	692,531
Secretarial fees	-	1,200
Skills development	1,146,688	1,320,380
	3,959,380	**4,052,121**
Operating surplus / (deficit)	**53,162**	**(337,972)**
Investment income	9,422	2,992
Surplus / (Deficit) for the year	**62,584**	**(334,980)**

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