



east london idz
business streamlined

ANNUAL REVIEW

10/11





VISION

To be a world-class operator of a prestigious industrial complex where highly competitive organisations thrive on streamlined business benefits and stimulate regional economic growth

MISSION

To provide investor solutions to attract and develop strategic industries that strengthen South African export competitiveness through the development and operation of a thriving, specialised, industrial complex.

LEAD- ERSHIP

REPORTS

“
The zone continues to entice exciting new investors who bring with them not only direct investment and, critically, permanent jobs, but also an infusion of much-needed skills, expertise and a wealth of next-generation knowledge capital.”



Zolile Tini
- Chairman

S N Kondlo
- Chief Executive Officer

CHAIRMAN'S STATEMENT

The East London IDZ's core operational mandate is the attraction of labour intensive, export-oriented investment, for the benefit not only of the greater Buffalo City region, but, more broadly, for the Eastern Cape as a whole.

This is a strategy which has informed the IDZ's primary operational focus since its inception, and it has again served us well during the past year.

The zone continues to entice exciting new investors who bring with them not only direct investment and, critically, permanent jobs, but also an infusion of much-needed skills, expertise and a wealth of next-generation knowledge capital.

As a result, the past year once again positioned the IDZ at the crest of a steep growth trajectory which continues to exceed expectations – our own, and those of our stakeholders and strategic partners. It has not quite been business as usual, though.

In addition to servicing our core mandate, the East London IDZ this year embarked on a process to holistically re-engineer our value proposition, with an eye firmly fixed on the changing economic and industrial landscapes we will soon come to inhabit.

SOLUTIONS-ORIENTED HOLISM

As we were positioning ourselves to best meet the many challenges the second decade of the 21st century will bring, it became patently clear that for the IDZ to be the engine of development we envision, we had to aggressively realign ourselves as a holistic, solutions-oriented entity.

I am proud to report that this process has been enthusiastically embraced by the organisation as a whole, and is now well underway. To wit, much of the successes we are able to reflect on in this review have their roots in this overarching solutions-driven philosophy.

It is not enough for us to merely provide the necessary infrastructure or an enabling environment for investment and development in our region.

To efficiently and effectively drive growth and job creation, we need to ensure that our value proposition includes long-term, sustainable innovation – beyond even what our investors can envision for the short term.

JOB CREATION

Ultimately, our success as an organisation hinges on one critical component: job creation. And for us to drive job creation, we need to bravely and intelligently embrace new sectors such as renewable energy, which are flagging themselves as the employers of the future.

The automotive sector and conventional manufacturing will, of course, remain highly strategic sectors for the Eastern Cape for the foreseeable future. As such, we will continue to champion efficiency in these sectors, and to work closely with current and potential tenants to drive innovation and technology-specific production solutions.

But this past year has also been about widening our scope and aggressively pursuing the development of our non-manufacturing sectors. Some of our flagship projects, including our state-of-the-art seawater system and the high-tech, standard-bearing solar park being developed in Berlin, speak to the overall success of this strategic realignment.


GEARED FOR GROWTH

As we celebrate the accomplishments of the past year, we are mindful, still, of the precarious economic landscape we and many others will be traversing in the coming months and years. As economists warn of the potential for a double-dip recession, we are fortified, however, by the knowledge that the Eastern Cape has proven itself to be tremendously resilient.

Our expanded core mandate, along with attracting investment and driving job creation, must be to harness this resilience and, with the help of our tertiary education and skills development partners, convert it into concrete development.

Our job, therefore, is a transformational one: to transform raw labour into saleable skills sets; potential into output; and innovation into job creation.

The East London IDZ's board and our team of talented and highly motivated staff members are more than ready to meet these and future challenges, and we look forward to another year of solutions-oriented, growth-specific relationship building.



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Zolile Tini – Chairman



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Molan Pino S.A.

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Mic Sincro S.A.

AW6

Automotive FS

AW8

TI Automotive B&F

AW9

CHIEF EXECUTIVE OFFICER'S STATEMENT

The East London IDZ is realigning itself as one of the key drivers of an emerging Eastern Cape knowledge economy.

ENGINEERED EFFICIENCIES

The East London IDZ operates in a dynamic and rapidly evolving economic space – one which is characterised by myriad challenges and opportunities, across a number of platforms.

Key among these is the need to remain at the cutting edge not only of current technology, but also to stay one step ahead of the vibrant innovations demanded of our growth sectors and incubator industries.

For this reason, the IDZ is realigning itself as one of the key drivers of an emerging Eastern Cape knowledge economy.

The importance of this tactical realignment cannot be over-emphasised.

To remain globally competitive, which will in turn drive growth and job creation, the Eastern Cape must invest heavily in outcomes-specific energy and industrial solutions. And as one of the engines of growth and job creation in the province, the IDZ is playing a leading role in spearheading this process by prioritising the engineering – and, where appropriate, the optimisation and continuous improvement – of operational and manufacturing efficiencies.

In pursuance of this objective, we have adopted and are in the process of actively implementing what we believe is a highly effective two-pronged strategy: Deepening and solidifying our competitive advantages in mature sectors such as the automotive industry, on the one hand, while also actively advocating investment in emerging sectors such as renewable energy, agro-processing and mariculture.

DEEPENING MANUFACTURING

The automotive industry remains a crucial partner with multiple cross-cutting benefits measurable in both direct and downstream terms.

The Eastern Cape has certainly distinguished itself in this realm – much of our innovations in the automotive sector have been both cutting-edge and trend-setting. Our partnership with MBSA has been hugely beneficial for the region, and the country as a whole, and as we head into a new C-Class production era, this partnership will continue to grow with exponential benefits.

Overall, the success we have achieved in our automotive supplier park goes to the heart of what the IDZ prioritises in its value proposition. The suppliers located in the park are producing world-standard products and components which are globally competitive. In fact, it is a source of great pride to us that every Mercedes-Benz C- and E-class unit rolling off the world's assembly lines sports a component manufactured right here in our zone by Foxtec-Ikhwezi.

Ultimately, our strategic focus for this sector in the short to medium term is to deepen local content and to develop 2nd and 3rd tier suppliers. The most effective way to achieve this is to strengthen and further expand our basket of industry-specific incentives and benefits.

KNOWLEDGE ECONOMY

While the automotive sector will continue to be a catalyst for growth and job creation in the Eastern Cape for the foreseeable future, it is critical that we, both as a province and as the IDZ, look to the future. And there is little argument that the future is distinctly green.

Clearly, putting all of our eggs in one manufacturing basket is not an option. This would mean that we would forever be reliant on others to “give” us work, and that we would have to settle for having little control over the value chain or in developing new industries.

This shift from “taking” work to “making” opportunities underscores our endeavours to both drive and nurture an emerging Eastern Cape knowledge economy. As much as South Africa has been strong in terms of manufacturing, we have been considerably less successful in commercialising our research and development. This is something that we must aggressively and proactively pursue, and the IDZ is forging close ties with academic and training institutions to drive the knowledge economy.

Nowhere is the urgency of this approach more apparent than in the renewable energy sector. While still in its infancy stage in many respects, the green sector has proven to be a swift learning curve for us. In fact, our work with solar and wind energy already qualifies us as a trendsetter in these areas. But much more needs to be done to ensure that we are adequately prepared to best reap the immense benefits this sector will bring. And principal among our preparations has been to insist that the zone attracts the highest levels of technological, academic and engineering expertise.

LOBBYING FOR GROWTH

All of our growth strategies for both new and established sectors can only succeed with the systemic sustenance and support of an enabling political and economic environment.

The IDZ, therefore, has been playing a leading role in lobbying government stakeholders to bring about a stable, conducive IDZ legislative framework for South Africa. This process is on-going, but we can report steady, positive results, including the elevation of IDZ framework discussions to MinMec level and an emerging partnership with SARS's customs and excise unit in designing customs control areas.

There is widespread consensus about the importance of decentralising economic activity. To this end we are continuously engaged with all three tiers of government to champion the devolution of economic stimulus and to make the case, robustly and consistently, for a bottom-up approach to development. In addition to having earned the ear of government, we have also been entrusted with being its voice. In recognition of the leadership role we are already playing in the development of the green energy sector, the IDZ has been tasked with formulating a comprehensive provincial energy strategy which will inform the Eastern Cape government's entire green energy programme.

This validation of the green economy constitutes an important moment in our development. Not only does it recognise the strategic importance of the sector going forward, it also emphasises the potential of renewal energy to kick start economic activity across multiple sectors.

All of these endeavours are bearing exciting and extensive results. But it is not enough just to engage in lobbying and advocacy. When we started this process of government engagement, we did so with the express purpose of being a showcase of what works, and an example of what needs to be done to make that which works, perform even better.

All of our tenants, on different levels, are case studies in efficiency, innovation and market-proven solutions. The IDZ, for its part, is creating a distinct track record of what can be done, and what should be done to grow our economy, by putting tangibles on the table.

Ultimately, the success of the East London IDZ depends on pushing boundaries and breaking through barriers. This has been our guiding principle from the beginning, and it will continue to steer our efforts as we enter what will prove to be a critically important new era in our economic development.

Our commitment to our investors and our region stands firm: We will continue to re-engineer our value proposition to be able to effectively and efficiently attract investment, drive economic growth and be a catalytic force for job creation in the city, and beyond.



S N Kondlo – Chief Executive Officer



Sunningdale Dairy

Little more than a year after moving in the East London IDZ, Sunningdale Dairy has emerged as one of the zone's true success stories, actively growing its markets and already putting in motion major new expansion initiatives.

Sunningdale's R140-million facility is geared to hit full production for the first time in the spring of 2011, and is in the final planning stages of introducing into the plant a fully-fledged UHT or extended shelf-life production line.

The company is also gearing up to move its cheese and butter factory into the zone. This will increase the number of permanent jobs created by the dairy by at least another 250, bringing total job creation to well over 1 200.

Sunningdale's stunning success this past year has significantly boosted interest in the zone's agro-processing park, where a second major processing factory currently under construction.

Several new investors have been identified across a number of related industries, with widespread development potential.

"I am a firm believer that the best time for growth is when the economy is under pressure," says Sunningdale MD Neil van Rensburg. "You've got to be on the right footing when things begin to bottom out, and that's what we're preparing for now."

Like most other Eastern Cape manufacturers, Sunningdale has endured what Van Rensburg calls "a few anxious months". In fact, the dairy produced close to 15 000 litres of surplus milk every day when it first moved into the IDZ in July 2010.

"We went on a massive sales drive, and it's definitely paid off," Van Rensburg says. "We've also been working hard to keep improving our operational efficiencies. That's key. You have to keep trying to be better and more efficient all the time."

Van Rensburg paid tribute to the support Sunningdale has received from the IDZ, saying he would actively encourage other suitable companies to consider moving into the zone.

"We have developed a very positive relationship," he says. "The support we've received has really been fantastic."

Agro-processing has been identified as one of the Eastern Cape's highest-impact sectors which, due to being inherently labour-intensive, has the potential for large-scale job creation.

A recent study by the East London IDZ has revealed that the Eastern Cape has potential for 26 agro-processing sub-sectors.

The IDZ's focus, moving forward, is on 10 of the 26, including dairy, tomatoes, blue berries and horticulture. Agro-processing Development Manager Unati Speirs believes the IDZ is perfectly positioned, both geographically and in terms of the prevailing climate, to work "from the ground up" and is eager to engage with investors, farmers and individuals who want to venture into processing.

The zone's shared infrastructure and resources offer investors economies of scale which are resulting in significant cost reduction. "Issues of transportation, infrastructure and high start-up costs can pose significant challenges for the development of agro processing in the Eastern Cape. However, the IDZ's agro-processing plant creates significant beneficiation in terms of transformation and the development of new skills," she says.

The East London IDZ has partnered with economic development stakeholders such as AsgiSA Eastern Cape, the Eastern Cape Development Corporation and Eastern Cape Socio Economic Consultative Council (ECSECC) and is actively developing the best solutions to develop the industry and to tackle the challenges it faces.

OPERATIONAL

REPORTS

“ We are perpetually forward-focused, and are already hard at work engineering new, profit-generating and, perhaps most importantly, sustainable investment opportunities that will further drive growth and job creation in our region. ”



Thando Gwintsa
Executive Manager:
Investor Services

Mrs Ntombizine Madyibi
Executive Manager:
Finance & Support

Johan Burger
Executive Manager:
Technical Services

Simphiwe Kondlo
Chief Executive Officer

Tembela Zweni
Executive Manager:
Business Development

INVESTMENT PROMOTION

New investors into the zone translate into development, job creation and economic growth.

RENEWABLE ENERGY

As indicated by both the Chairman and the CEO in their respective leadership reports, the second half of the 21st century heralds a new economic landscape with challenging new demands, but also exciting new opportunities.

The biggest challenge, clearly, is the threat of a global double-dip recession, and the myriad social and economic blowback consequences.

While the IDZ is committed to helping its investors weather the storm (many of our tenants in fact experienced explosive growth and development last year, despite tough trading conditions) we are committed also to diversifying our investor landscape in order to better manage risk and negate adverse global conditions.

Renewable energy is an important growth sector for the zone, and a major milestone this past year has been the attraction of a R2.8bn commitment to build one of the largest solar parks in the world. A joint venture between Chinese solar giant, Suntech and a local BBBEE consortium, the plant is earmarked for construction in a new, IDZ-leased site in Berlin, 30km outside East London. (See related story)

This jobs-rich investment is a direct consequence of the IDZ's proactive efforts and strategic initiatives that led to it playing a leading role in developing a Provincial Renewable Energy Strategy. The IDZ is also engaging critically with a comparative national energy study it undertook, which has independently flagged the many opportunities this sector holds for our province.

Our prime focus, going forward, is to actualise these opportunities by packaging sustainable projects across all the renewable platforms, including biofuels and wind and solar energy – areas in which the Eastern Cape has shown substantial competitive advantages in this sector.

While this remains an incubator industry, we are already enjoying success in the packaging of projects, with a number of interested investors surveying the possibilities of this new landscape.

Development of our on-site solar farm – another joint initiative, this time with a German investor partner – is also progressing smoothly, and looks set to produce at least 10 megawatts of electricity within the zone.

AUTOMOTIVE OPPORTUNITIES

The announcement of a R2bn investment by Daimler AG into its East London plant for the production of the next-generation C-Class will provide a significant shot in the arm for the zone's Automotive Supplier Park.

The IDZ was invited to participate in a Mercedes-Benz supplier day in Stuttgart last year, where we were able to make comprehensive presentations on the zone's value proposition to the 42 companies in attendance.

Of those, seven have indicated high-level interest, and we are actively engaged in investment negotiations with them. A number of other potential investors who have not yet been confirmed by Mercedes-Benz as official suppliers, are also showing interest. Formal investment dialogues with these companies will commence in earnest once their supplier status has been confirmed.

To best prepare for and sustain these opportunities, and to stimulate future automotive developments, the IDZ has authorised a pre-feasibility study to look into ways to both enhance and refine the Multi-Model Original Equipment Manufacturing (MMOEM) model.

The results of this preliminary probe have been such that the Industrial Development Corporation is now working with the ELIDZ and is setting aside funding to allow for a full-fledged investigation into this initiative. A number of OEMs from both Europe and Asia have also expressed interest and are being actively engaged in this process.

Similarly, we continue to engage with Optimal Energy around the commercialisation of the first locally-produced electric car, the Joule.

Optimal Energy has committed to locating the Joule plant in the IDZ, and is currently sourcing equity partners to secure the necessary funding for this project to be greenlighted. The Joule constitutes a massive economic and manufacturing boost for the region, and as a solutions-oriented entity, the IDZ is actively involved in this drive towards commercialisation.

Our role needs to be one of strategic leadership, however – therefore, we are not looking at the Joule as a standalone initiative, but rather as forming part of our larger OEM strategy.

MARICULTURE DEVELOPMENT

The year under review has seen significant development of our mariculture sector.

While we lost one of our early tenants into the sector, this has been mitigated by a substantial new investment by Africa Aquaculture Holdings, which is partnering with Espadon Marine to significantly improve and expand their existing finfish farming operations.

Newly rejuvenated by a R40m cash injection from its new equity partner, Espadon has increased its footprint in the zone and is currently operating across two custom-built facilities, with early indication of even further expansion on the cards.

This partnership – facilitated by a specialist IDZ team – is a prime example of the zone's holistic approach to solution seeking. It speaks not only to our post-settlement service to investors, but also to the hands-on approach the zone's sector specialist take in not only solving problems, but anticipating bumps in the road, and then navigating our tenants around those obstacles.

In addition to the Espadon success story, the sector has also benefited from the development of a second finfish test growing facility by Pure Ocean Aquaculture. Construction of this R37m facility, which includes 54 grow-out tanks, is proceeding smoothly, with Pure Ocean already engaged in incubation testing.

Both these tenants, in addition to their capital investment, is also bringing massive skills development to the zone with Pure Ocean, in particular, poised to roll out a substantive training initiative to grow the skills base in the local mariculture industry.

These efforts will dovetail with the zone's own initiatives, in terms of its holistic cluster development, of growing the knowledge base relevant to the sector. Mariculture is a technically challenging industry and to best serve our investors in this sector, the IDZ is committed to bringing to the table not only knowledge and expertise, but also the latest in technological innovation.

INVESTMENT INNOVATION

Some of the fastest growing sectors in the East London IDZ are logistics and ICT, which was boosted by three new investors last year: Bigfoot, MSC and DHL, with the latter due to become operation soon. In addition, we also managed to add Murray & Roberts to our portfolio of investors.

These investors were brought on stream using conventional investment promotion strategies, which revolve, naturally, around effectively marketing our value proposition and our outcomes-driven management philosophies.

However, to have weathered the storms in what seemed at times to be a decidedly hostile economic climate, the IDZ set itself the task of finding unconventional solutions to our growth challenges. The most significant among these has been an innovative new property management partnership with local developers, Tutuni Investments. Tutuni has acquired a piece of land in the zone which they have segmented and are in the process of developing for light industrial use by smaller sub-tenants.

Another example of innovative investment thinking can be found in our on-going efforts to offer investors the option of packaged projects. The project packaging approach is an attractive option for investors who have equity to invest, but lack the expertise or operational structure to drive start-up organisations.

Both these projects are prime examples of effective, outside-the-box thinking which continually re-imagines the ways in which the zone drives the economic development of our region. It also helps in our efforts to diversify economic activity within the zone, and to further limit vulnerability by not becoming over-exposed in one particular sector.

New investors into the zone translate into development, job creation and economic growth. In all of these areas, the IDZ recorded significant achievement during the period under review. However, we are perpetually forward-focused, and are already hard at work engineering new, profit-generating and, perhaps most importantly, sustainable investment opportunities that will further drive growth and job creation in our region.

Gearing up for the W205

The automotive industry is one of the main arteries of local economic development in the Eastern Cape, and the East London IDZ has forged a close partnership with Mercedes-Benz to drive growth and job creation in the city through this industry.

Currently, Mercedes-Benz's parent company, Daimler AG, is preparing to inject a further R2,5bn into its East London manufacturing plant, following a decision to produce the next-generation C-Class (W205) model in South Africa, alongside sister plants in Germany, the US and China.

And while the first W205 is not due to roll off the assembly line until 2014, the IDZ is already hard at work preparing for the feeder ramifications of this new investment.

Chief among these preparations is the extension of the IDZ's 16ha Automotive Supplier Park (ASP). One of the original anchor facilities in the zone, the ASP was custom-designed to meet the specific production needs of its OEM-supplier tenants, and has distinguished itself as a highly efficient, world-class facility. Currently, the ASP houses eleven 1st and 2nd tier suppliers who produce a wide range of components for both the local and export market, including fuel tanks, brake and fuel pipes, suspension components, polypropylene impact dampers, wheelhouse liners, tyres and rims, boot liners and seat components, among others.

The ASP's dedicated utilities and services, as well as its shared logistical and supply chain solutions, drive both productivity and cost-effectiveness – two cornerstones of sustainability which have proven particularly attractive to potential investors.

Following the W205 announcement, the IDZ has fielded numerous queries about its available infrastructure, and are in end-stage negotiations with a number of component manufacturers who are poised to invest in the zone when their W205 contracts are confirmed.

Based on these negotiations, it has become clear that the zone needs to significantly increase its ASP infrastructure. This work is now underway, with additional factories due to be completed by 2012.



Engineering solar innovation

The R2.8bn solar park due to be constructed at a new, BCM-leased site in Berlin, 30km outside East London, will be one of the largest and most technologically advanced such facilities in the world.

A joint venture between Chinese solar giant, Suntech and a local BBBEE consortium, the park will have top-end capacity to generate a massive 100 megawatts. This would surpass the output of similar facilities already onstream, including the current trendsetter, the Sarnia Photovoltaic Plant in Canada, which is producing 92 megawatts.

Solar energy, however, is one of the fastest-growing green sectors in the world and the Berlin plant would be constructed to meet substantial future needs. This approach follows international trends such as those pioneered in China, where a new mega facility is currently under construction. According to engineers, this plant would have go-to capacity of a staggering 2 000 megawatts.

In every analysis, however, the Berlin facility will be hugely impressive in its own right.

A photovoltaics (PV) generator, the plant will be at the cutting edge of solar technology. Its basic operation model involves generating electrical power by converting solar radiation into direct current electricity through the use of semiconductors that exhibit the photovoltaic effect.

Integral to this process is the use of solar panels which contain solar cells containing PV materials such as monocrystalline silicon, polycrystalline silicon, amorphous silicon, cadmium telluride and copper indium gallium selenide.

The PV effect refers to photons of light exciting electrons into a higher state of energy, allowing them to act as charge carriers for an electric current. The term photovoltaic denotes the unbiased operating mode of a photodiode in which current through the device is entirely due to the transduced light energy. Virtually all photovoltaic devices are some type of photodiode.

Apart from the high-end technological innovation it encompasses, the Berlin plant – which is being jointly funded by the China Africa Development Bank and a local commercial bank – is demanding substantial amounts of front-end engineering work.

Already, the IDZ's zone development team – which is responsible for creating the enabling infrastructure – has conducted a number of feasibility studies to precisely quantify technical demands such as bulk services and capacity bearing issues.

As part of its holistic, cluster-development approach, the team is also looking at the environmental impacts of various other green energy options, including wind energy.

The decision to locate the plant outside of the existing IDZ footprint is both a strategic and practical one. With available land at a premium, and given the nature of the operation, a bigger site outside the city was deemed to best suit a large-scale renewable energy initiative such as this one.

It also allows the IDZ to expand its socio-economic reach to an area such as Berlin and surrounding settlements, which have been ravaged by unemployment and underdevelopment. As a jobs-rich development, the new solar park would directly benefit the communities of this area and would stimulate innumerable downstream opportunities.



INVESTOR SERVICING

We are engaged in various practical exercises with our investors to assist them in designing creating solutions to their unique logistical, technological and administrative challenges...

With the lingering economic downturn frustrating growth and expansion across virtually all industries, the IDZ has taken a strategic decision to broaden and, where appropriate, re-constitute our existing bouquet of value-add services.

This re-engineering of our value proposition – to ensure that we remain at the forefront of impactful service delivery – is, of course, an on-going endeavour.

Ours is a highly competitive but also high dynamic production environment, and one of the greatest lessons we've learnt over the past nine years has been the importance of staying one step ahead of changing operational needs.

What this has meant, in practice, is that we have had to develop extensive expertise in our various investor landscapes in order to not only respond timeously to investor needs, but to anticipate these needs, often before the investors do so themselves.

The other important insight we have gained is that solutions change. What worked well in the past is not necessarily going to deliver the same high yields going forward. The IDZ, therefore, has not shied away from re-engineering our various solutions-oriented initiatives as and when operational realities have changed.

So, for example, we have had to critically engage with the logistics facility in our Automotive Supply Park (ASP), which, after careful scrutiny, was found to have significant scope for service delivery enhancements due to unanticipated critical mass impacts.

We therefore had to re-imagine this facility for present-day conditions, which has resulted in a substantial redesign of how this facility operates, and how it maximises its potential as a true value-add for our ASP tenants.

Similarly, we have commissioned an on-site clinic which benefits from the services of a full-time health professional who manages a comprehensive medical referral system within the zone.

While this facility was not originally envisaged as part of our services parcel, on-the-ground experience has shown it to be an invaluable tool for investors, leading to it being enthusiastically embraced throughout the site.

VALUE-ADD TRAJECTORY

In addition to constantly re-visiting our service package, we are also acutely aware of the need to stay ahead of the value-add trajectory. This means investing heavily not only in building our own intellectual capital, but also assisting our tenants in building theirs.

As a result, we are actively championing innovation and ingenuity at every level, a commitment aptly encapsulated by the development of a dedicated East London IDZ Science and Technology Park (*see related story*).

This and other capacity-building initiatives underscore what is a multi-dimensional approach to embedding the zone within a mature, developing knowledge economy – something which can only happen if we continue to champion robust engagement with academic and sector experts.

Further to this, we are engaged in various practical exercises with our investors to assist them in designing creating solutions to their unique logistical, technological and administrative challenges, both in the pre- and post-settlement phases.

So, for example, we ensure that every investor meets and fully complies with the environmental requirements applicable to their operations. This now also includes doing environmental output monitoring, to ensure that our tenants are in adherence with the conditions of their individual permits.

This is an important value-add for tenants. Falling foul of environmental requirements is not only a costly and time-consuming error, it has widespread logistical and production ramifications. Ensuring that our tenants stay on the right side of applicable environmental frameworks therefore forms an important part of our overall value proposition.

DRIVING DOWN COSTS

Overall, the IDZ's core value principal with regard to investor revolves centres around our centralised and cost-cutting services.

Simply put, our post-settlement commitment to investors is to assist in whatever way possible to drive down their costs of doing business, improve productivity and efficiency and, in doing so, protect our investors' basic bottom lines.

One of the areas in which the zone has enjoyed considerable success in terms of centralisation and the reduction of overall costs is logistics, including ICT support, transport, estate management and security. While logistics are wholly peripheral to our investors' core business models, this is an area of critical importance in ensuring sustainability and growth. Transport, for example, forms the backbone of any organisation's commercialisation strategies, with getting product to market the most obvious and most important priority. One of the zone's centralised solutions to this challenge has been the development of a truck staging area in the zone, which is positioned to be successfully utilised to minimise transport costs.

Similarly, investors benefit from centralised security, maintenance and administration services which the zone, by virtue of basic conglomeration principles, are able to provide at drastically reduced rates than those available outside the zone. This includes everything from cleaning and maintenance services to landscaping, infrastructure management and conferencing facilities.

SOFT LANDING

Perhaps the most intangible of our value-add services, yet also one of the most important, certainly in the pre-settlement phase, is the zone's advisory and stakeholder engagement offerings.

The IDZ's advisory teams have built extensive partnerships across all three tiers of government, and are able to skilfully navigate potential investors through the various bureaucratic labyrinths that dot the landscape.

In addition, our tenants are given the full benefit of our technical and management knowledge reservoirs, whilst also being able to utilise our extensive networks of public and private sector partners to access industry-specific expertise.

This ensures an operational soft landing – a conducive and enabling environment in which technical hurdles are more easily circumvented and tenants are assisted to successfully navigate legislative challenges.

Collectively, the initiatives outlined here constitute a full spectrum of both tangible and intangible investor services. Each addresses specific needs and drives specific outcomes. What this array of services has in common, however, is their common objectives: To simplify the investment process and, post-settlement, to promote and enable sustainable growth and job creation by driving down overall operational costs.

Excelling in a higher-value space

Innovation demands a solid scientific and technological base if it is to flourish. To give muscle to this philosophy, the East London IDZ is creating a dedicated Science and Technology Park as part of a broader strategy to drive a resurgent local knowledge economy.

The park will draw together local academic, industry and public sector leaders for the express purpose of harnessing collaborative innovation. It will also promote essential synergies in research development and, crucially, in the commercialisation of these research gains.

As an additional value-add for investors into the zone, the park will offer tenants unrestricted access to a cost-effective research and development platform from which they will be able to abstract tangible product solutions.

Crucially, the park will be premised on facilitating meaningful technology transfers, to ensure all sectors benefit equally from an investment in the region's intellectual development.

Though part of a zone-wide strategy, the new Science and Technology Park will prove especially important as a forerunner for the development of a new OEM in the zone. In addition to spurring growth, the park will also play an important role in staving off stagnation or arresting regression during tougher economic climates.

While the pursuit of Foreign Director Investment (FDI) remains a core function of our business development endeavours, zone management is also acute aware of the need to ensure that local investors benefit from our most robust fortification efforts.

This calls for a lattice approach: In addition to providing the necessary enabling platforms, and driving down operational costs through our basket of investor services, we need to insure that our local investors have access to the latest technological innovations with which to continuously improve and enhance their value chains.

Driven by the synergies forged within the Science and Technology Park, these innovations will serve to regenerate not only individual investors, but to re-invigorate entire sectors.

It will also have an immediate impact on job creation in the region by addressing the current disconnect between the skills being created at our institutes of higher learning, and the skills that are actually required on the ground.

By creating this reconnect, the park serves as a platform to quantify the region's exact industry and sector-specific needs and, crucially, charts a way to most effectively meet those needs. So while it is, in one sense, a theoretical entity, its implications and repercussions are decidedly practical.

Currently, the park is in its first phase of development, which involves a pilot incubation project to stimulate and germinate creative ideas, and to drive technologies to develop these ideas.

This is in keeping with a growing realisation that the IDZ, far from being merely a physical space, is in essence an incubator and a hub for innovation. Coupled with this is a growing appreciation for the fact that this innovation is wholly dependent on bringing new ideas into the system.

The Science and Technology Park, therefore, is assisting the IDZ to play in what is essentially a higher-value space, and to excel in that space, for the purpose of driving economic growth and job creation not only inside the zone, but throughout the wider Buffalo City region.

Current enterprises enjoying streamlined benefits

There are 24 investors currently enjoying the streamlined benefits of being in a world class industrial park, or setting up their facilities in the East London IDZ. These investors conduct business in diverse sectors including, automotive, marine aquaculture, agro-processing; logistics and advanced manufacturing.



MC –Synchro
The company assembles tyres and rims for supply to Mercedes Benz South Africa



Feltex Automotive Trim
A leading supplier of a wide range of quality automotive acoustic and trim component which include moulded carpets, sound insulators, sun visors, wheel house liners, boot packages for Original Equipment Manufacturers (OEM).



Feltex Fehrer
Produces seat pads and head rests for Mercedes Benz South Africa.



Feltex Futuris
Manufactures tufted carpets for supply to sister companies, Feltex Trim and Caravelle Carpets, who supply Mercedes Benz South Africa.



Feltex Caravelle
Manufactures loose-lay carpets for supply to OEMs including Mercedes-Benz South Africa, VW and Toyota.



Foxtec-Inkhwezi (Pty) Ltd
Supplies high volume Forged non-ferrous products for automotive and engineering industries.



Johnson Controls
Produces Cockpits, Overhead Systems and Seats for the Automotive Industry.



TI Brake and Fuel Pipes
Assembles brake and fuel pipes for Mercedes Benz South Africa.



TI Automotive Fuel Systems
Assembly of fuel tanks for Mercedes Benz South Africa.



UTi
Logistics and supply chain management services.



ZZZ
Distributor of Fast Moving Consumer Goods products, with the main focus on personal care items.



Mercedes Benz South Africa
MBSA utilises the East London IDZ state of the art Vehicle Storage Centre. The facility has the capacity to store 2 500 MBSA vehicles under cover and a further 1154 in open parking.



Molan Pino
Manufacturers of polypropylene foam components, cold cured polyurethane components and cut foams for OEMs.



Milltrans
Milltrans is one of the leading competitors in the freight transport industry. The company has a fleet of 28 trucks and 78 trailers.



Bigfoot Express Freight
An independent express distribution company offering distribution and fulfilment solutions to clients throughout the major centres of South Africa.



Matla Solar Heater
Matla Solar Heater is a Taiwanese/South African company focusing on the manufacture of solar geysers.



Matla Diamond Works
Diamond cutting and polishing



Sunningdale Dairy
Established in 1981, Sunningdale Dairy produces dairy products such as milk, maas, cheese and yoghurt for distribution throughout the Eastern Cape Province.



Reinforcing Steel Contractors
RSC provides reinforcing solutions to the building, civil, mining and engineering markets, including the supply, cut, bend, delivery and fixing of reinforcing steel.



Espadon Marine
The first company to artificially spawn and raise dusky kob in Africa.



Pure Ocean Aquaculture
Finfish farm and hatchery



ELPET (Pty) Ltd
Manufacturers of PET plastic bottles. The plant manufactures bottles in the volumes of 1,5l, 1l, 300ml and 250ml.



Mediterranean Shipping Company (MSC) Depots (Pty) Ltd
Responsible for container handling facilities in Southern Africa. The depot is responsible for the movement and storage of empty and full MSC containers.

INFRASTRUCTURE DEVELOPMENT

New investors into the zone translate into development, job creation and economic growth.

Two flagship projects dominated the work done by the infrastructure development team this past year: The construction of a world-class seawater abstraction, storage and distribution system; and our preliminary feasibility work on the ground-breaking Berlin solar park.

These initiatives are significant in their own right. Apart from representing massive investments in both equity and job creation terms, they are also new monuments to the zone's increasing emphasis, insofar as infrastructure development is concerned, on engineering and technological ingenuity.

Beyond these obvious benefits, these projects are noteworthy also for the sea change they herald in terms of superstructure development and the zone's overarching strategic momentum.

EXPANDING THE FOOTPRINT

For the first time in our nine-year existence, the IDZ is preparing a major development beyond our initial 430ha site. Our new R2.8bn solar park will be situated not within the confines of the zone itself, but extends our footprint to a newly-demarcated municipal site in Berlin, roughly mid-way between the key cities of East London and King William's Town.

With a life cycle of more than 20 years, the solar park represents a major, long-term infrastructural investment in the city generally but, equally importantly, in tangible job creation and skills development in the regions immediately adjacent to the new site.

In addition to the solar park, the new Berlin site is also being earmarked for major agro-processing development, which would be auxiliary to the new agro-processing factory being developed inside the zone.

Collectively, the social and economic benefits of this peripheral development will be massive, creating hundreds of sustainable jobs and ensuring that significant economic benefits flow back into the communities in the immediate vicinity of the park, and the areas surrounding it.

This will allow us to give meaning to our philosophy of local economic development, as manifest by job creation and tangible base-level development.

In terms of their strategic importance, our two flagship infrastructural projects are set to further solidify and enhance the zone's reputation for engineering excellence and ground breaking technological amelioration.

Renewable energy and mariculture are highly dynamic and fast-moving clusters, and both the pipeline and solar park developments are unrivalled in exacting the highest levels of cutting-edge innovation (see related stories).

CONTINUOUS EXPANSION AND DEVELOPMENT

Despite the tough economic conditions of the past few years, many of our tenants managed to record significant growth and expansion which have required additional infrastructural expansion.

Molan Pino, one of our tenants in the Automotive Supply Park, secured a number of substantial new contracts which have necessitated increased factory space. A 500m² extension has been constructed, which has allowed the polypropylene manufacturer to adequately restructure for increased production demands.

Similarly, global supply chain company UTI is poised to bring some of its other entities into the zone as part of its overall consolidation initiatives, which is also requiring significant infrastructural expansion.

In addition, the IDZ's emphasis on engineering maximum efficiency continues to manifest in a number of new shared facilities. These include a well-stocked centralised store with a comprehensive set of backup components and standby generators to ensure the zone never experiences a production shutdown. Investigations are also underway to look into erecting shared cold room and laboratory facilities on site. In addition to driving overall efficiencies, these facilities further ensure tenants' costs of doing business are kept to an absolute minimum.

Along with engineering efficiency, the zone also prioritises multi-dimensional innovation, across all sectors. To drive this innovation, the zone is in the process of setting up a dedicated Science and Technology Park, which is expected to become fully operational during the latter half of 2011 (see related story).

ENERGY EFFICIENCY

Another key infrastructural project this past year has been the completion of the IDZ's environmentally-sensitive head office building. The new structure – designed and constructed to the most exacting efficiency standards – allows for the consolidation of a number of administrative teams, bringing all the management and support teams together under one roof for the first time in the IDZ's history. Boasting a full complement of support features, including presentation boardrooms and adequate facilities for workshops and seminars, the building is perhaps most impressive by virtue of its green credentials.

Considerable engineering expertise has gone into ensuring the building has a minimalist energy footprint with consumption strictly controlled through various innovative features such as motion and light sensors. The building also scores highly in terms of both ergonomics and aesthetics, and has been a valuable contribution to the IDZ's overall asset portfolio.

Marine innovation

To drive efficiency in the zone, the IDZ prioritises technological and engineering innovation. One of the best examples of this new-economy philosophy is our new, multimillion rand seawater abstraction, storage and distribution system. This facility was created with the specific purpose of assisting our existing mariculture cluster tenants, Espadon Marine and Pure Ocean, to further enhance their fish farming operations in the zone. However, envisaged as a shared facility – owned and operated by the zone itself – it would service the entire cluster, providing a compelling further incentive for potential aqua- and mariculture investors.

The East London IDZ is already recognised as one of the best locations in the country for aqua culture farming. In addition to world-class infrastructure – 32ha of the zone has been earmarked specifically for aqua-culture investments – the IDZ is developing substantial intellectual capital around the intricate, rapidly-changing science and technology that inform commercial aqua- and mariculture farming operations.

The seawater pipeline is the latest among these innovations which will further strengthen its competitive edge in this emerging sector.

Extending several hundred metres into the ocean, the underground pipeline has been constructed to deliver a continuous, 24-hour, 365-day supply of seawater to a recirculating system at an impressive, industry-leading 80 litres per second. The water is funnelled by gravity into a land-based pumping facility, from where it is diverted into two large, 8-megalitre reservoirs.

This will ensure that the pipeline facility, which is due to become fully operational by December 2011, will be capable of meeting the entire cluster's seawater supply needs.

Currently, the cluster centres around two anchor tenants with a capacity of producing around 4 000 tons of fin fish per entity.

Espadon Marine – recognised as one of the leaders in the emerging South African onshore finfish industry – has a large established domestic market, and has also secured significant export contracts. The company has already carried out four successful spawnings at its facility in the zone – the eggs successfully farmed through the hatching, larval rearing and fingerling and weaning stages, with the majority of fish having reached full market-size product.

According to Espadon marketing director Liam Ryan, the company has achieved excellent growth rates and food conversion rates at its East London facility, with some fish growing out to over 850g in six months in the grow-out phase, which is approximately 25% faster than averaged projections. This is attributed to feed quality, optimum seawater temperatures, good management practices and good fingerling and brood stock quality.

Espadon currently has over 60 000 dusky kob in production in East London IDZ, with approximately 20 tons of fish close to harvest size.

In addition, Pure Ocean is aiming at producing between 200 and 330 tons of dusky kob per year, depending on growth rate and feed conversion rate it achieves. The company has environmental approval to produce up to 4 000 tons per year, which it estimates is achievable within the next five years.

In addition to meeting the demands of its anchor tenants in this cluster, the East London IDZ's existing mariculture infrastructure could accommodate several additional sites. There is also an added possibility of extending the cluster's 32ha footprint in anticipation of the demands brought about by what has proven to be a fast-growing industry.

Consequently, the zone's business development team is actively engaging with a number of potential future investors with the potential to substantially boost the zone's aqua-and mariculture outputs. The IDZ has taken a strategic decision to actively and aggressively develop its emerging sectors, including its aqua- and mariculture operations. The development of a state-of-the-art seawater abstraction facility not only significantly enhances our overall value proposition, it also adds a compelling incentive to prospective investors into the sector.



SUS- TAIN- ABILITY

REPORTS

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The board of the ELIDZ recognises the need to conduct the affairs of the company with integrity, in accordance with generally accepted corporate practices, and is committed to upholding the governance principles incorporated in the Code of Corporate Practices and Conduct, set out in the King Report.

”

Transformation

R252 million
Major infrastructure contracts & consultants

99%
(R249 million) = **BBBEE Service Providers**

R38 million
Spent on SMME Procurement

= **15%**
of TOTAL spend

6.2%



R16 million

Spent on WOMEN EMPOWERED COMPANIES



JOB CREATION

TOTAL 2003 to 2011
employment



IDZ CORPORATE
15 - 68



MANUFACTURING
0 - 5002



ZONE SERVICES
65 - 154



TENANTS
0 - 1371



MACHATRONICS

19%



AUTOMOTIVE COMPONENT MANUFACTURING

17%



AUTOMOTIVE COMPONENT MANUFACTURING

15%



WELDING APPLICATION

15%



WELDING APPLICATION

19%



FITTING & MACHINING

15%

LEARNERSHIP /
SKILLS TRAINING
PROGRAMME
INTAKE 2010/11

Infrastructure DEVELOPMENT

as at 31 March 2011

- New Waste Sorting & Transfer Station
- Completion of Bulk Earthworks & Platform in Zone 1B
- Zone 1C Office Park (Electrical & Bulk Earthworks)
- Sunningdale Dairy Platform & Factory
- Balance of Internal Ring Road (Zone 1A)
- Matla Diamond Factory (Zone 1A)
- Zone 1C Office Park (1st Phase)
- New East London IDZ Corporate Offices (Works completion stage)
- New East London IDZ Central Store

100%
COMPLETED

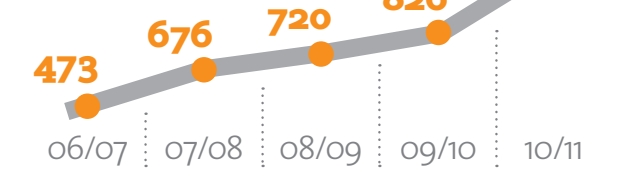


CONSTRUCTION EQUITY PROFILE

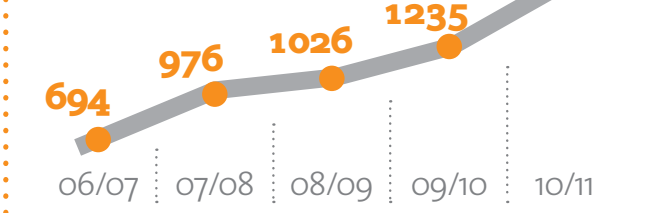
Cumulative Employment – at construction stage (direct and indirect)



PLEGGED INVESTMENT VALUE

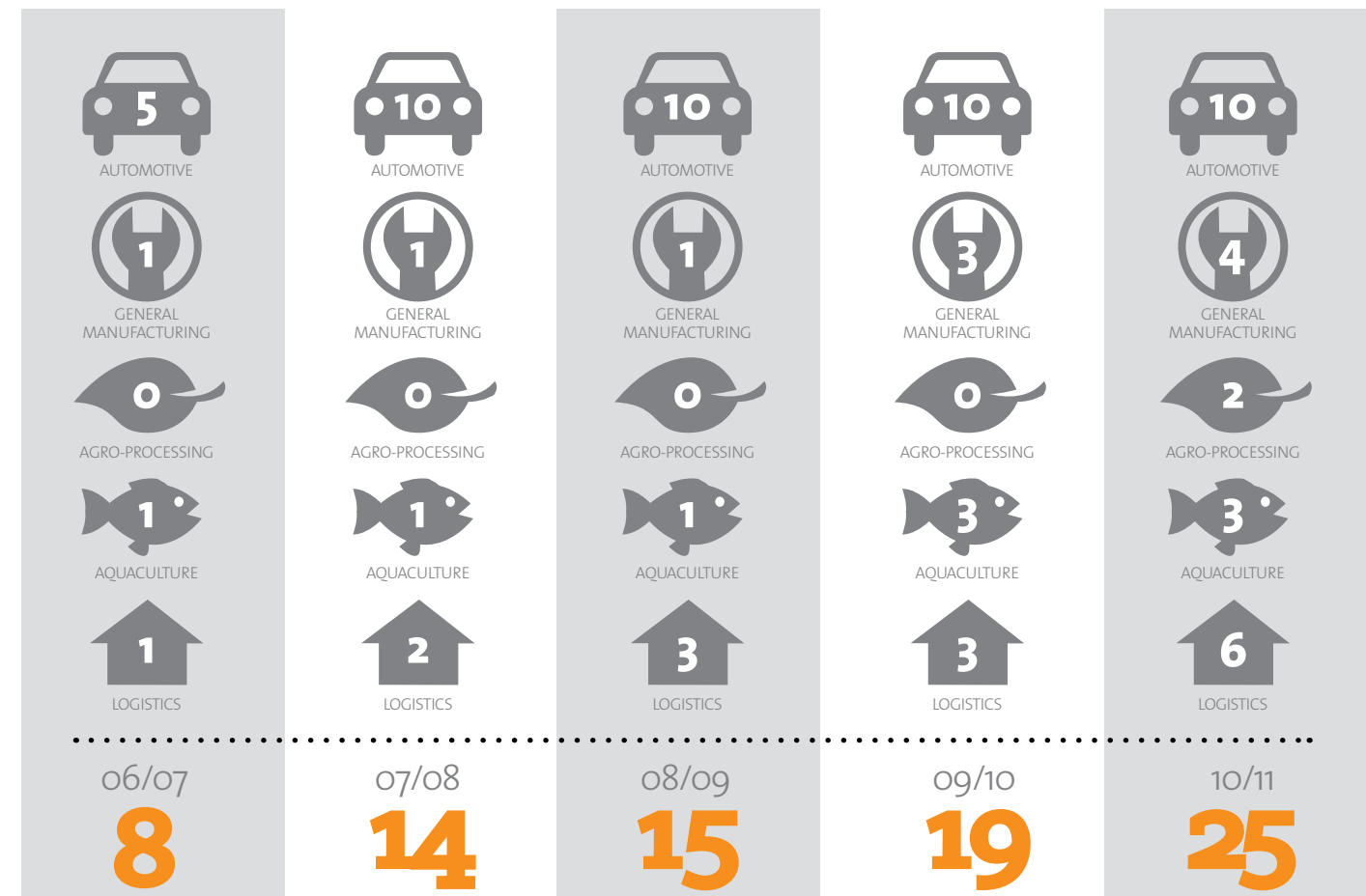


PLEGGED JOB CREATION



INVESTMENT BY SECTOR

FROM 2006 TO 2011



FINANCIAL SUSTAINABILITY

We are growing and becoming more financially and operationally stable and sustainable with each passing year.

The long-term financial sustainability of any organisation hinges on three critical components: Effective income generation, stringent financial discipline and oversight, and an unwavering commitment to both corporate governance and best practice models.

The East London IDZ continues to perform well across all three these platforms.

Our operational budget continues its upward trajectory, increasing from R420m in 2009/10 to R519m for 2010/11. And as our investor portfolio grows, so, too, does our income generating capacity – up from R41m in 2009/10 to R62m this year.

This achievement is made all the more impressive when considering the current economic landscape. Across all sectors, immense pressures have been brought to bear by the global financial crisis which, unfortunately, still lingers.

Investment promotion has been especially challenging in this climate. But when reflecting on our balance sheet, it is clear that the IDZ is weathering the storms. More than that: we are growing and becoming more financially and operationally stable and sustainable with each passing year.

I have no doubt that this upward trajectory is set to continue. In fact, our income target for the new financial year has been set at an ambitious R70m. Ambitious, but imminently achievable, thanks in large measure to the steady influx of new investors, and the ensuing increase in rental and service provision income.

FISCAL DISCIPLINE

Owing to the stringent systems and controls we have put in place – which are continuously monitored and re-assessed for improved efficiency – the IDZ has again added to its unbroken record of securing unqualified audit reports. This is a clear indicator of strong financial leadership and our unwavering commitment to discipline and prudence.

And while financial discipline extends significantly beyond clean audits, they are, we believe, a clear indication of strong fiscal principles and committed financial leadership – both cornerstones of a healthy, enabling and development-focused balance sheet.

Another critical component of this governance matrix is a strict adherence to best practice models. We continue to be in close compliance with the King III Codes on Corporate Governance, including implementing superior risk management strategies, which are reviewed annually to ensure continuous improvements.

RE-INVESTING IN OUR COMMUNITY

As the IDZ steps up our development initiatives within the zone, we are mindful also of the urgency to make meaningful contributions to economic development in our external environment.

One of the new strategies we adopted this year is renewed support for BBBEE enterprises in our supply chain. In 2009/10 we spent R117m, or about 66% of expenditure, on fully-compliant BBBEE companies. Last year, we managed to bump this up to more than R200m, or 98% of procurement spend.

Supporting enterprises with a high BBBEE rating continues to be an organisational priority, in line with our commitment to empowering and growing BBBEE companies in our ambit.

To further give muscle to this commitment, we have also taken a strategic decision to ensure that our small BBBEE suppliers are all paid within 7 days of invoicing to ensure minimal pressure on their cash flows.

GROWING CONFIDENCE

Arguably the most impressive aspect of our financial performance over the past year, however, has little to do with the facts and figures our balance sheet reflects. Rather, what is most rewarding, and what gives us the greatest deal of organisational pride, is what these figures represent: Growing confidence in the IDZ as a solution-oriented, developmental entity, as well as a firm belief, by both stakeholders and our tenants, in our commitment to deliver on our core mandates.

If our funders did not have explicit confidence in our financial systems and controls, and in our ability to make this funding work for the city and the province as a whole, the IDZ would not have been entrusted with ever-larger budgets.

Similarly, if our stakeholders were not experiencing first-hand the benefits of our financial discipline – evidenced by a rapidly-expanding bouquet of solution-driven services – we would not continue to enjoy the current high levels of investment support.

The IDZ values this support, and pledges continued financial discipline and good governance going forward.



ORGANISATIONAL SUSTAINABILITY

The East London IDZ proudly wears the feather in its cap that we lost only one staff member this year

HUMAN CAPITAL

In addition to a robust balance sheet, the IDZ's organisational strength lies in its human resources. While the IDZ has taken care to assemble a tight, streamlined team, people are our greatest asset, and managing this asset optimally is one of our top organisational priorities.

It is no fluke, then, that the IDZ has again been named one of South Africa's Employers of Choice, being ranked 6th in the country overall by the influential Corporate Research Foundation.

This is not an easy ranking to achieve, and we are immeasurably proud of what it says about our organisation: That we are committed to the continuous and holistic development of our staff, and that they are supported and capacitated at every level to ensure we, and our investors, benefit from the peak of their expertise.

In doing so, the IDZ has positioned itself as a credence organisation that utilises the skills sets and knowledge base of its employees to best serve its customers.

In line with this, we continue to place significant emphasis on our wellness programmes, which have contributed to the IDZ achieving a very impressive sick day ratio of only 3 days per year, on average. This is testament not only to the success of these wellness programmes, but also to the commitment and dedication of our staff. It speaks also to the fact that we have created an environment in which our staff flourish and excel, as happy employees invariably perform at maximum capacity.

It's no surprise, then, that we can also report a very low rate of attrition. In fact, the IDZ proudly wears the feather in its cap that we lost only one staff member this year, for reasons entirely unrelated to conditions of employment.

Performance management is another key ingredient, and we are also immensely proud of the fact that our employees continue to achieve above-average performance ratings year on year. Our team is not just dedicated and passionate about what they do, they have been sufficiently empowered to translate that passion into meaningful performance, to the benefit of stakeholders and our customer base.

Looking ahead, the IDZ, having increased its core staff component from 55 to 58, will continue to work towards maximum performance against optimum efficiency. Our knowledge base is growing exponentially as our new recruits bring with them a wealth of new skills and expertise sets, and our existing employees are exposed to continuous development initiatives.

INFORMATION AND COMMUNICATION TECHNOLOGY

Cutting-edge ICT capabilities constitute a crucial component of overall organisational strength, and the IDZ places a high premium on the currency and overall technological superiority of our ICT systems.

A number of exciting developments have seen this element of our organisation substantially enhanced during the past year. Notably, we have a new, state-of-the-art records management system which has simplified and streamlined our retrieval and archival operations, which has significantly contributed to our overall financial health.

A revamped ICT security system ensures that our information is protected by the highest levels of electronic intrusion prevention programmes, while a centralised data storage system has been made available to all business units.

In addition, a new telephony system has substantially enhanced access and usability throughout the zone.

In the node

The IDZ has established a state-of-the-art on-site node room to solidify and enhance our overall ICT efficiencies, thereby ensuring that the organisation and its tenants remain at the business end of the technological wave.

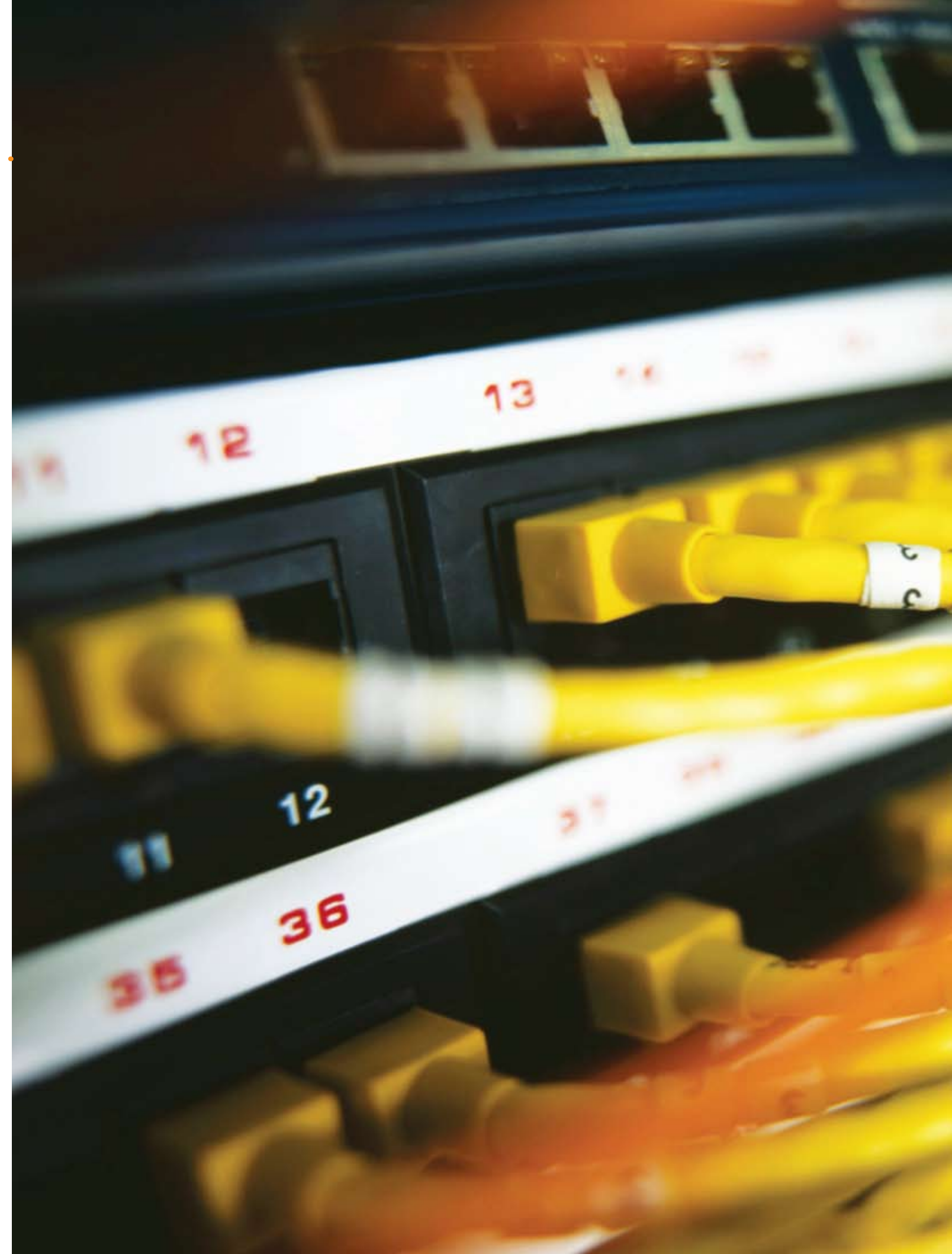
The new facility houses the zone's ICT switching equipment, and has enabled the organisation to significantly boost its capabilities with regard to fibre optic cabling for the whole of the zone.

In ICT, speed is king, and our new facility allows the IDZ and its tenants to benefit from lightning-fast, reliable connectivity within the parameters of supreme quality. This ensures that our customers can communicate and connect around the globe, at world-class performance levels.

Not only does this underline the IDZ's commitment to streamlining and optimising its ICT capabilities, it also ensures that the zone is perfectly positioned to meet future demands and to remain perfectly in step with technological advances.

It also speaks to a key component of our value proposition: To create an optimally-engineered physical and technological space for our tenants that allows them the freedom and peace of mind to concentrate on their core function of growing their products and developing their markets.

Overall, one of the zone's main strategic priorities, along with efficiency and efficacy, is to be a multi-layered solutions provider for investors. The new node room is a major achievement in this regard.



ENVIRONMENTAL SUSTAINABILITY

The IDZ places a high premium on being a responsible corporate citizen.

It is our firm commitment to ensure that our impact on the community in which we operate is a wholly positive one, not only economically – in terms of growth and job creation – but also socially.

Therefore, we take our duties and obligations in terms of environment responsibility extremely seriously.

This commitment manifests across two broad spheres of operation.

Strategically, the IDZ is one of the most proactive drivers of the green economy, with the development of the zone's various renewable energy sectors among our core focus areas going forward.

On a more practical level, we are also ensuring that our footprint – and that of our investors into the zone – is as ecologically-unobtrusive as possible.

This has meant a thoroughly green-infused approach to all zone operations, including waste and water management and sustainable energy consumption.

One of our most impactful on-site innovations this past year has been the development in Zone 1B of a centralised waste sorting system, which has already been thoroughly tested and is now fully operational.

The station, which includes sorting, streaming, compaction and recycling components, is capable of handling up to 25 tons of waste and encourages waste minimisation and separation at source to facilitated weighing of different waste streams.

In addition to providing investors with a wholly green waste management solution, the station is also actively creating green jobs through its various recycling activities.

This has proven so successful that the facility has already been made available to industries located outside the zone, all of whom have embraced the station's various waste management systems enthusiastically.

Beyond waste management, the zone continues to stringently curtail its carbon footprint and to search for new and innovative ways to drive down emissions. In addition, we are implementing strict air and water quality monitoring programmes to ensure the zone operates at a rate 50% below national norms.

Holistically, the IDZ operates from a clear understanding that ours is an increasingly precarious ecological environment which demands from all organisations, across every industry, the highest levels of commitment and care.



CORPORATE SOCIAL RESPONSIBILITY

The East London IDZ Corporate Social Investment Committee continued to drive programmes in line with the organisations focus CSI areas. These key objectives of the CSI committee are as follows:

- To genuinely improve the environment under which the ELIDZ operates
- To improve the life of the identified beneficiaries within the identified focus areas
- To use CSI as a means of reaching current and potential ELIDZ clients and employees
- To have a beneficial effect on employee morale, loyalty and pride
- To positively increase organisational awareness and improve the ELIDZ's image
- To supplement the ELIDZ's direct advertising and marketing promotion initiative

KEY FOCUS IDENTIFIED BY THE ORGANISATION TO IMPLEMENT THESE OBJECTIVES ARE:

EDUCATION

The ELIDZ has seen a gap in the product that institutions of higher learning are producing. The organization has further realized that the ELIDZ needs to play a role in the moulding of these products especially those that are relevant to the ELIDZ. It is because of the above reasons that the ELIDZ has identified Education as one of the focus areas for its CSI product.

To this end the ELIDZ has engaged on an education support programme with the University of Fort Hare in order to provide tuition assistance to top performers in various faculties which are deemed to be aligned to the East London IDZ operation. For the 2010/11 financial year, 4 new students were granted bursaries for the programme while one of the first students graduated as a result of the ELIDZ's support.

JOB CREATION & SKILLS DEVELOPMENT

The Eastern Cape has got a challenge when it comes to a sufficient skills database for potential investors. As an organization that is attracting investors to manufacture from the province, the ELIDZ has a crucial role to play in the development of skills in specific niches for potential investors. It is in line with this identified need that the ELIDZ continues to target investments that are labour intensive and continues to employ programmes such as learnership and skills development programmes in order to fully respond to some of the key challenges under this pillar. Twelve students underwent a rigorous internship programme in the ELIDZ whilst 56 learners are currently placed with a number of business both within and outside of the East London IDZ.

SPECIAL ELIDZ PROMOTIONS AND OTHER OPPORTUNISTIC DONATIONS

Flagstaff Trust Account: Setting up of an education Trust account for the Mangena 7, a family of orphans in Flagstaff in order to give opportunity to these children to access higher education. The ELIDZ employees and the ELIDZ corporate have collaborated to raise funds for this family and have, in a period of twelve months raised just over R35 000 rands to go towards the children's higher education.

Angels Orphanage and Cotlands: Facilitated partnership between Angels Orphanage in Scenery Park and Cotlands, a non-governmental organisation which helps community entities with nutrition, growth monitoring and basic education training.

- Sponsorship of uniforms with Umso Construction to three children's homes
- Rally to Read Campaign which includes a sponsor of a mobile library to a rural school in Peddie
- Crime Reporting Centre – The ELIDZ has donated the use of one of its properties to the Westbank community to be utilised as a Crime Reporting Centre
- Kit sponsorship for Border Bears, a wheelchair basket ball team
- Khanya Career Expo
- Ulwazi ngu Ndoqo Educational Outreach to Engcobo

STATEMENT OF
CORPO-
RATE
GOVERNANCE

“
The board of the ELIDZ recognises the need to conduct the affairs of the company with integrity, in accordance with generally accepted corporate practices, and is committed to upholding the governance principles incorporated in the Code of Corporate Practices and Conduct, set out in the King Report.”



The East London IDZ Board
Seated from left to right: M Saziwa, S Kondlo, Z Tini, H Batidzarai, N Anderson
Standing from left to right: J Brown, S Mase, Cllr D.M Matika, Ald Badenhorst

CORPORATE GOVERNANCE

Towards this end, the ELIDZ maintains the following governance structures and practices.

BOARD

The ELIDZ board comprises nine members, including the chairman and chief executive officer. With the exception of the chief executive officer, who serves ex officio, all members of the board are non-executive members nominated by various stakeholders.

The board met seven times and to discharge its responsibility of giving strategic direction to the company. It performed its collective responsibility of providing effective corporate governance, which involves the coordination and management of relationships between the management of the company, its board, its shareowners and other relevant stakeholders. Its main responsibilities during this period were to:

- Determine the purpose and values of the ELIDZ
- Determine the strategy to achieve its purpose and to implement its values in order to ensure that the company thrives
- Exercise leadership, enterprise, integrity and judgment in directing the company so as to achieve continuing prosperity for the company
- Ensure that procedures and practices are in place that protect the company's assets and reputation
- Monitor and evaluate the implementation of strategies, policies, management performance criteria and business plans
- Ensure that the company complies with all relevant laws, regulations and codes of best practice
- Develop a clear definition of the levels of materiality or sensitivity in order to determine the scope of delegation of authority and ensure that it reserves specific powers and authority to itself
- Ensure that technology and systems used in the company are adequate to run the business properly and for it to compete through the efficient use of its assets, processes and human resources
- Identify key risk areas and key performance indicators of the business enterprise in order for the company to generate economic profit so as to enhance shareholder value in the long term while recognising the wider interests of society
- Monitor and manage potential conflicts of interest of management, board members and the shareholders
- Regularly assess its performance and effectiveness as a whole, and that of individual directors, including the chief executive officer
- Ensure that the company has developed a succession plan for its chief executive and senior management.

BOARD MEETINGS

Board members attended board meetings and participated fully, frankly and constructively in board discussions and other activities as guided by its charter. They brought the benefit of their particular knowledge, skills and abilities in discharging their responsibility of ensuring the continued success of the company. During the year under review, there were four scheduled meetings and in addition, three special Board meetings were held making it seven altogether. The attendance record of the individual board members is disclosed in the table below, in line with the recommendations as set out in King II.

CONFLICT OF INTEREST

A register was completed to ensure that conflicts of interest were recorded where applicable and transparency entrenched. Board members were required to:

- Inform the board of conflicts or potential conflicts of interest they may have in relation to particular items of business, in particular the awarding of tenders, preferably in advance
- Disclose their interests at the ELIDZ, other directorships, and any other area of potential conflict of interest
- Absent themselves from discussion or decisions on matters in which they have a close and material connection or conflicting interest.

BOARD COMMITTEES

EXECUTIVE COMMITTEE

This committee consists of the chief executive officer and five non-executive board members. Its principal function is to attend to urgent matters requiring immediate decisions. It also assists the CEO in acting for the board and managing the day-to-day operations when the board is not in session, subject to the board's limitation on the delegation of authority to the CEO.

This committee also performs the role of the Human Resources and Remunerations Committee in that it determines and recommends to the board the ELIDZ's general policy on executive and staff remuneration and measures employee performance in the discharge of their functions.

Attendance of ELIDZ Board & Committee Meetings for Period - 1 April 2010- 31 March 2011							
NAME AND TOTAL NUMBER OF MEETINGS	Board & Special Board	EXCO	Audit	Finance & Tender	Investment Services	AGM	Directors Fees
Members	7	4	3	9	3	1	R'
Mr. Z M Tini, Chairperson	7	4				1	R86 766.48
Mr. S Kondlo, Ex-officio	7	4	2	9			
Mr. X Pakathi *							
Alderman J. Badenhorst	7	4		9	2	1	R65 320.25
Ms. N. Anderson	6	3	3			1	R54 556.10
Mr. M. Matshamba							
Cllr. D M Matika	7	4	1	7	3	1	R75 886.50
Ms. J. Brown	3			1			
Mr. H. Batidzirai	6				3	1	
Mr. J. Clark **				7			
X. Mbangxa **			3				
Ms. T. Mnqetha ***			1				
Ms. C. Putzier**			2				
Mr. G. Simms**			2				
Mr. M. Saziwa	3					1	R40 796.90
Mr. N. Ncunyana ***							
Mr. M. Daka							
Mr. S. Mase	5				2	1	

AUDIT AND RISK MANAGEMENT COMMITTEE

This committee is comprised of a non-executive director (who acts as chairperson) and two non-executive directors. One suitably qualified external committee member (not a board member) with auditing skill and experience has been co-opted into the committee. The chief executive officer, chief financial officer, the internal auditors and the external auditors are invited to attend meetings.

The main objective of this committee is to provide the board with the assurance that the internal controls are appropriate and effective and to monitor the component parts of the audit and compliance process.

The specific role of the audit and risk committee is to assist the board in discharging its responsibility to, amongst other things:

- Safeguard assets
- Maintain adequate accounting records
- Develop and maintain effective systems of internal control
- Promote the independence of both the external auditors and internal audit function
- Review the scope and outcome of audits
- Enquire into the process of risk identification and the measures in place to contain these risks
- Ensure that the board and the executive committee make informed decisions and are aware of the implications of such decisions regarding accounting policies, practices and disclosure
- Provide as much assistance and information as possible to the board to enable it to discharge its responsibilities appropriately.

FINANCE AND TENDER COMMITTEE

The committee is comprised of one non-executive director (who acts as a chairperson), two non-executive directors as members and two suitably qualified external committee members (not board members). The chief executive officer and the chief financial officer attend the meetings.

The board has delegated powers to the Finance and Tender Committee to:

- Review and recommend to the board the Business Plan and Annual Budget and any amendments thereto
- Review the draft interim and final accounts
- Monitor the internal accounting systems
- Review the quarterly management reports and recommend these to the board for approval
- Monitor the process of risk management, analyse and recommend changes to the board on the risk management system
- Analyse the submissions of tenders and award these according to the delegation of authority limits
- Analyse the submission of tenders and recommend for board approval those that exceed the delegated authority.

INVESTMENT COMMITTEE

This committee consists of four non-executive board members and the chief executive officer. Its principal functions are to:

- Provide guidance to the organisation concerning the attraction and settling of investors into the IDZ
- Monitor the progression of investment promotion efforts via the management of the potential investor pipeline
- Monitor compliance with environmental legislation applicable to the attraction and settlement of investor industries
- Give advice to shape and direct the compilation and periodic revision of the ELIDZ's investment promotion strategy.

CODE OF CONDUCT

An internal code of conduct has been adopted and signed by all personnel of the ELIDZ as a governance initiative that commits the organisation and its personnel to the maintenance of highest ethical standards. All employees are expected to adhere to this code of conduct in the execution of their responsibilities while in the employ of the ELIDZ.



REPORT OF THE BOARD AUDIT & RISK COMMITTEE

Report by the Board Audit and Risk Committee in terms of Treasury Regulations 27(1) (10) (b) and (c) to the Public Finance Management Act of 1999 (as amended)

AUDIT COMMITTEE MEMBERS

The audit committee consist of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 3 meetings were held:

NAME OF MEMBERS

Ms. N. Anderson Cllr. D M Matika Ms. J. Brown Ms. T. Mnqetha

AUDIT COMMITTEE RESPONSIBILITY:

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of Section 51(1)(a)(11) of the Public Finance Management Act, No. 1 of 1999 and Treasury Regulation 3.1. We further report that we conducted our affairs in compliance with this charter.

THE EFFECTIVE OF INTERNAL CONTROL

The system of internal control applied by the ELIDZ over financial and risk management is effective, efficient and transparent.

In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

From the various reports of the Internal Auditors and the Audit Report on the Annual Financial Statements, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

EVALUATION OF FINANCIAL STATEMENTS:

We have:

- Reviewed and discussed the annual financial statements to be included in the annual report;
- Reviewed changes in accounting policies and practices.
- Reviewed the company's compliance with legal and regulatory provisions

We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the annual financial statements should be accepted read together with the report of the Auditor-General South Africa.

Internal Audit: We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the company in its audits.

Auditor-General: We have met with the Auditor-General South Africa to ensure that there are no unresolved issues.

On behalf of the Audit Committee:



N Anderson – Audit Committee Chairman

We are pleased to present our report for the financial year ended 31 March 2011





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