east london idz
business streamlined

09/10 annual report

Transforming the industrial landscape of the Eastern Cape

TRANSFORMING

THE INDUSTRIAL LANDSCAPE OF THE EASTERN CAPE

Established seven years ago, the East London Industrial Development Zone has transformed a 455ha greenfield site into a world-class industrial zone, ideal for cleaner, high value-adding industries, such as automotive, agro-industry and renewable energy.

Located in one of the most beautiful of South Africa's nine provinces, the Easten Cape, the East London IDZ became the country's first operational zone, attracting investors and operating a highly-efficient Automotive Supplier Park.

The aim of the IDZ programme, an initiative of the Department of Trade and Industry, is to provide a platform for the Zone's enterprises to become globally competitive for export oriented manufacturing. The results of this strategy are borne out by the increased production and export of several products by manufactureres housed in the Zone that supply markets such as Germany and the United States of America.

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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.

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TO OUR STAKEHOLDERS

Zolile Tini – Chairman

Simphiwe Kondlo – Chief Executive Officer

CHAIRMAN'S STATEMENT

The biggest challenge for the East London IDZ, going into 2009/10, was to weather the economic storm without deviating from the mandate of attraction of strategic investment that would stimulate regional economic growth – this at a time when manufacturers globally were retrenching employees, downsizing their operations and even shutting down due to an adverse business environment.

BUSINESS UNUSUAL

In response to this challenge, the organisation made a decision to refocus its short term strategy and target strategic investors that displayed the key elements of the South African IDZ mandate of attracting export oriented investors that brought new technology and skill into the country while diversifying the manufacturing sector and creating meaningful jobs.

While this was difficult, it was not impossible and as the year drew to a close, this strategy had started to reap rewards for the East London IDZ and all the elements of the mandate had been fulfilled despite the adverse economic climate.

The zone now boasts new investment in minerals beneficiation – a strategic partnership between a local company, Matla Beneficiation and a Chinese technology partner. There is also growth in the zone's aqua-culture and agro-processing sectors displaying the necessary diversification within the zone and these new investments have brought new jobs into the regional economy which assisted in alleviating the impact of the recession in the local economy.

CATALYST FOR GROWTH

During the period under review, there was great emphasis on the role of public entities that are active in economic development, as strategic implementation agents for government and this meant that the board needed to reflect and implement this role as part of its strategic direction. This resulted in the introduction of a strategic goal for the organisation which focused on maximising the developmental impact of the organisation, a role which became even more critical as the country looked at various economic recovery strategies. This is every more challenging for a country whose economy is unique among other developing economies due to the high levels of unemployment and a widening gap between the rich and the poor.

Part of the East London IDZ's response to this goal was to look at its choice of investors and focus on those that had a wider impact and linkages to the rural economy, hence the focus on building the organisation's value proposition in high impact sectors such as agro-processing and mineral beneficiation.

This also meant that the organisation had to go an extra mile in implementing strategies to drive economic growth and transformation using initiatives such as Broad Based Black Economic Empowerment (BBBEE) and Small Medium and Micro Enterprise (SMME) development. The organisation has done well to exceed its targets in this regard and has further looked at other policy tools to assist in maximising its developmental impact in future years.

There was also a great deal of focus on skills development as an integral part of maximising the organisation's developmental impact as this not only meant the participation of young people in the economy but was also an opportunity to upskill the young South African work force.

LENDING A HELPING HAND

The stability and success of the current zone enterprises is vital in building the credibility of the East London IDZ as an ideal location for industry to thrive. During the 2009/10 financial year, this meant that the organisation needed to look at various mechanisms to assist the investor community in weathering the economic storm.

This resulted in a partnership approach between the East London IDZ and its enterprises, centred on the creation of strategic solutions to respond to the various challenges. Outside the East London IDZ, government interventions, such as the deployment of development finance institutions such as the IDC to assist in supporting ailing industries, also played a vital role in keeping the manufacturers' wheels turning.

IDZ PROGRAMME DEVELOPMENTS

With the East London IDZ's position as one of the front-runner IDZs in the country, it naturally faces a challenge of inadequate policy tools and IDZ specific incentives to support the growth of the project.

This impacts on the competitiveness of the East London IDZ's market offering and also results in a challenging operational environment.

The organisation continues to engage the Department of Trade and Industry (DTI) for the resolution of these matters and while there has been limited movement is this regard, government has demonstrated a will and research work is being carried out to strengthen the IDZ programme.

FUNDING PRIORITISATION

The impact of the delays in the resolution and improvement of the policy environment for IDZs has started to affect the project due to the associated uncertainty around future funding streams. The organisation will continue to engage key stakeholders in this regard with the aim of bringing clarity, stability and certainty to the IDZ programme.

STAKEHOLDER SUPPORT

The East London IDZ continues to thrive in large measure due to strategic partnerships with a number of stakeholders whose involvement in the project is critical in ensuring the delivery of multi-faceted solutions to investors.

One such partnership has been with the Department of Trade and Industry, specifically the Trade Enterprise Organisation (TEO), which continues to share and support the vision of the East London IDZ.

The Department of Economic Development and Environmental Affairs, led by the honourable MEC Mcebisi Jonas, have thrown tremendous weight behind the East London IDZ and the role of province has become more than that of a funder but has seen more involvement in crafting the strategic direction for provincial economic development and opening doors for future investment for the zone. Similarly, the East London IDZ has been able to leverage critical synergies with the Eastern Cape Development Corporation (ECDC) specifically on the co-ordination of investment promotion in the region.

The organisation also continues enjoying a good relationship with the host municipality, Buffalo City Municipality, whose support is critical in responding to potential investor needs.

FUTURE OUTLOOK

There is no doubt that the East London IDZ is well on its way of fulfilling its mandate of changing the economic face of the Eastern Cape. As 2010/11 approaches with hopes of a more positive economic climate, leading to the finalisation of more strategic investments for this area, the board will continue to lead the hard working East London IDZ team with adherence to the utmost standards of corporate governance as displayed in the organisation's consecutive clean audit track record.

ZOLILE TINI
Chairman
East London IDZ Board

"There is no doubt that the East London IDZ is well on its way of fulfilling its mandate of changing the economic face of the Eastern Cape." - Zolile Tini


east london idz
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Admin
Centre 1

CEO'S OVERVIEW

The East London IDZ's existence is underpinned by the organisation's vision to operate a world class industrial complex, populated by highly competitive industries that thrive on streamlined and customised business benefits. This continued to set the tone for the organisation's operations even during a year that was characterised by substantial economic gloom and unfortunate job losses.

STRATEGIC RESPONSE

While the conversion of leads into investments decisions became a challenge due to potential investors' limited cash reserves as a result of the economic downturn, the East London IDZ did manage to continue to grow its investor pipeline in 2009/10. This was partly due to the organisation's strategic response which involved the prioritisation and active support of well-targeted, strategic investors with strong business cases.

There was great emphasis on the development of partnerships with investors which led to the design of innovative solutions that assisted investors to remain resilient under the challenging economic climate. The adverse economic conditions and concerns around energy security made it difficult for entities such as the East London IDZ to attract purely foreign direct investments due to investor scepticism and reservations in the market.

In response to this challenge, the East London IDZ positioned its investment promotion strategy to focus mainly on the attraction of domestic investors who understood the local business environment and who already had an operational footprint in the country. There was also emphasis on the attraction of local players who partnered with international investors to bring new technology and skills into the country. These types of partnerships proved instrumental in realising the ELIDZ's mandate of attracting investment during 2009/10.

SEEKING OPPORTUNITIES

While the economic downturn brought much negative sentiment for business, the East London IDZ recognised that there were opportunities that came with, and also post, the economic downturn. In line with this thinking, the organisation was active in looking for and marketing these opportunities, resulting in a number of strategic, forward-looking investors partnering with the East London IDZ in developing these opportunities.

POSITIVE RESULTS

Key focus areas in the East London IDZ's strategy for 2009/10 included efforts to widen and diversify the impact of the organisation through the attraction of a diverse mix of high impact investors into the zone. As they year drew to a close, there was great movement towards the realisation of this strategy.

A key to this success was the East London IDZ's efforts to attract an electric vehicle (EV) manufacturer to locate in the zone as part of the organisation's strategy to position itself as a prime location for green energy investments and developments in the Eastern Cape. At the end of 2009/10, the East London IDZ had been shortlisted among top two possible locations for the manufacturing facility for the Joule, a South African designed EV to be manufactured by Optimal Energy. There is continued optimism for the zone being confirmed the location for the vehicle and all efforts are focused on finalising negotiations in order to start the construction process of the plant by the end of 2010/11.

The East London IDZ managed to conclude deals with 4 new investors in the period under review, compared to a planning target of 5 investors.

The organisation sees this as an achievement, given the economic climate and salutes the investors who went ahead and had confidence in the East London IDZ's value offering. This is an indication of the far-sightedness of investors who were able to look beyond the recession and focus on positioning themselves for the economic upswing that would follow.

The period saw the construction of a state of the art dairy processing facility in the zone, marking the location of the zone's first agro-processing investor, Sunningdale Dairies. The agro-processing sector remains a strategic sector to locate in the zone due to its labour intensive nature and solid backward linkages with the regional farming industry.

The period under review also saw the consolidation of the aquaculture sector in the zone. The organisation continues to sharpen its value offering to potential investors in this sector and 2009/10 saw the location of a third investor for this sector.

There has also been exciting developments in mineral beneficiation with the first diamond polishing facility in the Eastern Cape being located and built in the East London IDZ.

This investment is likely to act as a catalyst for similar mineral beneficiation operations which would assist in profiling the province as a new mineral beneficiation node in South Africa.

There has also been a considerable amount of research of opportunities in various sectors including Renewable Energy and Information and Communication Technology. The organisation is continuing with various initiatives to package and market these opportunities to targeted investors.

BUILDING AN INVESTOR COMMUNITY

While investor attraction is an important part of the ELIDZ's mandate, the growing number of operational investors in the zone also accentuated the need for the organisation to look at investor attraction strategies that would assist in anchoring investors in the zone despite the economic downturn. Sector specific value propositions have been crafted and continue to attract strategic investments into the zone.

The 2009/10 year was a real test case for the organisation in the servicing of investors and in response to some of the challenges and needs of investors in the zone, there was a need to create meaningful and frequent dialogue between the IDZ and investors on how to maximise the use or resources (such as electricity) while getting the most value from facilities located in the zone.

There was joint planning on efficient use of utilities to drive down cost to mitigate some of the negative financial challenges brought about by the economic recession and there was continued engagement on various ways to deal with sector shut downs brought on by the recession to minimise retrenchment. In addition, there was collaboration in accessing new markets and efforts directed towards product diversification to manage investor risk.

A GROWING INDUSTRIAL LANDSCAPE

The 2009/10 financial year saw the construction of five additional factories in the zone resulting in a 37% increase in the number of investor operations in the zone.

A key challenge for the East London IDZ's zone development programme was the reduction of government funding. This meant that the organisation had to be stringently selective in terms of the investment projects for which it funded the construction of top structures. Consequently there was a move to prioritise investors, which were aligned to key strategic sectors identified by provincial and national government industrial plans.

37% increase in the number of investor operations

There was also increased focus on the planning and development of shared infrastructure for various target sectors/clusters in order to streamline investor operations and leverage synergies to generate cost efficiencies and higher export competitiveness.

INSPIRED INNOVATION

With the renewed industry focus on the development of a knowledge economy, the East London IDZ is looking at various ways in which it can assist in the development, consolidation and strengthening of the Eastern Cape's position as a renowned node of innovation in the country. Key to this is facilitating the development of a Science and Technology Park, in close proximity to the zone, to serve as a platform and a catalyst for the development and stimulation of innovation in the province. This initiative centres on forging of a close partnership between academics, industry and government to support a value chain of innovative development and practices to build industry competitiveness and fast track economic development.

11 300 construction employment opportunities created since inception

EXTENDING OUR REACH

The East London IDZ has succeeded in making a positive contribution to the immediate and future economic potential of the region through its provision of modern and purpose-built infrastructure suited to investors' requirements. The construction activity helped carry the economy of the region and more than 11 300 construction employment opportunities have been created since inception. This has encompassed positive impacts in respect to the support of Broad Based Black Economic Empowerment companies and Small, Micro and Medium Enterprises. During 2009/10, the ELIDZ spent 67% of its budget on BBBEE enterprises, marginally exceeding its 60% target, while SMMEs benefitted with 21% against a 20% target. Women owned enterprises received 9% of the East London IDZ's procurement spent in the period under review.

During the period under review, the organisation partnered with the Office of the Premier in the Eastern Cape to implement various learnership opportunities. A total of 72 learners received certification in fitting and machining, auto component manufacturing and welding applications.

For the East London IDZ, 2010/11 will undoubtedly bring further opportunities for pursuing industry diversification. A recognition of the ELIDZ's successes to date and the continued strengthening of the organisation's brand and reputation should assist to further build the international positioning of the East London IDZ as a key solution for industries who want to locate in a prime industrial park which actively supports its tenant industries to streamline and improve their business operations.

This positive outlook is enhanced by the fact that certain national strategic projects, such as the electric vehicle project, which is identified in the Department of Trade and Industry's Industrial Policy Action Plan (IPAP2), have indicated the ELIDZ as their preferred location due to the strategic partnership that the IDZ is able to provide.

The organisation will continue to strengthen its focus on building its capabilities to be well set to respond optimally to the opportunities and challenges of the emergent knowledge economy. There will also be renewed interest in addressing fundamental structural developmental issues, such as logistic challenges, which have burdened the economic activity and prospects of the region. As part of this, efforts will focus on how the region can benefit from being located in the same province as the world class Deep Water Sea Port of Ngqura, while also acting proactively to sustain and increase traffic volumes through the port of East London.

S N KONDLO
Chief Executive Officer
East London IDZ

State-of-the-art Sunningdale dairy plant

MESSAGE OF SUPPORT FROM BUFFALO CITY MUNICIPALITY

The quality of life of any given community is linked directly to the availability or otherwise of opportunities for self-development and sustenance of livelihoods.

A qualitative lifestyle owes its positive profile to one's ability to feed and clothe oneself and one's family, and to provide for any other need that is peripheral to the status of a better life. This in turn speaks to the incidence of a guaranteed household income. The people of Buffalo City attach strong significance to the relationship between economic development and quality of life. We believe that, next to profit, the creation of sustainable jobs should be a key priority objective for commercial and industrial establishment.

Buffalo City Municipality's strategy for local economic development zooms in on the need to provide respectable job opportunities for local communities, with particular emphasis on skilled and semi-skilled employment. Our strategy incorporates an ongoing skills training programme for unemployed people, especially young people, with a view to preparing them for smooth entry into the job market, and to ensure sustenance and continuity of employment.

The Municipality is mindful of the fact that it can only encourage economic investment into the city, by providing precursory infrastructure. The actual work of facilitating establishment and location of economic activity remains the province of specially dedicated institutions, organisations, and facilitators. The East London Industrial Development Zone (IDZ) has always been one of our strongest partners in this regard, and our faith in its capabilities has thus far been fully justified.

The East London IDZ has, since its inception, proven its worth as an enabling mechanism for economic investment in Buffalo City, particularly in East London. Its strategic location gives the investor a profitable choice of rail, road, air, and sea transport for incoming raw materials and outgoing finished products. It may be the youngest industrial development zone in this country. But it is definitely experiencing a growth rate that compares favourably with established zones elsewhere. We have, through the years, witnessed the steady but sure growth of industrial activity in the East London IDZ, with positive spill-overs to smaller businesses in the city.

Through the activities of the East London IDZ, numerous opportunities have been created for our people, and this has brought relief to a multitude of families that were previously struggling to make a living, and has brought a sense of dignity and respectability to a number of households.

Our aspiration is to transform the Greater East London area into an investment destination of choice. The infrastructure at the East London IDZ lends itself favourably to this cause. The abundance and immediate availability of skilled labour complements this feature, and continues to mitigate in favour of the East London IDZ's readiness to serve the diverse interests of large and small investors.

Whilst we fully acknowledge the negative impact that the recent recession must have had on the Board's ongoing programme of attracting investments to the East London IDZ, we have also noted, with pride, the added effort and extra energy that the Board has put in its marketing drive and strategies.

We encourage the Board, management, individual tenants and the general workforce within the East London IDZ to continue interacting in an amicable fashion, sharing one another's aspirations and frustrations, and generally striving to sustain harmonious working relations amongst all the parties.

As a key partner and stakeholder in the East London IDZ, Buffalo City Municipality will continue to work for the continued growth and further development of this jewel of our city, and we openly pledge our continued support for all present and future efforts to accelerate growth, and to multiply the positive impact that the East London IDZ is already having on the lives of our people.

ZUKISA FAKU
Executive Mayor
Buffalo City Municipality

East London IDZ Automotive Supplier Park

MESSAGE OF SUPPORT FROM EASTERN CAPE PROVINCIAL GOVERNMENT

Despite the Eastern Cape being the hardest hit of the South African Provinces during the economic recession, it was pleasing to note that the Department of Economic Development and Environmental Affairs' (DEDEA) entities like the East London IDZ were at the forefront of economic development.

During 2009 the Eastern Cape lost an estimated 95 000 jobs, mostly in the automotive and textile manufacturing sectors. The government needed to respond to this and steer the economy back to safer waters by formulating a new approach to economic development.

The East London Industrial Development Zone (IDZ), as one of the shining beacons of the department's public entities responded with aplomb to the Eastern Cape government's new approach of sustainable economic development, diversification and rural development.

Essential to this new approach, was the drive to increase rural incomes and create decent work opportunities. By attracting its first agro-processing investor, a dairy processing plant, the East London IDZ gave credence to the provincial government's new approach.

The plant, to be completed in the first quarter of the next financial year, will create about 250 direct sustainable jobs, and a further 1000 indirect job opportunities. The investment has backward linkages as it will act as a catalyst to resuscitate the province's ailing dairy industry, with establishments like the Ncora Irrigation scheme in the rural Engcobo and Fort Hare University agricultural farm, being used to supply milk to the plant.

The East London IDZ also responded by developing mechanisms to strengthen the struggling automotive industry. The zone launched an innovative multi-Original Equipment Manufacturing (OEM) model that seeks to attract and accommodate OEMs who do not currently have a manufacturing presence in South Africa, due to volumes.

With this model the East London IDZ is breaking new grounds and targeted OEMs are already showing interest in utilising it. To further strengthen the automotive sector, the East London IDZ has been identified as the one of the leading contenders for the location of the manufacturing of South Africa's first ever electric vehicle.

With many global players advocating the move to greener cleaner energy, the solar heater investment in the East London IDZ will act as a spring board to kick start this sector in the province. This is evidence that the East London IDZ is intent on lighting and energising South Africa without costing the earth.

To this end, the DEDEA invited the East London IDZ to take the lead in the formation of the provincial energy study, which aims to unlock the potential and competitive edge of the province in this sector.

The department is confident that this facility will act as a spring board to attract more agro related investments into the East London IDZ.

The East London IDZ also responded to the provincial government's call for diversification in the economy by attracting the world class highly specialised diamond polishing facility; a R102 million investment. This exciting investment will be launched in the next financial year. A number of previously unemployed youth will benefit from the skills transfer from their Chinese counterparts.

Minister of Mineral Resources, Susan Shabangu at the launch of the Matla Diamond Polishing plant

Other investments in the exciting aquaculture industry have acted as further proof that the East London IDZ is making inroads in applying its long-term strategy of diversifying its investors. During the 2009/10 financial year, facilities for two Dusky kob farmers were already being constructed, and investors are expected to move in the next financial year.

The department fully supports the East London IDZ in its foresight and strategy to establish a Science and Technology Park (STP), where a culture of innovation and competitiveness of its associated business and knowledge based institutions will be enhanced.

The STP will draw intellectual resources from all four universities in the region, namely, Rhodes, Walter Sisulu University, the University of Fort Hare and the Nelson Mandela Metropolitan University. This is in response to the Eastern Cape government's drive to support innovation and knowledge generation.

Looking to the next financial year, the department will continue to support the East London IDZ in its efforts to contribute to provincial economic growth by attracting more investors. In this regard, planning has reached an advanced stage for the production of South Africa's first ever electric automobile, and extensive consultation has taken place with a view to securing related investment for the East London IDZ.

This would be a prestigious achievement in view of the 'clean' and technologically futuristic nature of this industrial investment, coupled with the fact that its location in the East London IDZ would further diversify and strengthen the region's reputation and ability to sustain auto manufacturing.

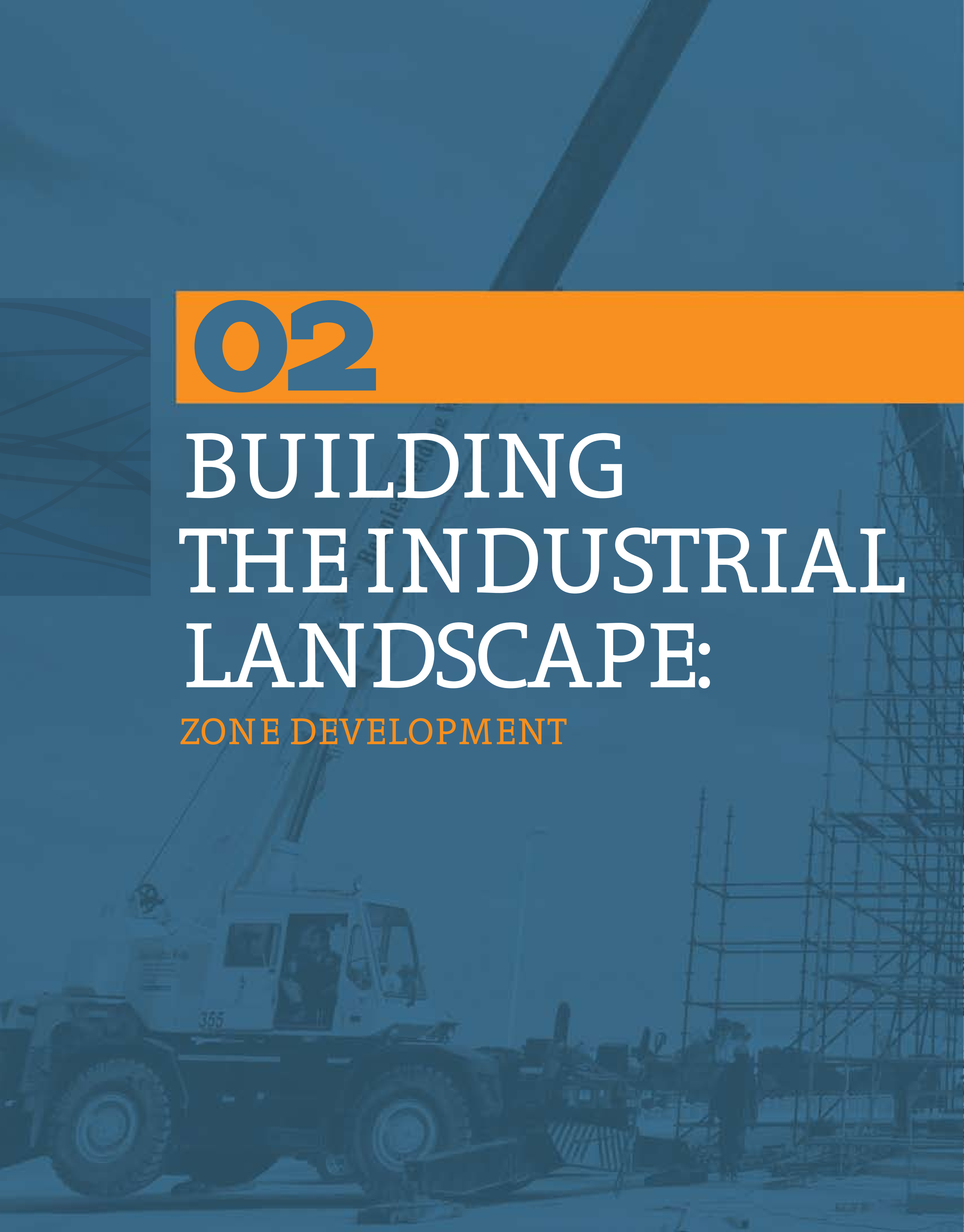
The East London IDZ, with its ability to weather the economic storm and attract new and diverse investors, has proven to be a great investment for the province; the government is now getting a return on its investment.

MCEBISI JONAS
MEC
Finance, economic development and environmental affairs

02

BUILDING THE INDUSTRIAL LANDSCAPE:

ZONE DEVELOPMENT




BENNIES CRANE HIRE

DIAMOND POLISHING GEM IN THE ELIDZ

A year ago the land bordering the East London IDZ entrance gates was as mixture of bush and flora; within a couple of months drastic change is visible. A glittering diamond polishing facility is now a new landmark on the site.

The facility stands as proof that the global economic recession did not slow down the East London IDZ from its efforts to accelerate the rate of putting up world class superstructure for its confirmed investors.

The cutting edge Matla Diamond polishing plant is [also] confirmation of the company's ability to build eye catching facilities within the guidelines of value engineering and the allocated budget.

From the outside, the awe inspiring plant features a solid brick flat roof secured structure, enclosing the highly secured processing area linked to a modern administrative and staff zone by a fully glazed floating roof.

Matla Group CEO Chia-Chao Wu unpacks how the East London IDZ managed to engineer a unique facility to compete with the best in the world.

"When we were planning this facility, the CEO of the East London IDZ, Mr Kondlo took the design team with us to China to evaluate our partner's plant and basically brought that plant into South Africa, plus more," says Wu

"We wanted to create an environment that finds the correct balance between industrial splendour while retaining the atmosphere of workmanship found in diamond polishing facilities the world over."

Step inside the cutting edge facility and the idea of creating a secure environment for the Matla employees and visitors permeates through the well crafted interior. Project Manager Leonard Swana explains:

"The factory operates from a central spine circulation zone (internal factory street). The factory street links the processing areas on one side with the staff and management facilities on the other side."

"This concept controls movement and provides a form of passive security zone with the use of full height glazed walls with a 1m high solid wall plinth," he adds.

The facility, completed in less than eight months, came with its challenges. A major challenge in putting up this facility, according to Swana, was striking a balance between aesthetical considerations , security and process related operational requirements of a diamond facility during the design stage.

"There had to be vast amount of interaction between the design team and industry experts who were going to operate the factory. We needed make sure that our design matched their requirements, "adds Swana

Security is an important aspect in the diamond industry and the East London IDZ design team had to make sure that the design complied with the security requirements.

"Even though we were working under extremely tight time frames, these challenges had to be overcome; and I am happy to confirm that we managed to overcome all of them and complete the facility in good time."

"We wanted to create an environment that finds the correct balance between industrial splendour while retaining the atmosphere of workmanship found in diamond polishing facilities the world over." - Chia-Chao Wu

ZONE DEVELOPMENT

Johan Burger
Executive Manager:
Zone Development

The East London Industrial Development Zone's exceptional infrastructure continues to be an important part of the organisation's business development strategy with an emphasis on the development of enabling shared infrastructure for target sectors in order to engineer efficiency for investors.

LAYING THE FOUNDATION

Key to responding to this strategic goal, the organisation's zone development function in 2009/10 focused 47% of its efforts on the development of enabling infrastructure for the automotive and the aquaculture sectors. To ensure a thriving aquaculture sector – the organisation has planned for and started the process to construct a seawater abstraction and reticulation system to allow for the storing and distribution of seawater to the zone's 30 hectare aquaculture cluster. This project is set to improve the competitiveness of this cluster by assisting investors to focus on their core business has and as such will be an important catalyst for the expansion of the sector in the zone. It will also reduce the individual investor's start up costs and assist them in operating efficient enterprises in the highly competitive sector.

In line with the East London IDZ's plans to develop a multi-OEM facility in the zone to encourage local manufacturing presence for smaller OEMs who previously had no manufacturing base in South Africa, the period under review also saw development of a platform and the finalisation of earthworks in Zone 1B – the targeted location for the Multi-OEM facility. This will ensure a shorter lead time for the development of the facility on the signing of investors. There has also been a considerable amount of effort in the infrastructure planning for the construction of a manufacturing plant for South Africa's first electronic vehicle. This could only be achieved through a partnership centred approach between the East London IDZ and Optimal Energy, who are the manufacturers of this vehicle.

The infrastructure solution formed an integral part of the East London IDZ's investment proposal to the company and was partly the reason behind the zone being shortlisted in the top two locations for this investment.

As an organisation which has positioned itself as a solutions oriented company, the East London IDZ has looked beyond the locational needs of this potential investor and has further assisted the investor in identifying key logistical bottlenecks and possible remedies to this. As the year drew to a close , the organisation continues to engage with the investor as a strategic partner and is highly optimistic that this investment will locate in the zone.

The East London IDZ has also started ammending its master plan to cater for the eminent construction of a specialised manufacturing facility for Optimal Energy, which will definitely challenge the city's engineering capabilities and introduce new skills in the area from a construction and development point of view.

The East London IDZ has positioned itself as an environmentally conscious organisation which promotes recycling and reuse of waste generated from the zone's enterprises to ensure environmental sustainability for future years. Linked to this , the organisation finalised the construction of a waste transfer and sorting station. The station will be capable of handling up to 25 tons of waste per year and is part of the zone's centralised service offering to its tenants. The station assists investors with on-site waste sorting, streaming, compaction and recycling opportunities as part of the suite of centralized services offered by the EL IDZ.

FROM THE GROUND UP

Key to the zone development mandate of the East London IDZ is the planning and construction of specialised facilities to satisfy the needs of the investors while ensuring cost and time efficiency. This mandate was put to the test in 2009/10 with the construction of two specialised factories for strategic investors.

An integral part of the planning involved international benchmarking and the breaking of new ground to assist investors to introduce new found efficiencies in their various sectors.

A SHINING EXAMPLE

An example of this was the development of a specialised diamond polishing factory for the Matla Beneficiation Company, an investor who is set to compete with world class facilities in China and India.

The cutting edge Matla Diamond Polishing facility features a solid brick facade and a curved roof structure which is very striking providing a secure element, enclosing the highly secured processing area linked to the administrative and staff zone by a fully glazed front facade at the main entrance .

The plant is characterised by a giant framed diamond-shaped sculpture on an elevated radiating stone earth mound at the main approach to the building and the plant boasts a delicate balance of industrial effeciency and architectural beauty. The facility, which is easily the best of its kind in South Africa provides a secure environment – a vital requirement in the industry within which it operates.

The factory operates from a central spine circulation zone (internal factory street). The factory street links the processing areas on one side with the staff and management facilities on the other side. This concept controls movement and provides a form of passive security zone with the use of full height glazed walls with a 1m high solid wall plinth internally.

Matla diamond polishing plant will have 8 times the production capacity

The highly innovative Matla diamond polishing plant located in the East London IDZ will have eight times the production capacity of a similar sized manual operation due new technology introduced to drive efficiency.

The Matla Benefication Company plant , which has been benchmarked with the world's best plants in both India and China, has been fitted with state of the art technology and has all the necessary automation to drive efficiency in one of the most competitive industries in the world.

LEADING INNOVATION

During the period under review, the East London IDZ also assisted one of its investors, Sunningdale Dairy, a company that processes milk into a number of dairy products, to build a very modern facility in the zone. The facility, which boasts the latest technology in the dairy processing industry, is a 6500 square metre masterpiece combining aluminium sheeting, steel and glass.

As a compliment to the design features and operational requirements of this world-class facility, consideration for the sensitive environment with regard to waste water disposal was given a serious thought by the design team. A 200 000 litre per day capacity Effluent and Water Recycling Plant was introduced, fully fitted with aerobic reactor system that will treat and recycle all production waste water. This leading technology is likely to act as a catalyst for attracting similar investors into the zone.

The construction of the East London IDZ's corporate head office continued in the period under review. This project, which was beset with challenges in the previous year leading to delays in finalisation is due for completion in the third quarter of 2010/11. The three storey building which will house East London IDZ employees under one roof has been built piloting technologies that are in line with the efficient use of energy. A key feature of the building is the integration of the natural surroundings of the East London IDZ location as a key design element.

63% of the zone development expenditure going to BBBEE entities.

During the period under review the East London IDZ also assisted a number of investors, who were building their own premises in the zone to optimally plan their buildings while aligning to the zone's standard building guidelines to ensure aesthetic and engineering integration to the rest of the park. The pre developed bulk internal infrastructure in the zone, allowed the investors to swiftly put up their top structure. These buildings include the Murray and Roberts RSC building in Zone 1D of the East London IDZ , as well as the Pure Ocean and Espadon Marine facilities in the mari-culture cluster.

ENGINEERED EFFECIENCY

The East London IDZ continues to apply the value engineering principle in all its zone development projects in order to ensure cost effective infrastructure solutions that respond to investor needs. With the fast escalating energy costs, part of this principle has been looking at the energy demands for each individual building and designing the building such that it can utilise alternative energy sources and be energy efficient.

This would have a knock on effect in the competitiveness of the investors. For already established investors, the East London IDZ is investigating the use of photo-voltaic panels to supplement green energy requirements to investors who are feeling the pressure of the increased electricity tariff costs. The East London IDZ is also in the process of implementing systems that encourage the harnessing of rainwater for irrigation purposes and has further looked at desalination as an alternative source for industrial water.

The past couple of years have seen an upward trend in building costs and it has been very challenging for the East London IDZ to look at innovative ways of managing this cost. The 2009/10 period however saw the stabilisation of building costs with a reported 6% drop year on year. This has been due mainly to the contraction in the economy and the competitive nature of tenders over the past year.

ANCHORED DEVELOPMENT

The infrastructure expenditure makes up 86% of the East London IDZ's overall expenditure for 2009/10. As an organisation which has been mandated with stimulating economic growth in the region, the organisation has looked at various ways in which it can maximise the impact of its infrastructure expenditure. In the period under review there was an increase in the BBBEE enterprises involvement in zone development in terms of both contractor and consultant engagement. This translated to 63% of the zone development expenditure going to BBBEE entities. The organisation continues to investigate various mechanism of increasing SMME spent in the sector and as the year drew to a close – there were structured efforts to lay a foundation for targeted SMME engagement.

3 248 construction jobs were created

While there was a limited number of main contractors engaged by the East London IDZ during the period under review – the organisation made efforts to influence the engagement of empowered local sub-contractors by the main contractors to ensure maximum impact on the Eastern Cape economy in terms of local spent and job creation. During the period under review, 3 248 construction jobs were created taking the number of construction job created to 11 300 since 2005.

MAINTAINING WORLD CLASS INFRASTRUCTURE

An increasing role of the zone development function has been the maintenance of the world class infrastructure in the industrial complex. This is currently being done through the use of the state-of-the-art Maximo system which assists in tracking the maintenance needs of zone infrastructure. Facilities management also forms an integral part of the East London IDZ's after-care service to investors and the organisation continues to strive for 100% uptime in terms of utility services to investors. Through the use of a 24 hr call centre facility for the zone, the organisation has done very well in responding to and managing emergency situations that have risen in the period under review.

PLANNING AHEAD

The environment within which the East London IDZ operates is a dynamic one which changes from time to time based on a number of external factors and planning, in this regard, is vital. During 2009/10 the organisation completed the third deliverable of the industrial master plan – with the key focus being the use of utilities such as water and electricity in the zone taking into account the growing number of enterprises and the development of new clusters. This also included the investigation of alternative energy sources within the zone in line with the organisation's green energy inclination.

The organisation has also kick-started the process to look at the acquisition of additional suitable land for a number of purposes including the expansion of the mari-culture and the agro processing sectors. There have also been efforts to look at identifying parcels of land that are served by rail with access to a road network and in close proximity to the harbour for backward operations for mainly renewable energy investors that are looking at locating their processing facilities.

The East London IDZ is also playing a leading role in the master planning for the East London Science and Technology Park which is set to drive the region's acquisition and retention of vital industry skills and technology capabilities while also establishing a platform for industry innovation through offering meaningful support and mentoring for innovative industries in line with the country's move towards a knowledge based economy.

The East London IDZ is also playing a leading role in the master planning for the East London Science and Technology Park

PATNERSHIP CENTRED APPROACH

The East London IDZ continues to engage with key, strategic stakeholders who are instrumental in unlocking a number of infrastructure bottlenecks in the province. This includes working with key freight and logistics stakeholders to lobby for cost efficiency in this sector and the engagement of key stakeholders for vital supporting infrastructure upgrades.

FUTURE OUTLOOK

The East London IDZ looks forward to reaping benefits from some of its planning done in 2009/10 and is excited to kick-start the construction of strategic projects such as the manufacturing facility for the electric vehicle. There will also be a great focus on the finalisation of some of the enabling infrastructure for the zone's investment sectors including the seawater abstraction and reticulation system. The planning and engineering design for the Multi OEM facility will also intensify. The year will also see the commencement of high level planning for centralised services for the agro-processing sector and the engineering design of the zone's agro-processing park.

02

DIVERSIFYING THE INDUSTRIAL LANDSCAPE:

INVESTMENT PROMOTION

DAIRY PLANT AN IMPORTANT MILESTONE IN ELIDZ SECTOR DIVERSIFICATION

The recent completion and opening of a R140 million, world class dairy processing plant represents a vital step towards the realisation of the East London IDZ's long-term strategy to attract a variety of manufacturing and services industries into the zone.

The Sunningdale Dairy facility launch heralded the initiation of a new sector for the East London IDZ, agro-processing, and this is complementing the Zone's existing and still growing base of automotive, transportation and logistics and aquaculture investments.

Speaking about the importance of diversifying the sector spread in the region, Border Kei Chamber of Business Executive Director Les Holbrook says pro-active sector development and expansion serves to lessen the city's dependency on a single dominant sector, like the automotive industry.

A more diversified economy lessens reliance on one industry and limits the level of risk exposure of the region's business communities and employees to the prospect of a sudden contraction (or even the loss of) a key component of the local economy, such as the auto OEM manufacturer, Mercedes Benz South Africa (MBSA).

"By identifying the risks associated with an over-reliance on one sector, the East London IDZ has been proactive in pursuing business development strategies with good potential to grow the spread of sustainable industrial sectors in the region," says Holbrook.

"Recent investments such as the Sunningdale Dairy processing and packaging dairy derivatives and related products such as juices, yoghurt and cheese, shows a willingness by investors to recognise the potential for a return on investment in sectors other than manufacturing."

Four additional investors that set up facilities in the East London IDZ this past financial year have further served to underpin the goal of diversifying the IDZ's investment base.

"Investments such as Espadon Marine and Pure Ocean in the aquaculture industry bear testimony to the zone's departure from dependence on the automotive industry," Holbrook says.

"The Matla Group of companies, in the form of diamond cutting and polishing, solar energy manufacturing (water heaters) and technology transfer and related manufacturing are just proof of the East London IDZ's strategy to diversify the economy of the region."

Holbrook says the Border Kei Chamber of Business supports the East London IDZ in its goal to develop and diversify the investor pool to embrace promising new sectors such as green industries investments and considers this an important response in the region's collective efforts to combat the effects of the global economic crisis.

The Sunningdale Dairy facility launch heralded the initiation of a new sector for the East London IDZ.

INVESTMENT ATTRACTION

Tembela Zweni
Executive Manager:
Business Development

The 2009/10 financial year saw the intensifying of the global economic recession and linked to that, the meltdown of the global automotive sector – a key investment target sector for the East London Industrial Development Zone.

PLAYING IN THE TOUGH ECONOMIC LANDSCAPE

This provided a tough playing field in terms of the organisation's key role of attracting and retaining strategic investors to strengthen South African export competitiveness. Despite these adverse conditions, the East London IDZ was able to add four more investors to its basket of investment – increasing the number of confirmed investors in the zone to 26 from 22 at the end of the 2008/09 financial year. These investors, namely Buylines 131 (PTY) trading as ELPET, Pure Ocean, Matla Beneficiation Company and Mediterranean Shipping Company (MSC) increased the investment value from R1.15 billion to R1.3 billion.

While the economic recession had negative results for the economy in general, the period under review saw more investors considering the ELIDZ as a location for their investments, resulting in a 14% increase in the zone's investor pipeline year on year.

The main success factor for the East London IDZ during this economically challenging year was the ability to develop solutions that responded to investor requirements and further assisted targeted investors to streamline their operations ensuring much needed efficiency. The organisation also continued to build on the capabilities of "TEAM EAST LONDON" an integrated approach of rallying key East London business expertise to design and deliver unique solutions to respond to investor needs.

DIVERSIFYING THE INDUSTRIAL LANDSCAPE

Key to the East London IDZ's investor attraction strategy for the 2009/10 was the sector diversification of investments locating in the zone. In 2008/09, 72 % of the enterprises in the zone were in the automotive sector, while the remainder represented the aqua-culture, agro-processing and the transport and logistics sectors. By the end of the 2009/10 the automotive bias was reduced to just 60% of the enterprises located in the East London IDZ being in the automotive sector and this number is set to be reduced further in the upcoming year.

The first step of diversifying the zone's industrial landscape was assisting current investors in the zone to look at their current capabilities and to build on their strengths to diversify their product offering. One of the zone enterprises which were assisted in this regard was Molan Pino who in the past twelve months was able to increase their customer base in the automotive sector while also expanding their product line to include seedling trays from the agricultural industry. This has led to the expansion of their plant located in the IDZ and further increases the job creation potential of this investor.

This lends itself well to the East London IDZ's investor attraction strategy of not only marketing an investment location but also focusing on business development for targeted sectors and investors. This involves working with the investors to identify their business needs and assisting them to improve the business through engineered efficiency and market intelligence. Investor attraction in the East London IDZ is not only about selling the zone – but it is about creating and delivering tailor made solutions for strategic investors.

The East London IDZ is also currently looking at deepening the different value chains within the sectors that it targets. An example of this, in the automotive sector, is that the organisation has started to look at the current first tier suppliers located in the zone's Automotive Supplier Park and where they are sourcing their materials from, in order to identify opportunities of attracting the second and third tier suppliers. This will improve the localisation profile especially in light of the new (Automotive Production and Development Programme (APDP) and in turn benefit the OEM, in this case – Mercedes Benz of South Africa.

DRIVING AUTOMOTIVE SECTOR INNOVATION

During the period under review, the East London IDZ developed a model which provides a platform for the development and improvement of the automotive industry in South Africa and further contribute to the competitive positioning of the South Africa automotive industry globally.

The multi-OEM model, which is centred around the employment of a common facility to assemble a number of different products for different OEMs is part of the organisation's response to its mandate to attract export oriented investment into the country.

The automotive industry worldwide was heavily impacted by the economic downturn and that combined with outdated practices and increased competition, these factors have placed and continue to place enormous pressure on OEMs across the globe.

The Multi-OEM model revisits the historical success of many of the established European, American and even Japanese brands, where a common facility was employed to produce a number of different products for different OEMs. The fundamental principle behind the model is shared facilities, the use of common infrastructure and collective efficiencies. The model presents a significant value alternative to the single OEM production that has become the norm.

As the year drew to a close, this project was receiving phenomenal reception from a number of manufacturers who were looking at the establishment of a manufacturing presence in South Africa through platforms such as the Multi-OEM model.

With the call for auto manufacturers to develop environmentally friendly vehicles to reduce the global carbon footprint, the East London IDZ is extensively marketing itself as an ideal location for the manufacturing and assembly of an electric car for the commercial market. This is strengthened by the existence of automotive suppliers in the zone, the existing automotive footprint of the Eastern Cape as well as the availability of relevant skills for such a development. By March 2010, the East London IDZ had been shortlisted as one of the two possible locations for the manufacturing of South Africa's first electronic vehicle, the Joule. The East London will continue negotiations with Optimal Energy, the manufacturers of the vehicle and is confident that this will have positive results for not only the organisation but for the broader Eastern Cape region and the country as a whole.

The East London IDZ had been shortlisted as one of the two possible locations for the manufacturing of South Africa's first electronic vehicle, the Joule.

POWERING THE EARTH

The East London IDZ fully embraces the global trend to move towards green power and has strategically positioning itself to align with the international trend towards more sustainable business development practices and sees tremendous opportunities in the new but highly contested renewable energy sector.

As part of developing its value proposition in this sector, the East London IDZ conducted a study focusing on manufacturing and generation opportunities. The organisation is now actively planning pilot projects to generate green energy. The zone is also planning to develop a renewable energy centre which will conduct research and development validation and testing of renewable energy technologies. This will also provide the skills required to operate and maintain renewable energy facilities.

The organisation also led the process to formulate a provincial energy strategy for the Eastern Cape province which will be finalised in the 2010/11 financial year.

Matla Solar Water Heating will assist the SA Government to meet its target of 1 mill solar water geysers by 2012

An ground breaking moment for the zone in this sector was the finalisation of the construction of the manufacturing facility for the first Renewable Energy Investor for the zone. Matla Solar Water Heating will manufacture high end low pressure water geysers as well as photo voltaic panels for local and export market. This investor will play an integral role in assisting the South African government to meet its target of installing 1 million solar water geysers by 2012.

A FRESH SOLUTION FOR AGRO PROCESSING

Agriculture is one of the biggest sectors of the Eastern Cape economy with potential for meat, leather and wool production, but agro processing has remained below potential even though it has been identified as one of the high impact sectors of the economy in the Eastern Cape with great potential to create jobs on a large scale. As part of its vision to attract industries that will stimulate regional economic growth and create jobs, the East London IDZ has identified the agro-processing sector as a strategic sector to locate in the zone. The organisation's attempts to build an agro-processing cluster within the zone is fast gaining momentum. In the period under review a study conducted on the current opportunities in this sector identified 26 agro-processing opportunities for the East London IDZ. A decision has been made to focus on 10 of these opportunities and the organisation is conducting further work to develop and package specific projects linked to these opportunities.

Exciting strides are already being made in the sector – with the finalisation of the construction of the first agro-processing facility for the East London IDZ, a dairy processing enterprise. The Sunningdale dairy is the biggest agro-processing plant in the Eastern Cape and is likely to act as a catalyst to attract more agro processing investors into the zone's agro processing cluster. As part of the Sunningdale investment, the zone now boasts an impressive effluent and water recycling plant which can also be utilised by other future agro-processing investors.

As the year drew to a close, a second investor, Buylines 131 (PTY) trading as ELPET (manufacture PET bottles that will be used to package, mainly juices), had established presence in the East London IDZ.

To further strengthen its value proposition for the agro-processing sector, the East London IDZ is looking at the development of shared infrastructure for the cluster which will result in easy set up and cost effective agro-processing operations for investors that locate in the zone.

MARI-CULTURE

62% of land has been taken up by investors

The East London IDZ is quickly gaining reputation as one of the best locations for farming certain aqua culture species in South Africa. To further strengthen its competitive edge in this sector, the organisation is looking at developing shared infrastructure for this sector, including the construction of a seawater pipeline which will be accessible to all current and future aqua-culture investors in the zone. As part of its business plan the ELIDZ had zoned 32 hectors in its Zone 1A for the location of aqua-culture investments – to date 62% of this land has already been taken up by investors and the demand is growing, as a result the organisation is looking at acquiring other suitable parcels of land to locate satellite farms with the production from these being processed in the East London IDZ in order to maximise the value add opportunities in the zone for this sector.

One of the investors announced in the 2008/09 financial year, Espadon Marine, is nearing the completion of their state of the art, fin fish growing hatchery in the zone while the East London IDZ succeeded in attracting another investor for this sector, Pure Ocean, who are also looking at fin fish grow out facility.

POLISHED INNOVATION

One of the new investments for the ELIDZ for the 2009/10 financial year was the Matla Beneficiation Company, a diamond polishing factory which focuses on the polishing of smaller diamonds for mainly the Chinese market. The plant has been benchmarked with the world's best plants in both India and China and is fitted with state of the art technology and has all the necessary automation to drive efficiency in one of the most competitive industries in the world.

FUTURE OUTLOOK

Going into the 2010/11 financial year, the East London IDZ will continue to diversify the pipeline and will concretise the development of sector specific solutions – a strategy that was well tested in the automotive sector. There will also be concerted efforts to firm up the organisation's grading system for investors and linking the incentives and concessions afforded to an investor to the level of the company's socio-economic impact.

The East London IDZ is also investigating the development of a unique logistic solution to assist investors in overcoming some of the future challenges linked to the current limitations of the East London port.

Mediterranean Shipping Company (MSC)

02

ANCHORING THE INDUSTRIAL LANDSCAPE:

INVESTOR SERVICES

ELIDZ INVESTORS CONTINUE TO SUCCEED DESPITE HARD TIMES

When expanded polypropylene experts Molan Pino decided to test out the East London IDZ automotive value offering in 2007, they could not have imagined that their foresight would pay immediate dividends.

Since moving to the East London IDZ Molan Pino has managed to increase its client base from one Original Equipment Manufacturer (OEM), Mercedes Benz South Africa (MBSA), to include VW and Ford. The company is on the verge of adding a fourth OEM to its growing pool of clients.

This growth has created an opportunity for the company to expand its facilities in the Automotive Supplier Park to cater for the growing demands from its clients.

Molan Pino General Manager Charl Human says that their growth was due, in part, to their location in the East London IDZ.

"Since our decision to move to the East London IDZ, we have managed to expand our portfolio to include the manufacturing of cold cured polyurethane components. We manufacture this for the current Mercedes Benz C-Class model," says Human.

"I don't think it would have been possible for us to attract these new clients had we not moved to the IDZ. When we bring prospective clients to our premises, they are normally impressed by the world class facilities, and that is a huge benefit to Molan Pino."

Looking ahead, Human says Molan Pino will be adding cut foams to its product portfolio in 2011, which will be supplied to a first tier supplier.

Being in the East London IDZ, according to Human, also helped the company to diversify its product line; an important aspect as they attempted to weather the economic storm.

Looking to the future, Human says another benefit of being in zone is the possibility of synergies with other investors.

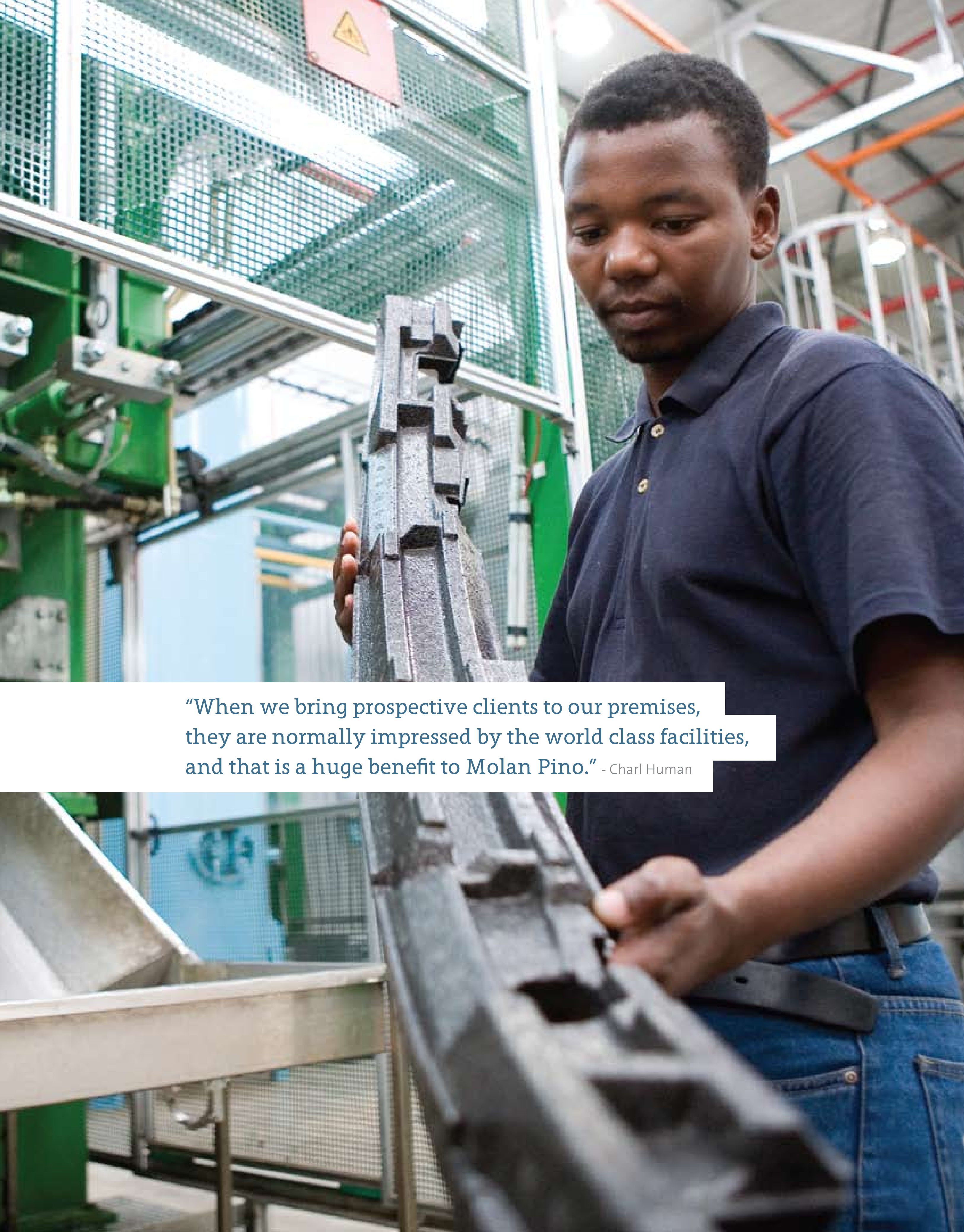
"The East London IDZ will grow to include other investors and we will be looking at the possibility of finding synergies with those investors and look at possible business partnerships with them."

Another company to benefit from assistance from the East London IDZ team during the hard economic times is supplier of high volume forged non-ferrous products to Mercedes Benz world market, Foxtec-Ikhwezi.

General Manager Antony Funston says: "The automotive industry worldwide is extremely competitive, from a costing point of view. The East London IDZ has helped us minimise our costs while producing high quality products. This was an important factor during the global economic dowturn," says Funston

The East London IDZ was also active in assisting the company to diversify its product range in order to obtain additional business.

"We are currently expanding our facility to not only manufacture automotive [products] but also general engineering products. The East London IDZ has certainly assisted us in going out to the market trying to find additional business for us; they have been supporting us in that regard," Funston says



"When we bring prospective clients to our premises, they are normally impressed by the world class facilities, and that is a huge benefit to Molan Pino." - Charl Human

INVESTOR SERVICES

Thando Gwintsa
Executive Manager:
Investor Services

Key to the East London IDZ's mandate is the operation a world class industrial complex where highly successful companies thrive on streamlined business benefits. This continued to be the main strategic purpose for the organisation's investor servicing function, despite the economic recession which characterised the 2009/10 financial year.

ENGINEERED INVESTOR SERVICES

The main focus for the period under review was the successful operationalisation of the organisation's value proposition, which is the main reason behind most investors locating into the East London IDZ. This was made even more challenging by the economic recession which necessitated the organisation's service design process to look at engineering innovative solutions to operationalise these services without putting additional pressure on the investors' already suffering bottom line.

To add to this challenge, the internal investor services also had competition from external parties, who, due to the economic climate, were prepared to look at more concessions and incentives in order to grow their businesses.

As a response to these challenges, the East London IDZ took cognisance of the fact that economic trends impact on service delivery models and as such focused on re-engineering key investor service models including the logistics services which formed the backbone of the zone's automotive sector.

There was also continued implementation of some of the critical investor support services including the shared conferencing and canteen service as well as the general estate services such as landscaping, security, and cleaning.

A GROWING COMMUNITY

Key to improving the East London IDZ's investor servicing capability was the need to build a coherent zone enterprise community which would work together with the organisation to develop, grow and improve the zone's service offering to investors. This saw the development of an investor forum, which allowed for constant communication between the organisation and its investor community and this, has become a great tool for developing and testing new mechanisms of investor servicing.

By the end of the 2009/10 financial year, 22 investors were operating from the zone, compared to 16 investors in the previous financial year. This was also the fourth year of investor operations in the East London IDZ and with practice, comes a form of improvement in delivery. The organisation was much poised to some of the set up challenges and as a result the later investors have found a more prepared ground in terms of laying the foundation for their settlement and dealing with issues such as permitting and licencing due to past experiences.

By the end of the 2009/10 financial year, 22 investors were operating from the zone

The latest zone enterprises have been exposed to zone investor inductions where investors are brought on board on how the IDZ operates and this contributes to immediate relationship building between the two parties. This leverages the value of handholding and builds investor confidence in the East London IDZ's capability to deliver value to investors.

BUILDING PARTNERSHIPS FOR EFFECTIVE DELIVERY

An important component of the East London IDZ's investor servicing strategy is leveraging partnerships with key investor servicing partners to ensure optimal delivery of critical services to zone enterprises. An example of this is the ELIDZ's partnership with IQUAD, a company which assists investors in accessing and applying for relevant government services. This, has not only helped to expedite identification and application for critical incentives, it has also effectively increased the ELIDZ's sales team and ambassadors, due to IQUAD's national and international footprint.

MONITORING INVESTOR FOOTPRINT

The mandate of the East London IDZ emphasises the attraction of strategic investors whose socio-economic impact will encourage regional and national economic growth and diversification. The organisation has now finalised the tool for the monitoring and rewarding of investors based on the extent to which they fulfil their socio-economic promise. The model has been tested and there is general acceptance and excitement from investors for the implementation of the programme which will commence in the new financial year.

Primary to the desired impact of the zone enterprises is the creation of meaningful manufacturing jobs to help alleviate unemployment in the region. Whilst in previous years, the East London IDZ succeeded in attracting investors with meaningful job creation potential, the economic downturn resulted in the loss of 30% of the jobs that had been created in the zone since inception. There was, however, an upturn around mid-year and there is a steady rise toward the pre-downturn employment figures. Both The growing tenant base and improved economic conditions are contributing to the steady increase of employment figures.

The ELIDZ contributed to the minimisation of job losses through various engagements including prioritisation of skills upgrade, encouragement and assistance in product diversification and identification of new market opportunities. There were also interventions to assist investors in reducing operational costs including running main operations during off peak hours to reduce energy costs and improve the ability to absorb employee costs while comprehending reduced business inflow. There was also assisted access to government interventions including training / upskilling programmes to help minimise job losses. Tenant industries were also encouraged to diversify their products to other target markets. Two of the tenant industries expanded their operations beyond their primary sector.

There is now increased focus on the exploitation of innovation and Research and Development to support economic development.

ENGINEERED SOLUTIONS

The IDZ concept was developed when trade barriers were quite high in terms of trade between countries. Trade agreements have eroded the teeth of the typical IDZ with duties being phased out due to increasing trade agreements and this has become a real test for the original IDZ concept. There is now increased focus on the exploitation of innovation and Research and Development to support economic development. This, in a country which spends less that 1% of its budget on Research and Development.

This is partly the reason that the East London IDZ has initiated a project to develop a Science and Technology Park to drive the identification, facilitation and commercialisation of new, innovative industries in the region. The other is that there is also a great need to promote meaningful entreupreneurship and this is critical in creating new knowledge based industries which in return could be upgraded into new investors for the zone. There has been great progress in getting the Science and Technology Park initiative off the ground during the period under review and partnerships are being explored with various patners such as educational institutions and organised business in order to optimise the impact of this initiative.

CUSTOMS CONTROLLED AREA DEVELOPMENTS

Previous years have seen a number of challenges in the implementation of the Customs Controlled Area (CCA) concept as the main incentive for export oriented industries locating into a South African IDZ. During the period under review CCA the South African Revenue Services(SARS) published a rebate programme which has been tailored for the IDZ programme and provides for duty rebate and zero rates Vat on particular inputs. The procedures are being crafted for this to take effect and the East London IDZ is already exploring a centralised management of this rebate programme together with SARS.

the 2009/10 financial year saw the first graduation of 92 learners and competency certification at NQF level 2 and 3.

SKILLS DEVELOPOMENT

The East London IDZ has worked very well with the Eastern Cape Province's Office of the Premier on a NSF programme on learnerships and the 2009/10 financial year saw the first graduation of 92 learners and competency certification at NQF level 2 and 3. This covered fitting and maching, auto component manufacturing and welding applications. Of these graduates, 52 % were absorbed by the host companies and the remainder are going into the next level of training which will take place next financial year.

ENVIRONMENTAL FOCUS

One of the main key cost drivers for investors is electricity and, in line with streamlining investor business operations, the East London IDZ is looking at various ways to assist investors in utilising alternative energy sources and in line with this the East London IDZ conducted a study to look at the energy efficiency of investors and this resulted in the implementation of power correction factors as the first step to look at energy efficiency within investor operations.

The ELIDZ continues to measure its environmental impact through its water and air quality monitoring. Monitoring continues to be below the national norms, the only parameter on water quality monitoring is on Ecoli presence attributable to increased human habitation in close proximity to the zone. The organisation continues to maintain its ISO9001 and OHSAS 18001 certification.

FUTURE OUTLOOK

Key to the East London IDZ's "green focus" strategy is the leveraging of green economy opportunities such as renewable energy as a possible business opportunity and new stream of investor servicing. There has also been a conscious decision to target strategic investments which have a green footprint including the manufacturing of an electric vehicle and alternative aqua-culture farming methods. The East London IDZ is currently looking at various opportunities to administer rebates linked to the green economy including issuing of carbon credits and various licencing opportunities. With an increasing investor community comes the need to continuously introduce new services to drive investor efficiency and competitiveness and this sets the agenda for a customer-oriented 2010/11.

Learnership programme & skills development

02

MAXIMISING THE IMPACT ON THE INDUSTRIAL LANDSCAPE:

ORGANISATIONAL SUSTAINABILITY

ELIDZ CONTRACTS BOOST LOCAL COMPANIES DURING RECESSION

With smaller companies being hit the hardest during the global economic meltdown; the East London Industrial Development Zone (IDZ) ensured that it played its role in assisting local business by awarding some of it contracts to locally based small business during the 2009/10 financial year.

During the 2009/10 financial year, the East London IDZ was full of building activity, with a number of investor facilities being constructed in the zone. To ensure full benefit to the local economy, especially during the trying times, a number of these contracts were awarded to Eastern Cape and East London based companies.

One of the companies that benefited from doing business with the East London IDZ locally based Mpumalanga Construction PTY (Ltd). Pieter Coetzer from Mpumalanga Construction says that during the hard times the company experienced, business dealings with the East London IDZ were beneficial.

"It is of huge significance to mention that the East London IDZ contracts contributed to around 20% of Mpumalanga Construction's turnover for the financial year ending 2009/10," says Coetzer.

"This is imperative, especially when considering that Mpumalanga is a local enterprise that employs local labour, suppliers and [there] are other enterprises that stand to benefit [indirectly] from the East London IDZ in this way."

Another important aspect that benefited Mpumalanga Construction, according to Coetzer, was the East London IDZ's excellent work ethics.

"Tender documentation is well presented and contains a fair and up to date procurement policy. The trend setting OHS and Environmental specification enforced and constantly monitored by the East London IDZ certainly had a great influence in raising our own standards with regards to this very important aspect of our construction business," he adds

Another company that benefited from doing business with the East London IDZ during the 2009/10 financial year is locally based IDC Architects. The company was responsible for the design of the jaw dropping Matla Diamond Polishing and Sunningdale Dairy facilities. IDC Architects Director Bunmi Ilori says his company enjoyed the professional approach to business by the East London IDZ.

"The East London IDZ has a very good client/service provider work ethic that does not exist in most organisations in the Eastern Cape. This relationship made it possible for me to excel and proved the best possible service, within reasonable costs and time constraints," says Ilori

Turning his attention to how doing business with the East London IDZ benefited the company during the recession Ilori says: "In light of the recession, ELIDZ has given my company a major boost in terms work load and has enabled us to expand our social responsibility programme by helping and providing financial assistance to underprivileged students."

"It is of huge significance to mention that the East London IDZ contracts contributed to around 20% of Mpumalanga Construction's turnover for the financial year ending 2009/10," - Pieter Coetzer

ORGANISATIONAL SUSTAINABILITY

Mrs Ntombizine Madyibi
Executive Manager:
Finance & Support

The East London IDZ's budget for the 2009/10, inclusive of funding from funders and organisational revenue generation, was R420 million, with 86% of the budget targeted for the funding of infrastructure and the remainder looking at funding organisational operations.

Key to the East London IDZ's strategy, was an intentional focus on optimising available financial resources through the funding of revenue generating super structures and sector enabling infrastructure in order to ensure organisational sustainability in the future. There was a continued effort to also focus the funding for organisational operations that formed the basis of the East London IDZ's investor support strategy and ensured effective functioning of the East London IDZ as an investment promotion and servicing entity in line with best practise.

STEADY GROWTH

Despite the challenging economic climate, the East London IDZ's revenue target for the 2009/10 was raised by 35% compared to that of the previous financial year. As at the end of the 2009/10, the East London IDZ had not only achieved this target but had also exceeded it by 36% – with the revenue generated from operational activities totalling R41 million. This was mainly attributable to the growing credibility and scope of zone services in the zone and the increase in the investor take up of the zone's service offering.

BEST PRACTISE

As with previous financial years, the East London IDZ has been in compliance with the King II Codes on Corporate Governance in that the organisational board and its committees based their operations on best practises. The various governance roles within the various committees have been fulfilled and there has been an observance of all the applicable regulations including compliance with the Public Finance Management Act.

During the period under review, the East London IDZ has had an independent and very active outsourced internal audit function which reported directly to the audit committee. The internal auditors conducted the internal audit in accordance with the audit plan approved by the board on the recommendation of the audit committee. The audit committee, in their report for the financial year under review confirmed that the financial controls within the East London IDZ have operated efficiently and effectively throughout. Amongst the roles of the internal audit committee is risk management on behalf of the East London IDZ board. During the year under review, a risk assessment was carried out and identified risks have been effectively managed throughout the financial year. In cases where the identified risks were outside the organisation's control, there has been continued engagement with the relevant stakeholders to mitigate these.

CLEAN AUDIT TRACK RECORD

The external auditors appointed by the board have continued to maintain their independence in conducting the external audit and this year, again saw the ELIDZ maintaining its unqualified audit opinion track record. During the year under review, the ELIDZ implemented new standards as identified to be applicable to ELIDZ. In accordance with best practice, some financial policies were reviewed during the financial year; these included the asset management policy, debtor's policy, the financial regulations and the fraud prevention policy.

PROCUREMENT

As part of executing the budget, the ELIDZ set targets of maximising its developmental contribution through procurement with the use of Broad Based Black Economic Empowerment (BBBEE), SMME and the support of women owned enterprises.

In line with the ELIDZ continuous improvement practice, the organisation increased its BBBEE, SMME and women owned enterprise expenditure targets to 60%, 20% and 7,5% of its expenditure respectively. As at the end of the financial year the organisation had spent 67% of its budget on BBBEE entities while 21 % of the total expenditure was toward SMMEs and 9% on women owned enterprises.

At the end of the 2009/10 financial year, the ELIDZ decided to raise the bar and increase its targets to 65% for BBBEE, 30% for SMME and 10% on women owned enterprises.

The East London IDZ started a process to develop a targeted empowerment policy which expands on the role of the ELIDZ in the development of SMMEs through a mentorship program targeting mainly the construction industry which is a major cost centre which will have an effect of increasing the organisation's developmental impact. The organisation has strengthened its collaboration with the Construction Industry Development Board (CIDB) by being an active participant in the forum that shapes the regulations and practice notes for the construction industry development.

PEOPLE MANAGEMENT AND DEVELOPMENT

EMPLOYER OF CHOICE

In the period under review, the ELIDZ accelerated its position as an employer of choice and jumped from the top 25 to the top 5 employers of choice in South Africa in its category, as researched by the Corporate Research Foundation. This jump has been attributed to the organisation's endeavours to implement best practice human resources policies that ensure the attraction, development, multi-skilling and retention of its employees. To maintain such status, the ELIDZ continues to ensure the creation of a conducive environment for a productive and satisfied workforce through the development of a number of intervention including employee wellness programmes (focusing on holistic wellness including spiritual, physical and emotional wellness), capacity building, formal training and teambuilding initiatives and organisational culture enhancement and inculcation initiatives to ensure the strengthening of a cross functional team that works towards a shared vision.

the ELIDZ jumped from the top 25 to the top 5 position as an employer of choice in South Africa

The impact of these interventions is definitely being felt as during the 2009/10 financial year, no employee exited or resigned from the organisation.

DEVELOPMENT OF YOUNG MINDS

The year under review saw the implementation of a robust internship programme with the ELIDZ embarking on a partnership with a number of Higher Education institutions including the Universities of Fort Hare and Walter Sisulu. A number of interns, covering the various competencies and skills within the ELIDZ including Research, Safety and Health and Property Management were engaged.

ICT

With the continued focus to position ICT services in the forefront of the East London IDZ's value proposition to its investors, the organisation stepped up the provision of innovative ICT services by growing the ICT services basket for investors.

This intervention ensures optimal functionality and an easy "plug & play" platform for investors

Some of the innovative ICT services implemented during this year included the Converged Communications Support initiative for investors which paved the way for the provision of telephony and data services to current investors. This intervention also ensures an optimally functioning operational environment with a high level of system availability and an easy "plug and play" platform for investors.

To ensure timeous and effective response to investor queries, while ensuring optimisation of organisational assets, a Facilities management system was implemented during the period under review and is being used for service desk and work order management as well as a tool to deliver world class maintenance services to investors.

The end of the period under review also saw the commencement of the planning and design of a specialised node room to house fibre reticulation to allow for quick connection for new investors thus ensuring reliability and ease of access for investors setting up in the zone. This proposition will derive most needed value for investors while at the same time increasing the revenue generation capacity of the zone.

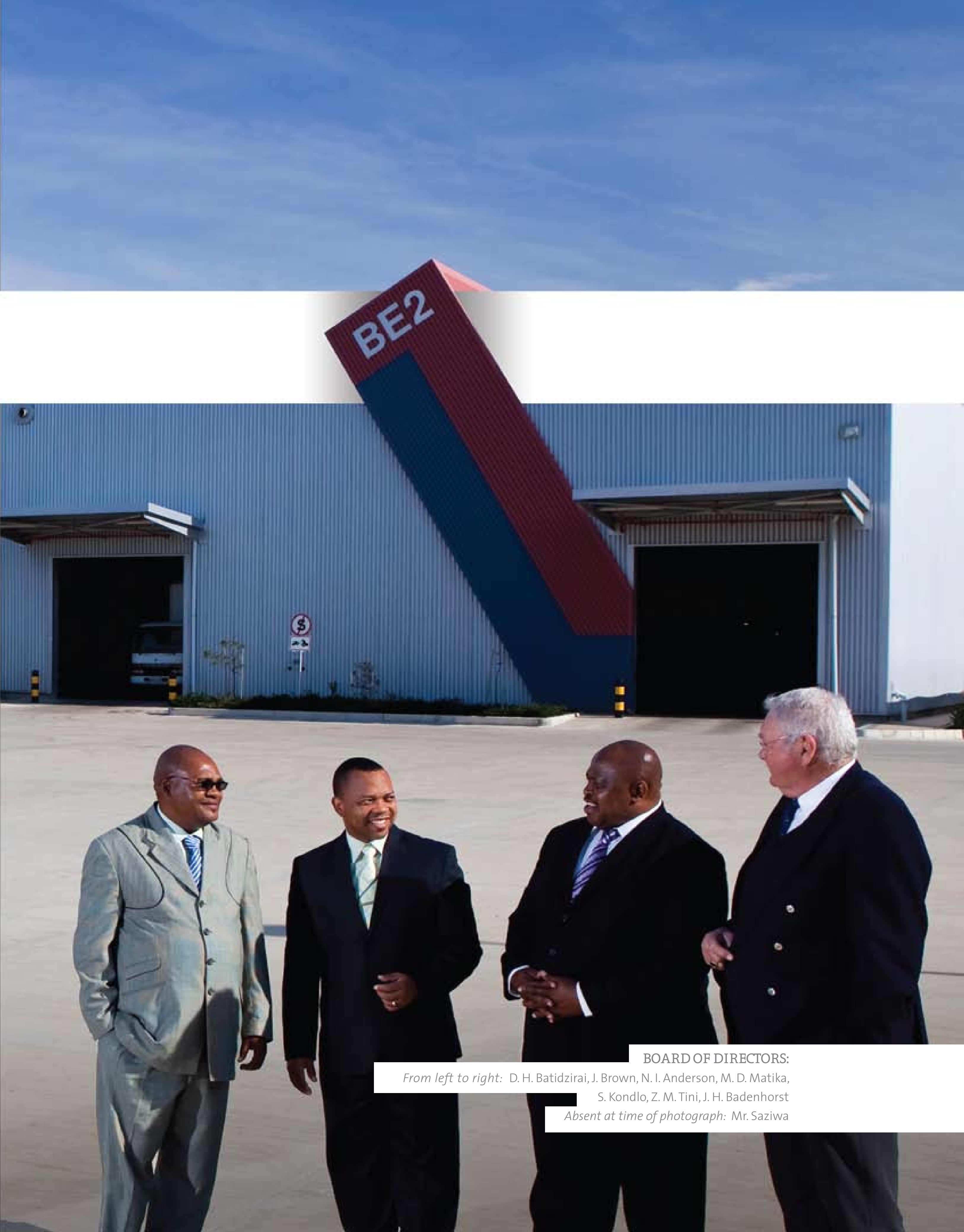
While there has been a great focus to improve the zone's ICT services to investors, there has also been an introduction of internal systems to support the optimal functioning of the East Lodnon IDZ. These include the introduction of systems such as the Electronic Document Management System and the Customer Relationship Management as a mechanism for the ELIDZ to live up to its brand promise of engineered efficiency and streamlined solution provision.

Continuous review and improvement of internal processes to further streamline organisational operations and ensure the reduction of turn-around time and consistency in delivery of services to investors had been in progress throughout the year under review.

"Plug and play" technology

03

ANNUAL FINANCIAL STATEMENTS



BOARD OF DIRECTORS:

From left to right: D. H. Batidzirai, J. Brown, N. I. Anderson, M. D. Matika, S. Kondlo, Z. M. Tini, J. H. Badenhorst

Absent at time of photograph: Mr. Saziwa

INDEX

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

REPORT OF THE INDEPENDENT AUDITORS

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.

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.

Attendance of ELIDZ Board & Committee Meetings for Period 1 April 2009- 31 March 2010

NAME AND TOTAL NUMBER OF MEETINGS	Board & Special Board	EXCO	Audit	Finance & Tender	Investment Services	AGM	Directors Fees
Members							R'
Mr. Z M Tini, Chairman	7	4				1	R92 522
Mr. S Kondlo, Ex-officio	7	4	2	5		1	
Mr. X Pakathi	1	1		1			R13 269
Alderman J. Badenhorst	7			7	3	1	R44 528
Ms. N. Anderson	6	2	3				R31 515
Mr. M. Matshamba	1					1	
Cllr. D M Matika	6	4	3	7	4	1	R57 500
Ms. J. Brown	2				1		
Mr. H. Batidzirai	7				3		
Mr. J. Clark **				6			
X. Mbangxa **			3				
Ms. T. Mnqetha ***			2				R8 501
Ms. C. Putzier **			3				
Mr. G. Simms **			3				
Mr. M. Saziwa	2					1	R15 894
Mr. N. Ncunyana ***				2			
Mr. M. Daca					2		

resigned * external: not board member ** Committee member ***

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.

AUDIT AND RISK MANAGEMENT COMMITTEE

This committee is comprised of a non-executive director (who acts as chairman) 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 committee is to assist the board in discharging its responsibility to:

- 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 chairman), 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 there to
- 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 COMMITTEE

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

In execution of its duties during the past financial year, the Board Audit Committee has:

- Ensured compliance with its terms of reference and the provisions of the Audit Committee charter during the year under review
- Reviewed the procedures for identifying business risks and managing their impact on the ELIDZ, including the risk management functions
- Reviewed the company policies and procedures for detecting and preventing fraud
- Reviewed the operational effectiveness of the company's policies, systems and procedures
- Reviewed the effectiveness and adequacy of the internal audit and adequacy of its annual work plan
- Considered whether the independence, objectives, organisation, audit plans and standing of the internal audit function provide adequate support to enable the committee to meet its objectives
- Reviewed the results of the work performed by the internal audit function in relation to financial reporting, corporate governance, risk areas, internal control and any significant investigations and management response
- Reviewed the coordination between the internal audit function and the external auditors
- Reviewed the entity's compliance with legal and regulatory provisions
- Reviewed such significant transactions as the committee deemed appropriate
- Reviewed the controls over significant financial and operational risks
- Reviewed the adequacy, reliability and accuracy of financial information provided by management and other users of such information
- Reviewed the accounting and auditing concerns identified by internal and external auditors
- Reviewed the annual report and financial statements taken as a whole to ensure they present a balanced and understandable assessment of the position, performance and prospects of the company
- Reviewed the independence and objectivity of the external auditors.

The Board Audit Committee is of the opinion that the internal controls of the ELIDZ have operated effectively throughout the year under review and, where internal controls did not operate effectively, compensating controls have ensured that the company's assets have been safeguarded, proper accounting records maintained and resources utilised efficiently in all significant respects. This opinion is based on the information and explanations given by management, the internal auditors and discussions with the independent external auditors on the results of their audits.

Following our review of the annual financial statements for the year ended 31 March 2010, we are of the opinion that they substantially comply with the relevant provisions of the Companies Act and the Public Finance Management Act 1999, as amended. The annual financial statements comply, in all material respects, with South African generally accepted accounting practice. The Board Audit Committee concurs that the adoption of the going concern premise in framing the annual financial statements is appropriate. The Board Audit Committee has therefore recommended the adoption of the annual financial statements by the Board of Directors.

On behalf of the Audit Committee:

N Anderson – Audit Committee Chairman

REPORT OF THE INDEPENDENT AUDITORS

To the shareholder of East London Industrial Development Zone (Pty) Ltd

We have audited the accompanying financial statements of East London Industrial Development Zone (Proprietary) Limited, which comprise the directors' report, the statement of financial position as at 31 March 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 25.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa, 1973 and the Public Finance Management Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as of 31 March 2010, and of its financial performance and its cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Company Act of South Africa 1973 and the Public Finance Management Act.

Supplementary Information

We draw your attention to the fact that with the supplementary information set out on pages 89 to 90 does not form part of the financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Xolani Phumeza & Associates

Xolani Phumeza & Associates
Registered Auditors

A MEMBER OF
The South African Institute of Chartered Accountants

CA (SA)

The East London IDZ Conference centre

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 1973 and the Public Finance Management Act, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 South African Statements of Generally Accepted Accounting Practice. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments 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 of directors 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 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 March 2011 and, in the light of this review and the funding commitment by the Department of Trade and Industry and Department of Economic Development and Environment Affairs , 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 reviewing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on page 59.

The financial statements set out on pages 68 to 87, which have been prepared on the going concern basis, were approved by the board of directors on 30 July 2010 and were signed on its behalf by:

Director: Z Tini

Director: N Anderson

DIRECTORS' REPORT

The directors submit their report for the year ended 31 March 2010.

1. Incorporation

The company was incorporated on 03 June 2003 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

The company is engaged in the development of East London's industrial development zone and operates principally in South Africa.

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

3. Fair value adjustment

We draw attention to the fact that at 31 March 2010, the company had accumulated losses of R (184 879 939) and that the company's total liabilities exceed its assets by R (176 755 632). A fair value adjustment loss of R (190 446 459) contributed to this situation. The company took a strategic decision to charge non- market related rentals to launch the Automotive Cluster, the fair value of the Investment property resulted into a loss which increased the liabilities and this contributed to the fair value adjustment loss.

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

The ability of the company to continue as a going concern is dependant on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and the improvement in future rentals. The directors are therefore of the opinion that this is temporal and the company will continue as a going concern.

4. Post balance sheet events

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

5. Authorised and issued share capital

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

6. Dividends

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

Since the year end, an ordinary dividend of - cents was declared on date payable to the shareholders registered on that date.

Directors

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

Name	Nationality	Changes
N.I. Anderson	South African	
J.H. Badenhorst	South African	
M.D. Matika	South African	
X.A. Pakati	South African	Resigned 29 October 2009
Z. M. Tini	South African	
M.D. Matshamba	South African	Resigned 31 October 2009
M. Daca	South African	Resigned 31 October 2009
J. Brown	South African	
M. Saziwa	South African	Appointed 29 October 2009
D.H. Batidzirai	South African	

Secretary

The secretary of the company is PriceWaterHouseCoopers Inc of:

Business and Postal Address

Acacia House
Palm Square
Bonza Bay Road
BEACON BAY
5241

Holding company

The company's holding company is Eastern Cape Development Corporation.

Auditors

Xolani Phumeza & Associates' term in office ends on 31 October 2010. The company will appoint auditors in accordance with Section 270 of the Companies Act.

STATEMENT OF FINANCIAL POSITION

Figures in Rand	Note(s)	2010	2009
Assets			
Non-Current Assets			
Investment property	3	364,455,000	373,481,162
Property, plant and equipment	4	573,165,099	506,789,753
Deferred tax	5	64,706	63,118
		937,684,805	880,334,033
Current Assets			
Other financial assets	6	1,917,334	-
Current tax receivable		1,883,537	1,883,537
Trade and other receivables	7	11,873,850	20,485,093
Cash and cash equivalents	8	334,065,013	189,154,408
		349,739,733	211,523,038
Total Assets		1,287,424,539	1,091,857,071
Equity and Liabilities			
Equity			
Share capital	9	1,000	1,000
Reserves	10	8,123,307	8,123,307
Accumulated Loss		(184,879,939)	5,580,725
		(176,755,632)	13,705,032
Liabilities			
Non-current Liabilities			
Deferred income	11	559,746,090	526,930,910
Current Liabilities			
Trade and other payables	12	66,895,535	58,027,142
Deferred income	11	828,616,754	489,877,408
Provisions	13	8,921,792	3,316,579
		904,434,081	551,221,129
Total Liabilities		1,464,180,171	1,078,152,039
Total Equity and Liabilities		1,287,424,539	1,091,857,071

STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand	Note(s)	2010	2009
Revenue	14	26,770,933	16,574,814
Cost of sales		(16,205,395)	(8,536,561)
Gross profit		10,565,538	8,038,253
Other income		83,858,501	73,900,649
Operating expenses		(94,537,105)	(81,139,278)
Operating (loss) profit	15	(113,066)	799,624
Finance income	16	97,273	21,581
Fair value adjustments		(190,446,458)	3,483,487
(Loss) profit before taxation		(190,462,251)	4,304,692
Taxation	17	1,588	28,130
(Loss) profit for the year		(190,460,663)	4,332,822
Other comprehensive income		-	-
Total comprehensive (loss) income		(190,460,663)	4,332,822

STATEMENT OF CHANGES IN EQUITY

Figures in Rand	Share capital	Other NDR	Accumulated Loss	Total equity
Balance at 01 April 2008	1,000	8,123,307	1,247,903	9,372,210
Changes in equity				
Total comprehensive income for the year	-	-	4,332,822	4,332,822
Total changes	-	-	4,332,822	4,332,822
Balance at 01 April 2009	1,000	8,123,307	5,580,724	13,705,032
Changes in equity				
Total comprehensive loss for the year	-	-	(190,460,663)	(190,460,663)
Total changes	-	-	(190,460,663)	(190,460,663)
Balance at 31 March 2010	1,000	8,123,307	(184,879,939)	(176,755,631)
Note(s)	9	10		

STATEMENT OF CASH FLOW

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Cash generated from operations	19	407,822,985	230,888,729
Interest income		97,273	21,581
Tax Received	20	-	(1,637,244)
Net cash from operating activities		407,920,258	229,273,066
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(184,064,839)	(165,793,014)
Sale of property, plant and equipment	4	21,259	1,294,800
Completion of Investment Property	3	(77,048,738)	-
Sale of financial assets		(1,917,333)	1,124
Net cash from investing activities		(263,009,651)	(164,497,090)
Total cash movement for the year		144,910,605	64,775,976
Cash at the beginning of the year		189,154,408	124,378,432
Total cash at end of the year	8	334,065,013	189,154,408

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING POLICIES

Presentation of Financial Statements

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa, 1973 and the Public Finance Management Act. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

- Financial instruments at fair value through profit or loss are measured at fair value.

- Investment property is measured at fair value.

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous year.

Significant Judgements

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

Loans and Receivables

The company assesses its loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Expected manner of realisation for deferred tax

Deferred tax is provided for on the fair value adjustments of investment properties based on the expected manner of recovery, i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 5 - Deferred tax.

NOTES TO THE FINANCIAL STATEMENTS [cont]

Taxation

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

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

Investment Property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. "Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise and the cost of the investment property can be measured reliably.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property."

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

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, and the Companies Act of South Africa, 1973 and the Public Finance Management Act. The financial statements have been prepared on the historical cost basis except for certain financial instruments recognised at fair value as stated below:

Property that is being constructed or developed for future use as investment property is recognised at cost as investment property.

Fair Value

Subsequent to initial measurement investment property is measured at fair value. Fair value is determined by independent valuers annually. A gain or loss arising from a change in fair value is included in profit or loss for the period in which it arises.

Re-classification

When the use of property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification as property becomes its cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS [cont]

Property, Plant and Equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably.

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

The estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment to their residual value. The estimated useful lives are as follows:

Term	Average useful life
Land	Indefinite
Buildings	25 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

When the use of property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in the revaluation reserve directly in equity. Any loss is recognised in the revaluation reserve directly in equity to the extent that an amount is included in equity relating to the specific property, with any remaining loss recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS [cont]

Financial Instruments

Initial recognition and measurement

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the transaction.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any differences between the proceeds (net of transaction cost) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

NOTES TO THE FINANCIAL STATEMENTS [cont]

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity.

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The company evaluates leases on substance rather than form.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

Impairment of Assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset to the extent that there is a revaluation reserve is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exits, the recoverable amounts of those assets are estimated.

NOTES TO THE FINANCIAL STATEMENTS [cont]

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase to the extent that it does not reverse a previous write-down recognised in profit and loss.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event accruing after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Employee Benefits

Defined contribution plans

The company's employees belong to a defined contribution benefit plan. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Provisions and Contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating losses.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the company recognises any impairment loss on the assets associated with that contract.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 22.

NOTES TO THE FINANCIAL STATEMENTS [cont]

Government Grants

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by recognising the grant as deferred income.

Repayment of a grant related to income is applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Revenue

Revenue comprises of rental income and services rendered to customers. Revenue is stated at the invoice amount and is exclusive of value added taxation. Revenue from the rental of commercial property is recognised when all the following conditions have been satisfied:

- the company has transferred to the tenant the significant risks and economic benefits of using the property;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the leased or sold property;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services can be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Research and Development Costs

All research costs are charged to expenses. Development costs are capitalised only after technical and commercial feasibility of the asset for sale or use have been established. This means that the entity must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits.

If an entity cannot distinguish the research phase of an internal project to create an intangible asset from the development phase, the entity treats the expenditure for that project as if it were incurred in the research phase only.

NOTES TO THE FINANCIAL STATEMENTS [cont]

New Standards and Interpretations

Standards and interpretations adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are relevant to its operations:

IAS 1 (AC 101) (Revised) Presentation of Financial Statements

The main revisions to IAS 1 (AC 101):

- Required the presentation of a statement of financial position at the beginning of the earliest comparative period whenever a retrospective adjustment is made. This requirement includes related notes.

- Required the disclosure of income tax and reclassification adjustments relating to each component of other comprehensive income. The disclosures may be presented on the face of the statement of comprehensive income or in the notes.

- Have changed the titles to some of the financial statement components, where the 'balance sheet' becomes the 'statement of financial position' and the 'cash flow statement' becomes the 'statement of cash flows'.

These new titles will be used in International Financial Reporting Standards, but are not mandatory to use in financial statements.

The effective date of the standard is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 (AC 123) Property, Plant and Equipment

The term 'net selling price' has been replaced with 'fair value less cost to sell' in the definition of recoverable amount.

The effective date of the standards is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 16 (AC 123) Property, Plant and Equipment
The amendment requires entities that routinely sell items of property, plant and equipment that they have previously held for rental to others, to transfer such assets to inventories at their carrying amount when they cease to be rented and are held for sale. The proceeds from the sale of such assets should be recognised as revenue in accordance with IAS 18 (AC 111) Revenue. IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operating does not apply in these situations.

NOTES TO THE FINANCIAL STATEMENTS [cont]

New Standards and Interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 January 2009.

The company will adopt the amendment for the first time in the 2011 financial statements. May 2008 Annual Improvements to IFRS's: Amendments to IAS 7 (AC 118) Statement of Cash Flows

Cash payments to manufacture or acquire property, plant and equipment that entities routinely sell and which they have previously held for rentals to others, and cash receipts from rental and sale of such assets are to be included within operating activities.

The effective date of the standards is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The effective date of the standards is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 40 (AC 135)Investment Property and IAS 16 (AC 123) Property, Plant and Equipment

Property being constructed for use as investment property is now classified as investment property and not property, plant and equipment (as previously required). Even if the entity accounts for investment property at fair value, such property may be measured at cost until the earlier of date fair value is determined or construction is complete.

Some terminology in the Standard has been amended to be consistent with other Standards and Interpretations.

The effective date of the standards is for years beginning on or after 01 January 2009.

The company has adopted the standard for the first time in the 2010 financial statements.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sate category to loan and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the standards is for years beginning on or after 01 January 2009.
The company has adopted the standard for the first time in the 2010 financial statements.

NOTES TO THE FINANCIAL STATEMENTS [cont]

Figures in Rand		2010	2009
3.	Investment Property		

	2010			2009		
	Cost / Valuation	Accumulated Depreciation	Carrying Value	Cost / Valuation	Accumulated Depreciation	Carrying Value
Investment property	364,455,000	-	364,455,000	373,481,162	-	373,481,162

Reconciliation of investment property - 2010

	Opening Balance	Additions resulting from capitalised subsequent expenditure	Transfers	Fair Value Adjustments	Total
Investment property	373,481,162	77,048,738	104,371,559	(190,446,458)	364,455,000

Reconciliation of investment property - 2009

	Opening Balance	Additions	Transfers	Fair Value Adjustments	Total
Investment property	191,220,454	-	178,777,221	3,483,487	373,481,162

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

Details of valuation

The effective date of the revaluations was 01 April 2010. Revaluations were performed by an independent valuer, Mr Johan Henry Boshoff (MIVSA) NDPV), of Messrs JH Boshoff Valuations. JH Boshoff Valuations are not connected to the company and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

NOTES TO THE FINANCIAL STATEMENTS [cont]

Amounts recognised in profit and loss for the year.		
Rental income from investment property	19,975,405	9,135,938
Direct operating expenses from rental generating property	16,205,395	8,536,561
Direct operating expenses from non-rental generating property	83,858,502	73,900,469

4. Property, Plant and Equipment

			2010			2009
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Land	17,649,410.50	-	17,649,411	17,649,411	-	17,649,411
Plant and machinery	356,357.80	(131,954)	224,404	311,280	(67,444)	243,836
Furniture and fixtures	982,030.87	(452,390)	529,641	931,454	(349,365)	582,089
Motor vehicles	1,263,896.08	(496,857)	767,039	1,233,330	(283,886)	949,444
Office equipment	304,326.18	(220,908)	83,418	284,025	(179,221)	104,804
IT equipment	8,668,021.20	(5,768,764)	2,899,258	7,046,505	(3,670,971)	3,375,534
Infrastructure: Owner Occupied	488,347,216.77	(36,115,216)	452,232,001	271,389,374	(25,259,641)	246,129,733
Infrastructure: Work in Progress	98,722,301.71	-	98,722,302	237,754,902	-	237,754,902
Other property, plant & equipment	873,641.19	(816,015)	57,626	873,641	(873,641)	-
Total	617,167,202	(44,002,103)	573,165,099	537,473,922	(30,684,169)	506,789,753

NOTES TO THE FINANCIAL STATEMENTS [cont]

4. Property, Plant and Equipment (Continued)

Figures in Rand

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Transfers	Revaluations	Depreciation	Impairment Loss	Total
Land	17,649,411	-			-	-	17,649,411
Plant and machinery	243,836	45,077.80			(64,510)	-	224,404
Furniture and fixtures	582,089	50,577			(96,216)	(6,809)	529,641
Motor vehicles	949,444	30,566		17,357	(230,328)	-	767,039
Office equipment	104,804	20,300.92		1,040	(42,727)	-	83,418
IT equipment	3,375,534	1,621,516			(2,090,967)	(6,825)	2,899,257
Infrastructure: Owner Occupied	246,129,733	2,842,199.36	214,115,642.92		(10,855,575)	-	452,232,000
Infrastructure: Work in Progress	237,754,902	179,454,601.61	(318,487,201.51)		-	-	98,722,302
Other property, plant & equipment	-	-		57,626		-	57,626
	506,789,753	184,064,839	(104,371,559)	76,023	(13,380,323)	(13,634)	573,165,099

NOTES TO THE FINANCIAL STATEMENTS [cont]

Reconciliation of property, plant and equipment - 2009								
	Opening Balance	Additions	Disposals	Transfers	Other Changes / Movement	Depreciation	Impairment Loss	Total
Land	12,921,271	4,820,000	(91,861)	-	-	-	-	17,649,410
Plant and machinery	306,092	-	-	-	-	(62,256)	-	243,836
Furniture and fixtures	663,063	27,245	-	-	-	(92,149)	(16,070)	582,089
Motor vehicles	255,233	773,548	-	-	-	(79,337)	-	949,444
Office equipment	114,882	34,467	-	-	-	(43,966)	(579)	104,804
IT equipment	4,386,475	991,109	-	-	-	(2,008,920)	6,871	3,375,535
Infrastructure: Owner Occupied	228,705,941	-	-	28,032,445	(840,746)	(9,767,907)	-	246,129,733
Infrastructure: Work in Progress	285,417,924	159,146,645	-	(206,809,667)	-	-	-	237,754,902
	532,770,881	165,793,014	(91,861)	(178,777,222)	(840,746)	(12,054,535)	(9,778)	506,789,753

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

5. Deferred Tax		
Deferred tax asset		
Accelerated capital allowances for tax purposes	64,706	63,118
Reconciliation of deferred tax asset (liability)		
At beginning of the year	63,118	34,988
Reversing temporary diferrences on property plant and equipment	1,588	28,130
	64,706	63,118
Tax consequences of undistributed reserves		
STC on remaining reserves	-	209,723

NOTES TO THE FINANCIAL STATEMENTS [cont]

Figures in Rand		2010	2009
6.	Other Financial Assets		
	Current assests		
	Loans and receivables	1,917,334	-
	This amount is made up of capitalised rentals for a tenant that suffered financial distress during the recession. Arrangements and agreements have been made to restructure the tenant's business engagement with the company and the management is satisfied that the full amount will be recovered.		
7.	Trade and Other Receivables		
	Trade receivables	3,912,000	4,025,831
	VAT	-	9,885,798
	BCM Advance	7,740,156	6,147,131
	Prepayments (if immaterial)	221,693	426,333
		11,873,850	20,485,093
8.	Cash and Cash Equivalents		
	Cash and cash equivalents consist of:		
	Cash on hand	2,012	14
	Bank balances	127,225,235	745,452
	Short-term deposits	206,837,765	188,408,942
		334,065,013	189,154,408
9.	Share Capital		
	Authorised		
	1 000 000 Ordinary shares of R0.01 each or par value of 1 cent	10,000	10,000
	Reconciliation of number of shares issued:		
	Reported as at 31 March 2010	100,000	100,000
	Issued		
	Ordinary	1,000	1,000
10.	Other NDR		
	Revaluation at acquisition	8,123,307	8,123,307

NOTES TO THE FINANCIAL STATEMENTS [cont]

Figures in Rand		2010	2009
11.	Deferred Income		
	Balance at beginning of year	1,016,808,318	826,837,104
	Grant Received		
	- Department of Economic Affairs, Environment and Tourism	127,601,000	119,910,000
	- Department of Trade and Industry	373,373,000	154,030,000
	- Interest on Grant funding	14,120,946	22,325,737
	South African Revenue Services - Output Vat on Grants	(59,987,255)	(33,641,749)
	Total Grant Income	1,471,916,009	1,089,461,092
	Released to income	(83,553,165)	(72,652,774)
	Balance at end of Period	1,388,362,844	1,016,808,318
	Non-current liabilities	559,746,090	526,930,910
	Current liabilities	828,616,754	489,877,408
		1,388,362,844	1,016,808,318
12.	Trade and Other Payables		
	Trade payables	52,135,186	55,770,804
	VAT	8,373,651	-
	Other payables	4,587,557	117,225
	Other accrued expenses	563,089	1,024,005
	Deposits received	1,236,053	1,115,108
		66,895,535	58,027,142

NOTES TO THE FINANCIAL STATEMENTS [cont]

Figures in Rand				2010	2009
13.	Provisions				
	Reconciliation of provisions - 2010				
		Opening Balance	Additions	Utilised during the year	Total
	Leave pay	1,701,608	3,105,356	(2,692,605)	2,114,359
	Bonus	111,262	450,584	(447,945)	113,901
	Bad debts	455,748	749,054	-	1,204,802
	Retentions - Construction Contracts	1,047,961	5,488,728	(1,047,959)	5,488,730
		3,316,579	9,793,722	(4,188,509)	8,921,792
	Reconciliation of provisions - 2009				
		Opening Balance	Additions	Utilised during the year	Total
	Leave pay	1,347,900	2,147,032	(1,793,324)	1,701,608
	Bonus	108,172	495,927	(492,837)	111,262
	Bad debts	7,500	448,248	-	455,748
	Retentions - Construction Contracts	1,488,821	1,047,961	(1,488,821)	1,047,961
		2,952,393	4,139,168	(3,774,982)	3,316,579
14.	Revenue				
	Rendering of services			8,392,176	6,648,891
	Rental Income			18,378,757	9,925,923
				26,770,933	16,574,814

NOTES TO THE FINANCIAL STATEMENTS [cont]

Figures in Rand		2010	2009
15.	Operating Profit		
	Operating profit for the year is stated after accounting for the following:		
	Operating Lease Charges		
	Premises		
	Equipment		
	- Contractual amounts	1,143,029	1,135,585
		1,143,029	1,135,585
	Profit on sale of property, plant and equipment	21,259	1,202,939
	Impairment on property, plant and equipment	13,634	9,782
	Depreciation on property, plant and equipment	13,380,323	12,054,536
	Employee costs	32,179,050	26,574,065
	Research and development	-	493,950
16.	Finance Income		
	Interest revenue		
	Bank	97,273	21,581
		97,273	21,581
17.	Taxation		
	Major components of the tax income		
	Deferred		
	Originating and reversing temporary differences	(1,588)	(28,130)
18.	Auditors' remuneration		
	Fees	122,350	127,400

NOTES TO THE FINANCIAL STATEMENTS [cont]

Figures in Rand		2010	2009
19.	Cash generated from operations		
	Profit / (loss) before taxation	(190,462,251)	4,304,692
	Adjustments for:		
	Depreciation and amortisation	13,380,323	12,054,536
	Profit on sale of non-current assets	(21,259)	(1,202,939)
	Profit on foreign exchange	-	(1,124)
	Interest received	(97,273)	(21,581)
	Fair value adjustments	190,446,458	(3,483,487)
	Impairment reversals	(62,389)	9,782
	Movements in provisions	5,605,213	364,186
	Reversal of contract retentions	-	840,747
	Changes in working capital:		
	Trade and other receivables	8,611,243	(6,854,450)
	Trade and other payables	8,868,393	34,907,153
	Deferred income	371,554,526	189,971,214
		407,822,985	230,888,729
20.	Tax refunded		
	Balance at beginning of the year	1,883,537	246,293
	Balance at end of period	(1,883,537)	(1,883,537)
		-	(1,637,244)
21.	Commitments		
	Authorised capital expenditure		
	Balance on contract work in progress	160,895,286	130,804,480
	This commitment expenditure relates to infrastructure and will be financed by committed funds available as at 31 March 2010 and grants from the Department of Trade and Industry as well as the Department of Economic Development and Environment Affairs - Eastern Cape.		
	Operating leases - as lessee (expense)		
	Minimum lease payments due		
	- within one year	108,226	206,478
	- in second to fifth year inclusive	17,978	125,455
		126,204	331,933

NOTES TO THE FINANCIAL STATEMENTS [cont]

Figures in Rand		2010	2009
22.	Contingencies		
	(i) A bid by the company for a security contract has been challenged which might result in a possible loss of R450 000. The company's attorneys are estimating the probability of this loss occuring to be zero		
	(ii) The company has entered into performance-based contracts with employees in terms of which performance bonuses may be paid out. The performance bonus liability is estimated at R4 328 628		
23.	Related parties		
	Relationships		
	Holding company Eastern Cape Development Corporation		
	Associates Buffalo City Municipality		
	Memebers of key management Mr. S. Kondlo	-	
	Memebers of key management Mrs. N.V. Madyibi	-	
	Related party balances		
	Amounts included in Trade receivables		
	Buffalo City Municipality	7,740,156	6,147,131
	Amounts included in Trade receivable (Trade Payable regarding related parties		
	Buffalo City Municipality	(856,820)	(966,521)
	Related party transactions		
	Buffalo City Municipality		
	Rates and taxes	2,682,483	2,422,884
	Electricity	6,217,053	3,863,817
	Water	486,827	1,016,658
	Sewerage	297,708	-
	Compensation to directors and other key management		
	Short-term employee benefits	3,795,688	3,133,740
24.	Director's emoluments		
	Non-executive		
	2010	Emoluments	Total
	For services as directors	263,732	263,732
	2009	Emoluments	Total
	For services as directors	180,519	180,519

NOTES TO THE FINANCIAL STATEMENTS [cont]

Figures in Rand						2010	2009
25.	Risk management						
	Liquidity risk						
	The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and funding agreements.						
	Interest rate risk						
	Cash flow interest rate risk						
	Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
	Cash in current banking institutions	5.9%	334,065,013	-	-	-	-
	Credit risk						
	Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.						
	Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis.						
	Financial assets exposed to credit risk at year end were as follows.						
	Financial instrument					2010	2009
	First National Bank					334,065,013	189,154,394
26.	Executive Management Remuneration						
	Chief Executive Officer and Executive Manager: Finance & Support Services						
	Basic					2,877,857	2,550,216
	Bonus					662,386	361,777
	Leave pay provision					255,445	221,747
						3,795,688	3,133,740
27.	Unauthorised, fruitless and wasteful expenditure						
	There was no unauthorised, fruitless and wasteful expenditure.						

DETAILED INCOME STATEMENT

Figures in Rand	Note(s)	2010	2009
Revenue			
Rendering of services		8,392,176	6,648,891
Rental Income		18,378,757	9,925,923
		26,770,933	16,574,814
Cost of sales			
Purchases		(16,205,395)	(8,536,561)
Gross profit		10,565,538	8,038,253
Other income			
Other income		284,078	43,812
Gains on disposal of assets		21,259	1,202,939
Profit on exchange differences		-	1,124
Government grants		83,553,165	72,652,774
		83,858,501	73,900,649
Expenses (Refer to page 90)		(94,537,105)	(81,139,278)
Operating (loss) profit	15	(113,066)	799,624
Finance Income	16	97,273	21,581
Fair value adjustments		(190,446,458)	3,483,487
(Loss) profit before taxation		(190,462,251)	4,304,692
Taxation	17	(1,588)	(28,130)
(Loss) profit before taxation		(190,460,663)	4,332,822

SUPPLEMENTARY INFORMATION - OPERATING EXPENSES

Figures in Rand		Note(s)	2010	2009
Operating expenses	Advertising-marketing		(1,974,843)	(3,300,754)
	Auditors remuneration	18	(255,212)	(201,454)
	Bad debts		(749,054)	(448,248)
	Bank charges		(61,973)	(35,120)
	Board expenses		(263,732)	(180,519)
	Cell phones		(539,731)	(440,638)
	Cleaning		(184,334)	(118,885)
	Computer expenses		(179,394)	(67,845)
	Consulting and professional fees		(8,718,299)	(9,626,895)
	Depreciation, amortisation and impairments		(13,317,934)	(12,064,318)
	Development planning and related costs		(205,114)	(463,483)
	Donations		(105,673)	(32,009)
	Employees costs		(32,179,050)	(26,574,065)
	Entertainment		(404,766)	(438,420)
	Hire		(1,143,029)	(1,135,385)
	Insurance		(754,945)	(1,330,179)
	IT expenses		(461,602)	(162,740)
	Legal expenses		(365,146)	(527,342)
	Levies		-	(2,500)
	Marketing- Brand Management		(610,682)	(615,109)
	Miscellaneous expenses		(71,721)	(102,033)
	Non-capitalised equipment		(322,542)	(146,031)
	Other expenses			(31,696)
	Petrol, Oil and Repairs - MV		(33,667)	(5,174)
	Placement fees		(203,377)	(94,022)
	Postage		(61,311)	(124,469)
	Printing and stationary		(216,424)	(72,389)

SUPPLEMENTARY INFORMATION - OPERATING EXPENSES [cont]

Figures in Rand	Note(s)	2010	2009
Project costs		(22,233,917)	(14,429,087)
Marketing Communications		(10,270)	(252,844)
Repairs and maintenance		(1,584,805)	(451,133)
Research and development costs		(24,000)	(493,950)
Security		(2,033,031)	(1,856,855)
Subscriptions		(409,247)	(249,060)
Telephone and fax		(283,741)	(301,473)
Tendering costs		(222,177)	(91,890)
Training		(814,466)	(856,502)
Travel - local		(2,278,813)	(2,392,906)
Travel - overseas		(1,259,084)	(1,421,856)
		(94,537,105)	(81,139,278)

GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

The development of East London's industrial development zone

Non - Executive Directors

N.I. Anderson

J.H. Badenhorst

M.D. Matika

Z.M. Tini

J. Brown

M. Saziwa

D.H. Batidzirai

Registered office

Acacia House
Palm Square
Bonza Bay Road
BEACON BAY
5241

Business address

Lower Chester Road
Sunnyridge
EAST LONDON
5201

Postal address

P O Box 5458
Greenfields
EAST LONDON
5208

Bankers

Standard Bank

Auditors

Xolani Phumeza & Associates
Chartered Accountants (S.A.)

Secretary

PriceWaterhouseCoopers Inc

Company registration number

2003/012647/07

Type of entity

Schedule 3D Business Enterprise

Transforming the landscape / strengthening capabilities

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