2013/14
ANNUAL REPORT

east london idz
business streamlined

EXECUTIVE AUTHORITY

ANNUAL REPORT
2013/14

Honourable MEC Sakhumzi Somyo

Member of the Executive Council responsible for the Department of Economic Development, Environment and Tourism

I have the honour of submitting the Annual Report of the **East London Industrial Development Zone SOC Ltd** for the period 1 April 2013 to 31 March 2014.

Mr Simphiwe Kondlo
Date of Submission: 26 August 2014

CONTENTS

GENERAL INFORMATION

OUR **VISION**

The Vision of the East London Industrial Development Zone SOC Ltd is:

World class Operator of a prestigious industrial complex where highly competitive organisations thrive on streamlined business benefits and stimulate sustainable regional economic growth.

OUR **MISSION**

To provide investor solutions and to attract and develop strategic industries that strengthen South Africa's global competitiveness through the development and operation of a thriving, specialized industrial complex.

OUR LEGISLATURE **MANDATE**

The East London Industrial Development Zone's (ELIDZ) core legislative mandates and its approved corporate strategy remained relevant and in place and there have not been any significant revisions to the legislative or other mandates as described in the Strategic Plan.

ORGANISATIONAL
STAFF COMPLIMENT

CHIEF EXECUTIVE OFFICER

EXECUTIVE MANAGER: OFFICE OF THE CEO

OFFICE OF THE CHIEF EXECUTIVE OFFICER					
Functional Area	EM	MG	SP	AS	
Office of the CEO	1			1	**2**
Company Secretarial Support			1		**1**
Corporate Strategy and Planning			1		**1**
Customer Relations Management		1			**1**
Project Portfolio Management			1	2	**3**
Enterprise Quality Management			1		**1**
Executive Coordination & Support of Special Projects	1				**1**
Total Filled Positions	**2**	**1**	**4**	**3**	**10**
Enterprise Risk Management		1			**1**
Total Vacant Positions	**-**	**1**	**-**	**-**	**1**
Total Positions	**2**	**2**	**4**	**3**	**11**

SPECIAL PROJECTS					
Functional Area	EM	MG	SP	AS	
Science & Technology Park	1	1	1	1	**4**
Eastern Cape Innovation Initiative	1				**1**
Total Filled Positions	**2**	**1**	**1**	**1**	**5**
Science & Technology Park		1			**1**
Eastern Cape Innovation Initiative					
Total Vacant Positions	**-**	**1**	**-**	**1**	**1**
Total Positions	**2**	**2**	**1**	**1**	**6**

EXECUTIVE MANAGER: ZONE DEVELOPMENT

ZONE DEVELOPMENT					
Functional Area	EM	MG	SP	AS	
Project Management & Coordination	1			1	**2**
Investment Analysis			2		**2**
Property Portfolio Management		2		1	**3**
Project Support Office		1	2		**3**
Sector Development		5			**5**
Total Filled Positions	**1**	**8**	**4**	**2**	**15**
Project Support Office		1			**1**
Total Vacant Positions	**-**	**1**	**-**	**-**	**1**
Total Positions	**1**	**9**	**4**	**2**	**16**

EXECUTIVE MANAGER: OPERATIONS

ZONE OPERATIONS					
Functional Area	EM	MG	SP	AS	
Zone Operations	1				**1**
Maintenance & Facilities Management		1	1	3	**5**
Investor Support Services Management (Help Desk/Zone labour)		1		10	**11**
Safety, Health & Environmental Management		1	2	1	**4**
Total Filled Positions	1	3	3	14	**21**
Zone Operations				**1**	**1**
Maintenance & Facilities Management			1	2	**3**
GIS & Data Administration				1	**1**
Investor Support Services Management (Help Desk/Zone labour)				2	**2**
Total Vacant Positions	-	-	-	6	**7**
Total Positions	**1**	**3**	**4**	**21**	**28**

EXECUTIVE MANAGER: CORPORATE AFFAIRS

CORPORATE AFFAIRS					
Functional Area	EM	MG	SP	AS	
Corporate Affairs	1			1	2
Legal & Contracts Management			1		1
Corporate Communications		1	2	2	5
Human Resources Management		1	1	2	4
Information Communication & Technology Management		1	3	2	6
Records Management		1		1	2
Total Filled Positions	**1**	**4**	**7**	**8**	**20**
Corporate Research			1		1
Information Communication & Technology Management				1	1
Total Vacant Positions	**-**	**1**	**1**	**1**	**2**
Total Positions	**1**	**5**	**8**	**9**	**22**

EXECUTIVE MANAGER: FINANCIAL MANAGEMENT

FINANCIAL MANAGEMENT					
Functional Area	EM	MG	SP	AS	
Financial Management	1			1	**2**
Financial Control & Reporting		1	1		**2**
Financial Management, Reporting & Administration		1	1	1	**3**
Management & Cost Accounting		1	1		**2**
Supply Chain Management		1	1	1	**3**
Total Filled Positions	**1**	**4**	**4**	**3**	**12**
Financial Management, Reporting & Administration			1	1	**2**
Supply Chain Management				1	**1**
Investments & Acquisitions Management				1	**1**
Total Vacant Positions	**-**	**-**	**1**	**3**	**4**
Total Positions	**1**	**4**	**5**	**6**	**16**

EM: EXECUTIVE MANAGER | MG:MANAGEMENT | SP: SPECIALIST | AS: ADMIN / SUPPORT

OUR IMPACT

2992 MANUFACTURING AND SERVICES JOBS CURRENTLY ACTIVE IN THE ELIDZ

34 INVESTMENTS SECURED BY THE ELIDZ TO DATE

R4.4 BILLION PRIVATE SECTOR INVESTMENT IN THE ZONE TO DATE

4648 TOTAL JOBS ACTIVE IN THE ELIDZ

21 262 DIRECT CONSTRUCTION JOB OPPORTUNITIES SINCE INCEPTION

LEADERSHIP REPORTS

CHAIRMAN'S STATEMENT

INTRODUCTION BY CHAIRMAN

The East London Industrial Development Zone's Board of Directors is responsible for ensuring effective and efficient management of the organisation and all its resources. Discharging this crucial role ensures that the ELIDZ continues to be a financially and operationally sound business and that it remains attractive to potential and current investors, funders and shareholders at large.

ADVOCATING FOR CHANGE

The ELIDZ Board of Directors has in the period under review also continued to advocate for a conducive policy and operational environment to allow management and staff to undertake their key responsibilities with maximum prospect of success.

A key to this has been the ELIDZ's lobbying for changes in the Industrial Development Zone (IDZ) legislative framework to drive for improved competitiveness and stability for the South African IDZ sector. The period under review has seen some good progress in this regard with the development and refinement by affected stakeholders of a new and expanded legislative regime for Special Economic Zones (SEZ). As at the end of the financial year, the SEZ Bill was awaiting final sign-off into law, signalling the completion of an intense phase of consultation and lobbying which has necessitated the devotion of considerable time and resources.

The road to lobbying for an improved institutional basis for zone development and operations does not end here, the incoming new legislation continues to present the ELIDZ and the Board with elements of uncertainty. Among these are potential changes to the basis of current funding,

Mr Zolile Tini | *ELIDZ Board Chairman* especially with the awaited development of the anticipated national SEZ Fund and new funding instruments that it will invoke.

Possible qualification or reluctance by national government to continue utilising grant funding for the delivery of tenant facility top-structures could become a factor moving into the future. This potential constraint, coupled with pressure on provincial sources of funding, could leave the Eastern Cape's two IDZs facing persistent and possibly worsening and funding shortfalls. This could well prove to undermine the IDZs' currently adopted business model/plans and could compromise critical project timelines (with medium-to-long-term rate of business development impacts). This has necessitated that the ELIDZ continue to engage national government to seek clarification on funding avenues for IDZs.

In addition, the uncertainty within the sector is also requiring strategic examination of various possible scenarios and responses, coupled with an agility and willingness to maintain flexible business planning and value proposition management to take into account some of these possibilities.

As an organisation we are encouraged by the positive intents that the Minister of the Department of Trade and Industry is exploring via the expansion and strengthening of the incentives basis of the Zone's Programme. This offer welcomes signs of a new stimulus for investment take-up. We continue to engage with the designers of these incentives to ensure that predominantly rural and somewhat logistically challenged provinces, such as our Eastern Cape benefit from these incentives and stand shoulder to shoulder with other advanced locations such as Gauteng, the Western Cape and KwaZulu Natal.

The changes in the new SEZ legislation, particularly with regard to the requisite positioning of the provincial shareholder and executive authority as a future SEZ Programme Licensee has also, warranted a relook into the current shareholding arrangements. Following the assessment of possible solutions in this regard and after thorough consultation with the affected stakeholders, the Executive Authority together with Board of the ELIDZ and the Eastern Cape Development Corporation (ECDC) resolved to decouple the ELIDZ from its ECDC shareholding so that it can operate as a future SEZ Operator in relation to the Licensee.

This action has also subsequently necessitated the review of Buffalo City Metropolitan Municipality (BCMM) shareholding mechanism also. As at the end of the financial year, the decoupling process for ECDC is underway and is being led by ECDC. There is also continuing engagement with BCMM to investigate various permutations that would ensure a continued role of BCMM within the ELIDZ project as a valued, primary stakeholder.

RENEWAL TOWARDS CLEAN ADMINISTRATION

Since its inception in 2003, the ELIDZ has applied itself to deliver its operations in a manner that will ensure the sound management of a financially viable entity, the steady attraction of new investment as well as the retention of existing investors.

The organisation has, in its relatively short history, shown itself to be agile and broadly capable of adaptation to a changing environment and emergent business challenges.

While it has not wavered in this mission, the organisation found itself in 2012/13 receiving its first qualified audit opinion in its 11 years of operation from the Auditor General South Africa. This opinion placed a blemish on an otherwise thriving financial year and served as a strong call on the ELIDZ board to act decisively in dealing with institutional shortcomings that had led to the qualification.

With this as a background to activity for the 2013/14 financial year, the board set out to drive a turnaround process that would remove this black mark. Its focus was to review and refine the ELIDZ's internal processes and controls to ensure that the qualified opinion was addressed and would not repeated for the 2013/14 financial year.

As a board this is not a matter that we have taken lightly - after the audit the Board took full responsibility for the organisational results. We had to sit back and take stock of what went wrong and how we can act to turn the situation around in conjunction with the executive and management. The organisation responded to implement a comprehensive and closely monitored audit turn-around plan which not only focused on specific areas of qualification but also on the broader qualities of organisational administration and performance.

These efforts and strides of the Board of Directors, management and staff have paid off in turning the around and attaining an unqualified audit opinion for the financial year ending 2013/14 as expressed by the Auditor General of South Africa. Not only has the ELIDZ dealt with the root causes of the qualified audit opinion, there is now a renewed focus, both by the board and management, on ensuring incremental and sustained improvement for the attainment of clean administration in subsequent years.

GROWING IMPACT

Despite some of the challenges highlighted above, the ELIDZ continues to thrive and it's significant impact continues to be felt on the ground. In the last year alone we have increased investment into the zone by more than R622 million and 1377 new permanent manufacturing jobs have been created just in the last twelve months. Importantly, the ELIDZ's socio-economic impact continues to reach wider than just the zone's physical boundaries.

All of this would not be possible without the financial support of our funders, the Department of Trade and Industry and the Eastern Cape Provincial Government through the Department of Economic Development, Environment and Tourism (DEDEAT). The strategic leadership and support of our shareholders ECDC and the BCMM have also been critical in transforming the vision of our Board and management to reality. We have also enjoyed great partnerships with key players in the provincial business sector who have shown great faith in the ELIDZ and its value proposition. We are also grateful to entities such as Transnet National Ports Authority, Transnet Port Terminal and Mercedes Benz South Africa for supporting our organisations and investors.

Most importantly, our task would not be fulfilled without our investors who make the decision to locate in the ELIDZ and who bring the contributions that ultimately grow the economy. We will continue to do everything in our power to make sure that all these stakeholders get maximum returns on their investment.

Mr. Zolile Tini
Board Chairman

CHIEF EXECUTIVE OFFICER'S OVERVIEW

CEO'S OVERVIEW – 2013/14 ANNUAL REPORT

When the ELIDZ was designated in 2002 as a tool to promote the export competitiveness of South African manufactured products its mandate was underpinned by four pillars. These included diversifying the local economy, enabling beneficiation of natural resources, securing advanced production and technology methods and encouraging skills transfer. As the 2013/14 financial year draws to a close, some significant work that has been done under these four pillars stand as evidence that the ELIDZ is meeting the objectives of the IDZ programme that it was designated under and is fulfilling its public mandate.

DIVERSIFYING THE ECONOMIC LANDSCAPE

The East London IDZ continues to contribute towards the diversification of the regional industrial activity. Through the Mercedes Benz South Africa's (MBSA) W205 C-Class project, the East London IDZ during the period under review saw the settlement of four new investors worth over R622 million. Some 849 jobs existed in the automotive and related industries before the W205 project. More than 534 additional job opportunities have been created following the introduction of the project.

The move from the Mercedes Benz W204 C-Class to the exciting new generation W205 has seen the deepening of local content where the region is starting to see more primary manufacturing happening at the East London IDZ automotive suppliers.

The ELIDZ is extremely proud of the impressive export production achievement of MBSA and the major contribution that the C-Class launch represents for the status and future of the automotive industrial

Mr Simphiwe Kondlo | *CEO - ELIDZ*

output and potential of the Eastern Cape. It is one further demonstration that the region can assemble the capability and determination to enter and capture international markets with products of an extremely high quality and premium technology content.

The ELIDZ engagement with MBSA in building the automotive production capacity of the Eastern Cape is a vital partnership that underpins the attraction of foreign direct investment and the location of new, competitive production and product technologies. In this respect, the establishment of a world class e-coating facility at the ELIDZ in support of the new C-Class production heralds a significant achievement for the automotive industry development in South Africa and is set to grow further the total automotive investment base located within the Buffalo City Metropolitan Municipality.

INCREASING INVESTMENT

During the period under review the ELIDZ has not only bedded down new investment in the automotive sector, it has also increased investment in the aqua-culture and renewable energy sectors, a further signal that the zone is making significant strides in diversifying the regional economy. This is attributed to the settlement of a photovoltaic invertor manufacturing plant as well as a photovoltaic panel manufacturing plant, both as part of the spin-offs from existing renewable energy investments. This is proof that the ELIDZ's value proposition for the renewable energy sector remains relevant to those investors that are looking for a competitive location for their investments.

The aqua-culture sector appreciated the success of the two investors that are already operational has started to reap rewards for the zone. The period under review saw three new investors in the sector choosing the ELIDZ as their investment location. This brings the number of operational investors in this sector to 5 and increases the land take up for the hectares reserved for this sector. The period under review also saw the consolidation of its automotive sector value offering to create a platform for the zone's Multi-Model OEM project, a multibillion project that will create more than 1300 direct jobs.

The ELIDZ will continue focusing its energies on the promotion of the ELIDZ's Multi-Model OEM, a common passenger vehicle assembly facility that will be operated by an internationally experienced contract assembler. The ELIDZ is already in discussion with a number of potential users for this facility and has already secured a preferred operator. The zone will intensify its marketing efforts of this initiative during the 2014/15 financial year.

The project is planned to produce more than 65 000 units assembled on different platforms that share specialised services. This will present huge opportunities for local auto component suppliers and so further strengthen the localisation efforts of leading automotive players like MBSA.

INCREASED IMPACT

At the end of the 2012/13 financial year, notable progress could be seen in regard to inward investment impact for the local and regional economy. An example of this is the growth of ELIDZ private sector investment to R4.4 billion, with more than 80% of this being Foreign Direct Investment.

The total number of secured investors has grown to 34 with a bulk of these already operating from the zone. Direct manufacturing and related services jobs in the ELIDZ has grown to 2992 direct jobs in 2013/14. An additional 1 659 jobs have been pledged by investors and these will be realised in the next 18 to 24 months.

A total of 1 571 direct construction-related employment opportunities were also created in the last twelve months. The impact, however, is wider than just the zone. The ELIDZ has awarded over a R1 billion worth of contracts to BBBEE enterprises and just over R300 million worth to qualifying SMMEs.

The ELIDZ is also advancing its efforts to contribute towards the Eastern Cape's competitiveness in the knowledge economy through the development of a Science and Technology Park (STP). The impact of this initiative can already be felt by industry. The development of a multi-sector incubator in the STP is currently under way and in the last 12 months 78 entrepreneurs located into the STP. Two additional value-added services, which would be critical in the incubation of these entrepreneurs, were secured in the period under review.

The period under review also saw the operationalization of a world-class analytical laboratory in partnership with the Centre for Scientific Industrial Research (CSIR). This is a milestone in the province's innovation value proposition as this will strengthen capabilities for water and food testing for industries and municipalities in this region. Progress has also been made on the establishment of a Renewables laboratory within the STP.

The Renewable Energy Experts programme which culminates in a Solateur qualification (international EU qualification) is currently being piloted with 20 entrants. The zone also implemented a National Tooling Initiative 12 month programme for Tool Room Assistants, with 19 entrants going through the programme.

Going into the 2014/15 financial year, the ELIDZ will continue to build on its current successes. The operation of the multi-surface auto sector treatment plant will see new technologies and skills being introduced in the region and ensure further beneficiation of local resources. The ELIDZ's growing pipeline in sectors beyond automotive will also see the realization of the ELIDZ's mandate to diversify the local economy and introduce advanced production methods. More importantly it will continue to expand the impact of the East London IDZ in new and exciting dimensions.

Mr. Simphiwe Kondlo
Chief Executive Officer


AW4
AW6
Molan Pino S.A.
AW4
AW6

STATEMENT BY
COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, as amended, I certify that the company has filed with the Companies and Intellectual Property Commission all such returns and notices in terms of the Act, and all such returns appear to be true, correct and up to date.

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Adv. Gulshan Singh
Company Secretary

STATEMENT OF CORPORATE GOVERNANCE

MEET OUR **BOARD**

The ELIDZ Board of Directors 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 III Report.

1. Mr Z.M. Tini (Chairman) | 2. Mr A. Kanana | 3. Ms P. Mzazi-Geja | 4. Mr S. Kondlo (Ex-officio) | 5. Mr E. Jooste | 6. Ms V. Sikwebu | 7. Mr S. Caga | 8. Mr S. Mase | 9. Mr M. Saziwa
10. Ms P. Nazo | 11. Ms N. S. Mteto | 12. Ms N.I. Meinie-Anderson

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

BOARD

The ELIDZ has a unitary Board which comprises of 11 non-executive directors as of 31 March 2014. The Chief Executive Officer serves as a member of the Board in an ex officio capacity. All directors of the Board are non-executive directors that are nominated by various stakeholders and appointed by the Executive Authority. The directors are drawn from diverse backgrounds and bring a wide range of experience and professional skills to the board and the board's sub-committees.

The performance of the board and individual directors are evaluated each year.

The Board met several times during the financial year 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 return 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; and
- Ensure that the company has developed a succession plan for its chief executive and senior management.

CHANGES IN THE BOARD COMPOSITION IN 2013/14

Ms. J. Brown resigned as of 15 May 2013.
The ELIDZ appointed the following new members as of 24 October 2013, Ms. V. Sikwebu and Mr. E. Jooste.

DELEGATION OF AUTHORITY

The board has the authority to delegate its power to executive structures and board committees. A delegation or authority framework is in place to facilitate this delegation without diluting the board's accountability. The framework is undergoing an extensive review process. Board Committees exercise their delegated authority in accordance with board approved policies. Each board committee comprises of majority non-executive directors.

BOARD MEETINGS

Board members attended board meetings and participated fully, frankly and constructively in board discussions and other activities as guided by the Board 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 III.

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, in advance of the agenda items being presented;
- Disclose their interests at the ELIDZ, other directorships, and any other area of potential conflict of interest; and
- Absent themselves from discussion or decisions on matters in which they have a close and material connection or conflicting interest.

BOARD COMMITTEES

EXECUTIVE COMMITTEE (EXCO)

This committee consists of four non-executive board members. Its principal function is to attend to urgent matters requiring immediate decisions. The EXCO acts as the nomination and remuneration committee and also the social and ethics committee in terms of the Companies Act. 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.

AUDIT AND RISK MANAGEMENT COMMITTEE (ARC)

This committee is comprised of four Independent non-executive directors, one of which is the chairperson, as at 31 March 2014. The chief executive officer, chief financial officer, chief information officer, chief risk officer, the internal auditors and the external auditors are standing invitees to the meetings.

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

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

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

FINANCE AND TENDER COMMITTEE (FNT)

The committee is comprised of one non-executive director (who acts as a chairperson) and, three non-executive directors as members. The chief executive officer, the chief financial officer and executive manager, rendering a tender to be considered, attend the meetings.

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

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

INVESTMENT SERVICES COMMITTEE (ISC)

This committee consists of five 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; and
- 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.

BOARD INDUCTION AND INFORMATION

The Chief Executive Officer and the Company Secretary are tasked with assisting the board with the induction of new non-executive directors and director's orientation. During induction, directors receive copies of terms of reference of the committees, board charter, strategic plan, annual performance plan, governance framework and other relevant company information.

The company is committed to the continued development of directors so that they may build on their expertise and cultivate a deeper understanding of the business and its markets.

The formal induction programme introduces non-executive directors to the company's fiduciary duties as contained in the Companies Act, PFMA, and also King III report and operations including an introduction on an informal level to the executive management.

BOARD AND BOARD COMMITTEE MEETINGS FOR FINANCIAL YEAR 2013/14 INCLUDING (SCHEDULED AND SPECIAL MEETINGS)							
Name of Director	Board	Audit and Risk Committee	Finance and Tender Committee	Executive Committee of the Board	Investment Services Committee	Annual General Meeting and Other meetings	
Total Number of Meetings for the Financial Year	**8 (4 scheduled, 4 special)**	**7 (5 scheduled, 2 special)**	**4 (4 scheduled, 0 special)**	**5 (4 Scheduled, 1 special)**	**2 (2 special)**		**Total Fees Earned**
Z. Tini (Chairman Board and EXCO)	21 May 2013 30 May 2013 26 July 2013 14 August 2013 23 October 2013 12 December 2013 28 February 2014 26 March 2014			26 July 2013 14 August 2013 27 August 2013 26 November 2013 28 February 2014		• Meeting with Executive Authority • Meeting with Shareholder – BCMM • Meeting with Shareholders • Annual General Meeting • AG Control Visit • AG – 24 February 2014 • BCMM liaison Forum 19 Sep 2013, 5 Feb 2013 • Strategy Session 22 October 2013 • Stakeholder function 22 October 2013 • Stakeholder function – 2 October • ANC Meeting – 11 November 2013 • DIR COM MINISTERS VISIT – 29 November 2013 • Board induction 21 Jan 2013	R 195 094
N. I. Meinie-Anderson (Chairman ARC)	26 July 2013 14 August 2013 23 October 2013 December 2013 February 2014 26 March 2014	23 July 2013 27 September 2013 15 November 2013 16 January 2014 (Special) 20 February 2014 20 March 2014 (Special)		26 July 2013 14 August 2013 27 August 2013 26 November 2013 28 February 2014		• Scopa – 18 October 2013 • Strategic Planning – 22 October	R 191 567
S. Caga	21 May 2013 30 May 2013 26 July 2013 14 August 2013 23 October 2013 12December 2013 28 February 2014 26 March 2014			26 July 2013 14 August 2013 27 August 2013 26 November 2013	18 July 2013 19 March 2014	• BCMM liaison Forum – 5 Feb 2013 • BCMM Liaison Forum 19 Sep 2013 • Stakeholders Meeting • AGM – paid 24 Oct 2013 • Strategy Session – 22 October 2013 • Stakeholder function 2 October 2013 • Portfolio Committee – 14 November 2013 • ANC Meeting – 11 Nov	R 119 674

BOARD AND BOARD COMMITTEE MEETINGS FOR FINANCIAL YEAR 2013/14 INCLUDING (SCHEDULED AND SPECIAL MEETINGS)							
Name of Director	Board	Audit and Risk Committee	Finance and Tender Committee	Executive Committee of the Board	Investment Services Committee	Annual General Meeting and Other meetings	
Total Number of Meetings for the Financial Year	**8 (4 scheduled, 4 special)**	**7 (5 scheduled, 2 special)**	**4 (4 scheduled, 0 special)**	**5 (4 Scheduled, 1 special)**	**2 (2 special)**		**Total Fees Earned**
S. Mase	26 July 2013 14 August 2013 23 October 2013 28 February 2014		15 May 2013 16 July 2013 27 November 2013 24 February 2014	26 July 2013 14 August 2013 28 February 2014			Nil
M. Saziwa	21 May 2013 30 May 2013 26 July 2013 14 August 2013 23 October 2013 12 December 2013 28 February 2014 26 March 2014	30 May 2013 23 July 2013 27 September 2013 15 November 2013			19 March 2014		R 104 890
P. Nazo	21 May 2013 30 May 2013 26 July 2013 4 August 2013 23 October 2013 12 December 2013 28 February 2014		15 May 2013 16 July 2013 27 November 2013 24 February 2014				R 96 719
P. Mzazi-Geja	21 May 2013 30 May 2013 26 July 2013 14 August 2013 12 December 2013 28 February 2014 26 March 2014				18 July 2013		Nil

BOARD AND BOARD COMMITTEE MEETINGS FOR FINANCIAL YEAR 2013/14 INCLUDING (SCHEDULED AND SPECIAL MEETINGS)							
Name of Director	Board	Audit and Risk Committee	Finance and Tender Committee	Executive Committee of the Board	Investment Services Committee	Annual General Meeting and Other meetings	
Total Number of Meetings for the Financial Year	8 (4 scheduled, 4 special)	7 (5 scheduled, 2 special)	4 (4 scheduled, 0 special)	5 (4 Scheduled, 1 special)	2 (2 special)		Total Fees Earned
A. Kanana	26 July 2013 14 August 2013 23 October 2013 12 December 2013 28 February 2014	23 July 2013 15 November 2013 27 September 2013 (Teleconference) 16 January 2014 (Special - Teleconference) 20 February 2014 (Teleconference)					R 108 355
N. S. Mteto	21 May 2013 26 July 2013 14 August 2013 23 October 2013 12 December 2013 28 February 2014 26 March 2014		15 May 2013 (Teleconference) 16 July 2013 (Teleconference) 27 November 2013 (Teleconference) 24 February 2014 (Teleconference)				R 88 814
V. Sikwebu	12 December 2013 28 February 2014 26 March 2014	15 November 2013 16 January 2014 (Special) 20 February 2014 20 March 2014 (Special)				• BCMM Liaison on 5 Feb 2014 • Induction – 31 January 2014	R 48 838
E. Jooste	12 December 2013 28 February 2014 26 March 2014	15 November 2013 16 January 2014 (Special) 20 February 2014 20 March 2014 (Special)	24 February 2014				R 103 389
						Total:	**R 1 057 340**

REPORT OF THE BOARD AUDIT & RISK COMMITTEE

Report by Board Audit and Risk Committee in terms of Treasury Regulations 27(1) (10) (b) and (c) to the Public Finance Management Act, 1 of 1999 (as amended) and the Companies Act, 71 of 2008, section 94(7)(f)

We are pleased to present our board report for the financial year ended 31 March 2014.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Audit and Risk Committee consists of the members listed hereunder and has met as reflected below.

Name of the members	Number of meetings attended
Mrs N.I Meinie-Anderson (Chairperson)	6 of 7
Mr A. Kanana (Member)	2 of 7
Mr M. Saziwa (Member)	4 of 7
Mr E. Jooste (Member) - appointed 24 October 2013	4 of 7
Ms V. Sikwebu (Member) - appointed 24 October 2013	4 of 7
Ms J. Brown (Member) - resigned 15 May 2013	0 of 7

Separate closed meetings were held with Auditor General (AG) and management during the year under review. The Audit and Risk Committee also had closed meetings with the Chief Executive Officer (CEO).

Furthermore, as per a Board Resolution, the Audit and Risk Committee was mandated to set-up a sub-committee to monitor audit readiness through regular meetings to provide advice and guidance on finance and audit matters. A total of five sub-committee monitoring meetings were held over and above the mandatory meetings listed above.

AUDIT COMMITTEE RESPONSIBILITY:

The Audit and Risk Committee reports that it has adopted an appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this Charter, and has discharged all of its responsibilities contained therein. The Audit and Risk Committee further reports that it has conducted its affairs in line with the requirements of Section 51(1)(a)(ii) of the Public Finance Management Act, 1 of 1999 (as amended) and Treasury Regulations 3.1.

The Audit Committee has an oversight function with regards to:-

- Financial Management and other reporting practices,
- Internal controls and management of risks,
- Compliance with laws, regulation,
- The external audit and
- The internal audit function.

In the conduct of its oversight duties, the Audit and Risk Committee has, inter alia, reviewed the following:

Finance function

- The expertise, resources and experience of the finance function

Internal control, management of risks and compliance with legal and regulatory provisions

- The effectiveness of the internal control systems;
- The factors and risks that may impact on the integrity of the integrated report;
- The effectiveness of the system and process of risk management, including the following specific risks: financial controls;
    - fraud risks relating to financial reporting;
    - information technology risks relating to financial reporting; and
    - effectiveness of the entity's compliance with legal and regulatory provisions.

Financial and sustainability information provided;

- The disclosure of sustainability issues in the integrated report to ensure that it is a reliable and it does not conflict with financial information.

Internal and external audit

- The Audit and Risk Committee is satisfied that the internal audit function is operating effectively and that it is addressing the risks pertinent to the company in its audits;
- The disclosure of sustainability issues in the integrated report to ensure that it is reliable and it does not conflict with the financial information;
- The independence and objectivity of the external auditors; and
- Accounting and auditing concerns identified as a result of internal and external audits, including reportable irregularities in line with the principles of combined assurance, as outlined in the King III report on corporate governance.

The Audit and Risk Committee is of the opinion, based on the explanations given by management and information gathered by the committee through its extended oversight programme as well as internal audit reports, that:

- The systems and process of risk management and compliance processes are adequate, effective, efficient and transparent;
- The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained; and
- Having considered the matters set out in section 94(8) of the Companies Act of South Africa 71 of 2008, as amended, and is satisfied with the independence and objectivity of the external auditors.

While there was significant breakdown in controls and significant inadequacies noted in the control environment of the 2012/13 financial year, the Audit and Risk Committee notes an improvement, after a controls review was conducted, in the functioning of these controls, procedures and systems during the year under review.

EVALUATION OF FINANCIAL STATEMENTS:

The Audit and Risk Committee has evaluated and discussed the annual financial statements of the East London Industrial Zone SOC Ltd for the year ended 31 March 2014 and, based on the information provided to it, considers that the Statements comply, in all material respects, with the requirements of the Companies Act of South Africa, 71 of 2008, as amended, and the Public Finance Management Act, 1 of 1999 (as amended). The Audit and Risk Committee concurs with the board of directors and management that the adoption of the going-concern premise in the preparation of the financial statements is appropriate.

The Audit and Risk Committee has therefore, at its special meeting held on 27 May 2014, recommended the adoption of the financial statements by the board of directors.

The Audit and Risk Committee concurs with the Auditor General of South Africa's report on the annual financial statements, and is of the opinion that the annual financial statements should be accepted, read together with the report of the Auditor General South Africa.

AUDITOR GENERAL:

The Audit and Risk Committee has met with the Auditor General South Africa to ensure that issues that were raised are being resolved by management.

On behalf of the Committee:

N I Meinie-Anderson
Chairperson: Audit and Risk Committee

REPORT OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE ON THE EAST LONDON INDUSTRIAL DEVELOPMENT ZONE SOC LTD

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the East London Industrial Development Zone SOC Ltd set out on pages 75 to 127, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in equity and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting authority's responsibility for the financial statements

2. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice prescribed by the Accounting Standards Board (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the East London Industrial Development Zone SOC Ltd as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with SA Statements of GAAP and the requirements of the PFMA and the Companies Act.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 34 to the financial statements, the corresponding figures for 2012-13 have been restated as a result of errors discovered during 2013-14 in the financial statements of the public entity at, and for the year ended, 31 March 2013.

Irregular expenditure

9. As disclosed in note 37 to the financial statements, the public entity incurred irregular expenditure of R5,7 million during the year ended 31 March 2014. This was as a result of non-compliance with procurement requirements.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Other reports required by the Companies Act

11. As part of my audit of the financial statements for the year ended 31 March 2014, I have read the directors' report, audit committee's report and company secretary's certificate to identify whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I have expressed my opinion. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2014:

- Programme 1: Zone development, on pages 40 to 44
- Programme 2: Zone operations, on pages 45 to 47
- Programme 3: Science and technology park, on pages 50 to 51

14. I evaluated the reported performance information against the overall criteria of usefulness and reliability.

15. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information.

16. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

17. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes.

Additional matter

18. Although I raised no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matter:

Achievement of planned targets

19. Refer to the annual performance report on pages 40 to 58 for information on the achievement of planned targets for the year.

Compliance with legislation

20. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

21. Specific account balances and disclosure items in the financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and were not supported by full and proper records, as required by section 55(1)(a) and (b) of the PFMA and section 29(1)(a) of the Companies Act. Material misstatements in deferred income, investment property and the commitments disclosure identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records provided, resulting in the financial statements receiving an unqualified audit opinion.

Asset and liability management

22. The accounting records for non-current assets were not complete or accurate, as required by section 28(1) of the Companies Act and prescribed in companies regulation 25(3)(a)(i).

Internal control

23. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

Leadership

24. Although the leadership carried out their responsibilities of oversight within the organisation, the entity still had recurring non-compliance findings and corrected material misstatements in the financial statements. This was as a result of management not adequately implementing the action plan and the leadership's recommendations.

Financial management

25. The underlying records for investment property and deferred income did not initially support the values as reflected in the financial statements, due to inadequate review by management. Furthermore, not all compliance matters were addressed in the record keeping of investment property.

Governance

26. Although the internal audit unit and the audit committee carried out their mandate, the organisation still had recurring non-compliance findings and corrected material misstatements in the financial statements. This was as a result of management not adequately implementing all the recommendations of the internal audit unit and the audit committee.

Auditor General

East London
29 July 2014

AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

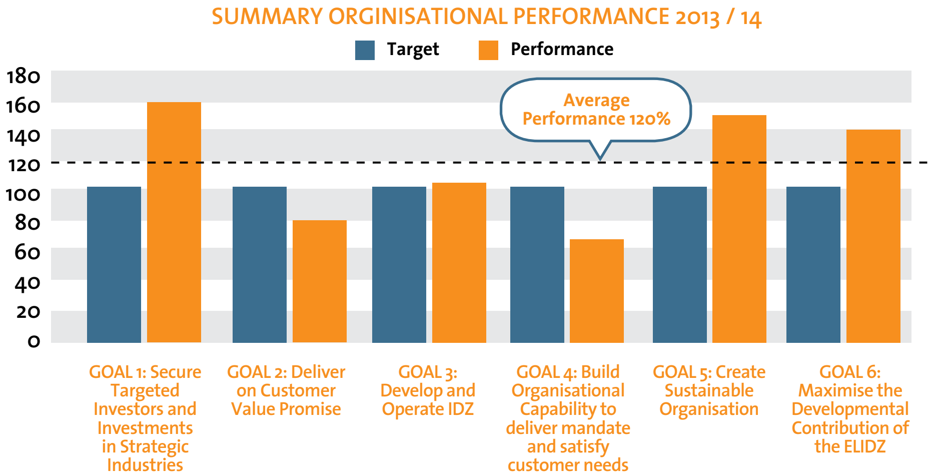
PROGRAMME PERFORMANCE & TREND REPORTS

ORGANISATIONAL PERFORMANCE

ORGANISATIONAL PERFORMANCE

KEY STRATEGIC OBJECTIVE ACHIEVEMENTS

GRAPH - ORGANISATIONAL PERFORMANCE AGAINST STRATEGIC GOALS 2013/ 14

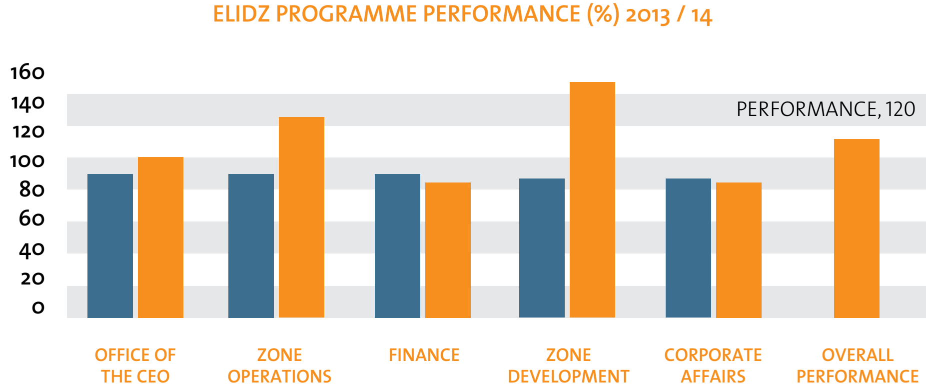


Organisational performance is on average above 120% of target although underperformance has been recorded on two of the goals (goal 2 and goal 4). Under goal 2 the main contributing factor to the underperformance is related to below target customer satisfaction result received this year mainly attributable to perceived weaknesses in the IDZ programme value proposition. Major weaknesses are attributed to the lack of incentivized manufacturing environment and weak services recovery response by the ELIDZ. While the ELIDZ is putting measures to deal with service recovery improvement programme the IDZ value proposition can only be dealt with through the eminent process of legislative reforms for the Special Economic Zones (SEZ) programme.

The over performances noted in Goal 1 is largely attributable to the new Mercedes Benz (W205) C class-linked automotive suppliers settled in the zone during this period. The impact of a higher number of investors settled in zone further influences number of jobs, amount of investment and the total number of learnerships attached to such projects.

PROGRAMME PERFORMANCE

GRAPH – PROGRAMME PERFORMANCE AGAINST STRATEGIC GOALS 2013 / 14



TRENDS REPORT

TABLE –ANNUAL PERFORMANCE AGAINST OVERALL ELIDZ PERFORMANCE SINCE INCEPTION

	Performance 2007-2014 March	Performance 2013/14	% Annual performance Vs Overall ELIDZ performance to date
Manufacturing and Services Direct Jobs	2992	1377	46 %
Construction Job Opportunities	21262	1 571	7.4 %
Number of Operational investors	34	4	12 %
Total private Sector Investment (Rands-Billions)	4.34	0.622	14 %

OVERVIEW OF SERVICE DELIVERY ENVIRONMENT 2013/14

South Africa's growth was projected at 2.0 percent in 2013, rebounding to 2.9 percent in 2014. This projection reflects softer private consumption growth and sluggish private investment which was offset by strong and robust public investment and higher exports. Private investment was projected to be lacklustre at the back of fragile disposable income levels, high household indebtedness and weaker investor confidence. These factors were driven by perceived policy uncertainties, electricity constraints and softer terms of trade. A projected continuing rebound of the economy beyond 2014 is expected to be catalysed by a positive turn in global growth as well as the economic stimulus of new infrastructure projects under the PICC, aimed at catalysing private investment and additional exports.

Despite this generally optimistic outlook, there is an inherent lag in investment growth as the positive impact on foreign direct investment (FDI) inflow tends to take place well after economic growth has been stimulated. This lag is expected to continue to affect the rate of investment into the ELIDZ into the coming financial period and foreseeable future.

The International Monetary Fund's Regional Economic outlook for Sub-Saharan Africa has suggested that global headwinds remain a factor and can be expected to produce moderately lowered growth rates for the region in 2013, reflective of an adverse external environment. This could result in weaker export results, especially exports to China (mainly through lower commodity prices) and reduce FDI inflows. This trend, coupled with a possibility of capital flow reversal as a result of possible tightening of global monetary conditions from EU and USA, poses a risk to the performance of the ELIDZ with regards to its bid to crowd in investment on the back of public investment. Signals by the government to deal with structural policies aimed at promoting productivity, economic diversification and programmes to deal with infrastructure bottlenecks (PICC), have assisted in the attraction and settlement of some investors in the zone. In addition, government's efforts to introduce an expanded and improved Special Economic Zones programme to enhance South Africa's Investment attraction value proposition has also sent a positive signal to investors. The legislative process remains incomplete, however, and should ideally be concluded speedily to maintain the current perception gains, particularly amidst the emergence of other attractive African destinations that are targeting the same FDI sources.

OVERVIEW OF ORGANISATIONAL ENVIRONMENT 2012/13

Subsequent to the ELIDZ receiving an audit qualification for the results of its 2012/13 financial year, the entity has focused attention on a turnaround programme which has been an organisation-wide priority throughout the 2013/14 period. Several interventions were initiated, including staff re-organisation and augmentation, particularly in the Finance department. The organisation undertook several root cause analyses, audits and corrective action planning sessions during the year, with a view to setting the organisation on course towards clean administration. A major project that has had to run concurrent with turnaround activities was the establishment of a new enterprise resource planning (ERP) tool which is aimed at assisting the organisation to improve its controls environment. These interventions coupled with the day-to-day operations for a growing client base in the Zone have stretched the organisation but are necessary to digest to set the organisation on a sound recovery course towards stability and prosperity.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

The dti published the Special Economic Zone Bill for public comment in January 2013 following the prior release of an SEZ policy. Although the amended Bill that has emerged from the consultative process has not yet been promulgated into law, it signals several positive changes, which are aimed at dealing with identified weaknesses that beset the current IDZ Programme. Principal changes deal with clarified institutional arrangements across the spheres of State, the improvement of programme support tools (incentives) and introduction of a new funding model that aims to incite participation of both development financial institutions and private investment. These imminent changes can be expected to have an impact on the organisation's strategic process in a manner that is not yet fully apparent or solidified. In this regard, the ELIDZ has raised representations concerning continuing and residual concerns over SEZ implementation uncertainties in the still emergent national SEZ strategy and regulatory environment. However, on the whole, the legislative process is seen as a welcome development in strengthening the programme's value proposition.

REVENUE AND EXPENDITURE

ORGANISATIONAL OPERATING BUDGET VERSUS EXPENDITURE

Voted Funds

	INCOME						EXPENDITURE					VARIANCE		
	Budget DEDEAT 2013/2014	Budget Dti 2013/2014	Trading & Finance Income	Other Funding (Stem Cell)	Prior Year Income (Rollover)	Adjusted Income 2013/2014	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL	Income Year-to-Date	Variance	% Variance
DEPARTMENT	R'000	R'000	R'000			R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
CEO's Office	14 880	0	0	-	-	14 880	3 002	4 040	4 442	3 386	14 870	14 880	10	0%
Science & Technology	2 450	0	8 731	2 193	2 120	15 494	1 517	5 689	7 273	1 003	15 482	15 494	12	0%
Corporate Affairs	44 290	0	0	-	0	44 290	7 644	6 909	7 493	22 203	44 249	44 290	41	0%
Financial Management	18 319	0	0	-	1 200	19 519	3 441	5 488	4 690	5 898	19 517	19 519	2	0%
Zone Development	15 836	0	14 046	-	332	30 214	4 031	10 808	3 851	11 386	30 076	30 214	138	0%
Zone Operations	2 828	0	58 724	-	-	61 552	10 735	18 951	14 407	17 251	61 344	61 522	208	0%
Total Vat exclusive	**98 603**	**0**	**81 501**	**2 193**	**3 652**	**185 949**	**30 370**	**51 885**	**42 156**	**61 127**	**185 538**	**185 949**	**411**	**0%**
Output Vat Required	**13 804**	**-**	**-**	**307**		**14 111**								
Total Vat inclusive	**112 407**	**0**	**81 501**	**2 500**	**3 652**	**200 060**								

ORGANISATIONAL OPERATING BUDGET AND INFRASTRUCTURE BUDGET VERSUS EXPENDITURE

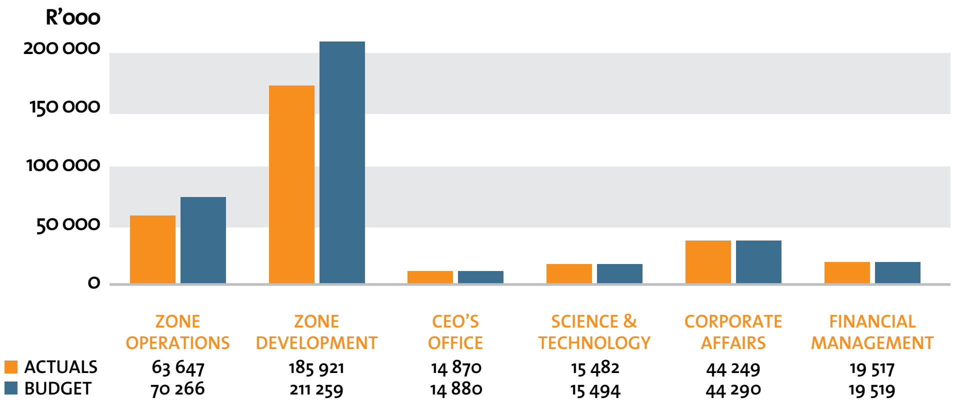
Voted Funds

	INCOME							EXPENDITURE					VARIANCE		
	Budget DEDEAT 2013/2014	Budget Dti 2013/2014	Trading & Finance Income	Other Funding	Prior Year Income	Shortfall	Adjusted Income 2013/2014	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL	Income Year-to-Date	Variance	% Variance
DEPARTMENT	R'000	R'000	R'000		R'000		R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
CEO's Office	14 880	0	0	-	-	-	14 880	3 002	4 040	4 442	3 386	14 870	14 880	10	0%
Science & Technology	2 450	0	8 731	2 193	2 120	-	15 494	1 517	5 689	7 273	1 003	15 482	15 494	12	0%
Corporate Affairs	44 290	0	0	-	-	-	44 290	7 644	6 909	7 493	22 203	44 249	44 290	41	0%
Financial Management	18 319	0	0	-	1 200	-	19 519	3 441	5 488	4 690	5 898	19 517	19 519	2	0%
Zone Development	15 836	87 719	14 046	-	93 658	-	211 259	51 520	63 941	38 009	32 451	185 921	211 259	25 338	12%
Zone Operations	2 828	0	58 724	-	8 714	-	70 266	11 534	18 656	15 338	18 119	63 647	70 266	6 619	9%
Total Vat exclusive	**98 603**	**87 719**	**81 501**	**2 193**	**105 692**	-	**375 708**	**78 658**	**104 723**	**77 245**	**83 060**	**343 689**	**375 708**	**32 022**	**9%**
Output Vat Required	**13 804**	**12 281**	**-**	**307**	-	-	**26 392**								
Total Vat inclusive	**112 407**	**100 000**	**81 501**	**2 500**	**105 692**	-	**402 100**								

The infrastructure underspending has contributed to the 9% variance, largely because some projects are yet to be completed. The majority of both superstructure and infrastructure projects undertaken by ELIDZ are multi-year projects spanning 2-3 financial years and as such, requisite application for roll-over of funds have been duly submitted to the department of Trade and Industry as well as the Eastern Cape Provincial Treasury and Planning.

EXPENDITURE TRENDS

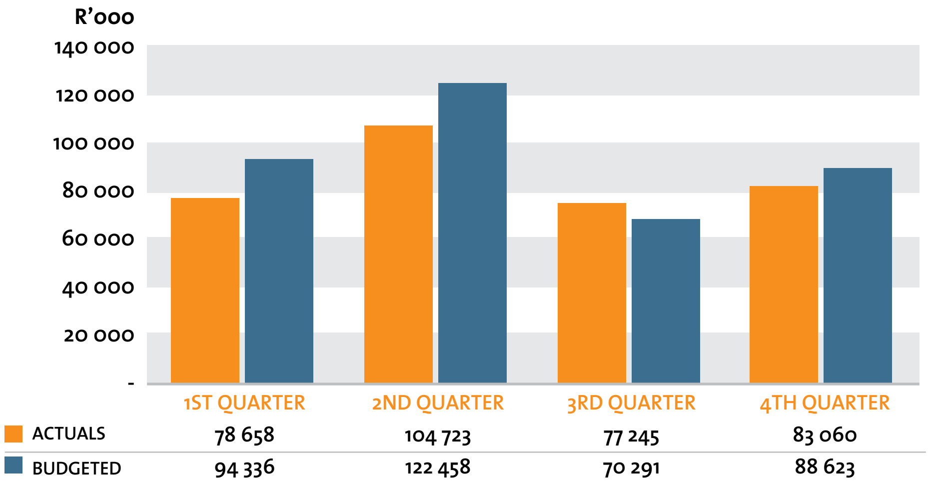
ALL DEPARTMENTS BUDGET VS ACTUALS (APRIL 2013 TO MARCH 2014)



	ZONE OPERATIONS	ZONE DEVELOPMENT	CEO'S OFFICE	SCIENCE & TECHNOLOGY	CORPORATE AFFAIRS	FINANCIAL MANAGEMENT
ACTUALS	63 647	185 921	14 870	15 482	44 249	19 517
BUDGET	70 266	211 259	14 880	15 494	44 290	19 519

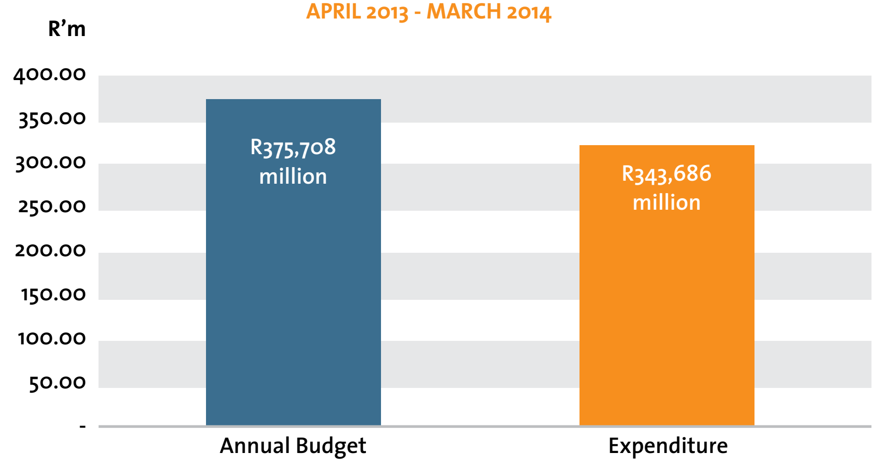
The graph above reflects the budget vs. expenditure for all programmes.

ALL PROGRAMMES



	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
ACTUALS	78 658	104 723	77 245	83 060
BUDGETED	94 336	122 458	70 291	88 623

ALL PROGRAMMES: BUDGET VS. EXPENDITURE
APRIL 2013 - MARCH 2014



THE GRAPH ABOVE REFLECTS THE QUARTERLY EXPENDITURE PERFORMANCE OF ALL PROGRAMMES AS AGAINST THE BUDGET FORECAST

ORGANISATIONAL EXPENDITURE FROM DEDEAT FUNDS

The operational budget for the 2013/14 financial year, accumulated for all programs totalled to R194 million. The funding expected for the 2013/14 financial year was only R164 million. This was made up of grant funding from DEDEAT to the amount of R98 million and ELIDZ revenue to the amount of R66.1 million. This translated to a shortfall of R30 million on the budgeted operational expenditure for the 2013/14 financial year. This shortfall was reduced due to additional funds to the amount of R12 million from sale of land as well as additional revenue through Utility Income of R3 million. The ELIDZ has over the years has acquired strategic land parcels ahead of investor market demand informed by the investor pipeline. Some investors prefer to anchor their investment through outright purchase of land to construct heir own buildings while the ELIDZ allows land sales to anchor investment this is only limited to 30% of available portfolio of land.

The ELIDZ also managed to reduce the budget through cuts in projected expenditure amounting to R10.2 million during September 2013, through the streamlining of operational activities as well as the addition of rollover funds from 2012/13 amounting to R3.6 million. The ELIDZ also received a grant for the setting up of a Stem Cell Laboratory, in addition to the Operating grant from DEDEAT. The final operating budget for the ELIDZ for the 2013/14 financial year equalled R185.9 million.

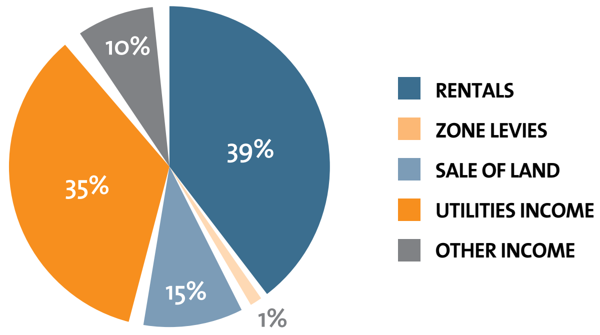
All the available Operating Funds for the departments have been utilised during the current financial year, with a budget vs expenditure variance of R80 000 or 0%.

SUMMARY OF ELIDZ REVENUE

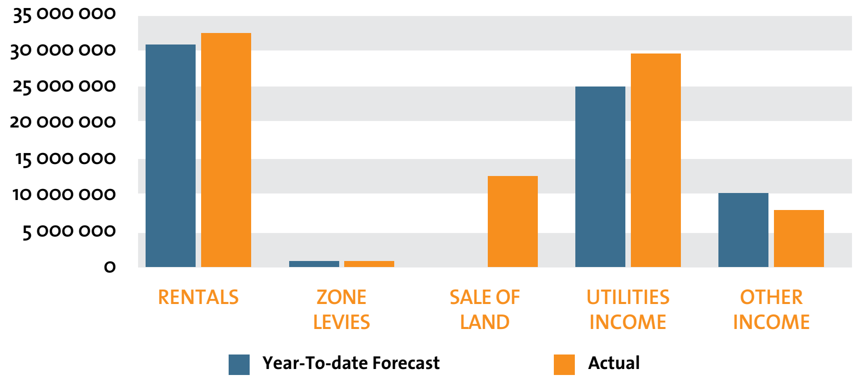
The Revenue projections for the ELIDZ for 2013/14 were approved at R66.1 million. The revenue generated during the year was well in excess of this target, at R84.2 million due to the Sale of Land of R12.2 million and additional revenue raised through the sale of utility services and rental income exceeding the budgeted amounts. The budgeted and actual revenue figures for the 2013/14 financial year can be seen in the table below:

Revenue Items	Annual Forecast	Actual
Rentals	30 467 986	32 620 009
Zone Levies	607 283	591 353
Sale of Land	-	12 246 900
Utilities Income	24 998 482	29 565 737
Other Income	10 045 248	8 443 397
	66 119 000	**83 467 396**

REVENUE CONTRIBUTION BY % 2013 / 14



REVENUE BUDGET vs. ACTUALS – APRIL 2013 – MARCH 2014



PROGRAMME PERFORMANCE AND TREND REPORTS

ZONE DEVELOPMENT

PROGRAMME 1: ZONE DEVELOPMENT

PROGRAMME PURPOSE:

The main purpose of the Zone Development Programme is the attraction of targeted investors and investments, development and provision of the infrastructure and customised superstructure solutions to those targeted investors. Key industry clusters have been identified and specific business strategies are in place to secure targeted investors and support them with the necessary infrastructure. The direct impact will be the development of Industrial Development Zone with world class infrastructure and the creation of employment opportunities as well as the stimulation of economic growth in the region.

Functions co-ordinated under this programme include:

- Project Management and Co-ordination;
- Investment Analysis;
- Investment Facilitation;
- Sector Development;
- Aftercare Services Management;
- Infrastructure Development; and
- Property Portfolio Management.

PROGRAMME PERFORMANCE

PERFORMANCE INDICATORS – DEPARTMENT OF ECONOMIC DEVELOPMENT (DEDEAT)

SHORT TITLE: Strategic Objective. 1.1 | Secure Strategic, Targeted Investment
DEFINITION: 1.1 Secure Four (4) Strategic, Targeted Investments per Annum

Programme Performance Focus Area: Make and deliver effective deals (1D)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
1.1.1 Number of New investment agreements(FDI and Domestic) signed between the ELIDZ and the approved investor per annum	5	2	4	The achievement is 100% above target. A total of 4 investors were signed for the 2013/14 FY against annual target of 2. The over achievement of the performance for this KPI is largely due the MBSA W205 project and the location of new suppliers.
1.1.2 Periodic value of investments (FDI and Domestic) signed between IDZ operator and IDZ Tenant enterprises per Annum, as pledged by approved investors at the time of agreement signing.	R284.5m	R300m	R 622m	The annual total value of investment signed is R622m, this, exceeds the annual target of R300 million by 107 %. The over achievement of the performance for this KPI is largely due the MBSA W205 project and the location of new suppliers.

SHORT TITLE: Strategic Objective 6.2 | Generate economic value and returns from approved investments

DEFINITION: 6.2 Generate positive economic value and returns per annum from the approved investments into the IDZ

Programme Performance Focus Area: Stimulate innovation, productivity and industrial competitiveness (6C)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
6.2.1 Number of actual reported Manufacturing and Services industries permanent jobs in existence as at financial year end by the IDZ Investors, IDZ Operator and its service providers	2493 Jobs	1 615 jobs	2 992 Jobs	A cumulative amount of 2 992 of job opportunities was reported by the ELIDZ tenants and services operators during the 2013/14 FY against annual target of 1615 representing a 185% performance at the back of the positive partnership with MBSA, which was behind the increased number of investors in the zone during this period.
6.2.2 Cumulative number of actual reported Construction job opportunities attributable to annual construction activity	2907 jobs	960 jobs	1 571 jobs	A cumulative amount 1 571 construction job opportunities were created during the 4th quarter against an annual target of 960. This is 164% performance.

SHORT TITLE: Strategic Objective 6.4 | Optimise the ELIDZ's Corporate Social Investment Impact

DEFINITION: 6.4 Optimise the East London IDZ's corporate social investment (CSI) impact per annum

Programme Performance Focus Area: Drive transformation and empowerment initiatives (6B)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
6.4.3 Number of people trained (strategic initiatives)		5	22	22 internship contracts were achieved against an annual target of 5 Interns, representing a 440% positive performance. The organisation has made it criteria with contractors to engage internship programmes as part of the ELIDZ skills development programmes. This initiative has proven to be a success. The Target will be adjusted in the next FY to reflect successful programme implementation and to introduce stretch

PERFORMANCE INDICATORS – INTERNAL OR OTHER STAKEHOLDERS

Programme Performance Focus Area: Retain investors and investments (1E)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
1.1.3 Average duration of lease terms (in months) for new annually signed IDZ lease investors' tenancy commitments	60 months	92 months	117 months	The total average length of leases signed year-to-date to 117 months against yearly target of 92 months. This represents 127% performance against target suggesting that tenants are signing longer term agreements, which contributes to the sustainability of the organisation.

SHORT TITLE: Strategic Objective 5.1 | Manage income receipts from own operations

DEFINITION: 5.1 Grow annual income from own operations to R 63.8m for all Zone Services by end of financial period 2014/15

Programme Performance Focus Area: Drive for financial self-sufficiency (5C)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
5.1.1 Year-on-year percentage growth in total revenue income attributable to core IDZ Operations (property Sale and Lease transactions).	22.00 %	7.00 %	32.00%	The annual performance at year end is 32 % year-on-year growth as against 7% annual target. The positive performance (457%) was made possible due to the sale of land of R12.2M to an investor as a contributing factor.

SHORT TITLE: Strategic Objective 5.2 | Build IDZ Property Portfolio Performance and Yields

DEFINITION: 5.2 Generate positive IDZ Property Portfolio Performance and Yields per annum

Programme Performance Focus Area: Optimise resource utilisation and industrial efficiencies (5A)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
5.2.1 Average vacancy rate per annum in IDZ-constructed operational Tenant Facilities	4.54%	10 %	1.78 %	1.78 % vacancy rate achieved exceeds annual target of 10%. This can be attributed to intense property marketing efforts of the ELIDZ. Most tenants renewed their lease agreements and new tenants took occupation during the year. (A lower vacancy rate is desirable)

SHORT TITLE: Strategic Objective 6.2 | Generate economic value and returns from approved investments

DEFINITION: 6.2 Generate positive economic value and returns per annum from the approved investments into the IDZ

Programme Performance Focus Area: Stimulate innovation, productivity and industrial competitiveness (6C)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
6.2.3 Percentage of annual Infrastructure/Superstructure Budget utilised at year-end (inclusive of transacted expenditures and year-end financial commitments).	100%	100%	100%	The target achieved is 100%, 83% was spent against the current budget and 17 % committed to be paid in the financial year 2014/15

PROGRAMME PERFORMANCE AND TREND REPORTS

ZONE OPERATIONS

PROGRAMME 2: ZONE OPERATIONS

PROGRAMME PURPOSE:

Zone Operations aims to operate a commercially viable, effective, attractive and sustainable, specialized industrial destination through the pursuit of value – adding strategies, effective planned preventative maintenance, facilities management, and planned expansions, alterations and additions to existing infrastructure as well as factories in the zone. In addition, as Zone Operations, we are also striving to increase the range of centralized service offerings to our current as well as future investors and to drive down the cost of business and contribute towards the sustainability of the EL IDZ. In addition , as Zone Operations we are looking to develop and implement extensive after care programmes in order to retain existing customers, with the added requirement to retain the existing ISO 14001 as well as ISO 18001 accreditation, through effective monitoring and control of all SHE (Safety, Health and Environmental) matters in the Zone.

Functions co-ordinated under this sub-programme include:

- Customer Relations Management;
- Help Desk;
- Maintenance and Facilities Management;
- Investor Support Services Management;
- Safety, Health and Environmental Management;
- Stores Control; and
- GIS and Data Administration.

PROGRAMME PERFORMANCE

PERFORMANCE INDICATORS – INTERNAL OR OTHER STAKEHOLDERS

SHORT TITLE: Strategic Objective 2.1 | Achieve and Sustain Positive Customer Relationships				
DEFINITION: 2.1 Produce a high quality of products and services to achieve and sustain annually increasing customer satisfaction levels				
Programme Performance Focus Area: Assure quality of delivered offerings (2B)				
Key Performance Indicator	**Performance Trends**			**Reason for Variance**
	Baseline (2012/13)	**Target (2013/14)**	**Actual (2013/14)**	
2.1.1 Surveyed level of Customer Satisfaction with ELIDZ products and services quality levels	74.00%	85.00%	70.4 %	A (27%) lower than target customer survey score was recorded during this period mainly attributable to weak incentivized manufacturing environment as part of the perceived value proposition of the IDZ programme by tenant-industries located in the zone.

SHORT TITLE: Strategic Objective 3.1 | Deliver IDZ infrastructures and superstructures

DEFINITION: 3.1 Deliver annually planned ELIDZ infrastructure and superstructure projects within allocated budget

Programme Performance Focus Area: Plan development and operations (3B)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
3.1.1 Services Average Availability rate of IDZ utilities services	99.93%	98.00%	100%	The ELIDZ achieved 100% services average availability rate of utility (electricity) services exceeding the threshold of 100% for the 2013/14 FY. The ELIDZ has been able to achieve this higher availability of electrical services supply to the Zone, with the close co-operation and assistance from Eskom and BCMM.

SHORT TITLE: Strategic Objective 5.1 | Manage income receipts from own operations

DEFINITION: 5.1 Grow annual income from own operations to R 63.8m for all Zone Services by end of financial period 2014/15

Programme Performance Focus Area: Drive for financial self-sufficiency (5C)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
5.1.2 Annual Improvement in Gross Income from all Zone Services receipted per annum	R 1 433 712	R0,790mil	R 1 533 878	194 % positive performance due to increased uptake of zone services (in Particular conferencing facilities) as a direct result of increased marketing to Provincial Government.

SHORT TITLE: Strategic Objective 5.3 | Minimise the safety, health and environmental impacts of the ELIDZ Project

DEFINITION: 5.3 Manage IDZ safety, health and environmental practices and controls to minimize adverse incidents and non-compliance citations issued per annum

Programme Performance Focus Area: Ensure institutional legitimacy (5B)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
5.3.1 Annual Disabling Injury Frequency Rate (DIFR)	0.1	0.4	0.2	Achieved 100% above target. This is a result of the stringent controls and measures that have been put in place at all construction sites as well as maintenance projects undertaken in the Zone to reduce " Operational Risks " under Occupational Health and Safety Regulations , conditions . Tight control, tight management as well as processes and systems have given rise to the increased actual performance of 0.2, against the target of 0.4.

PROGRAMME PERFORMANCE AND TREND REPORTS

OFFICE OF CHIEF EXECUTIVE OFFICER

PROGRAMME 3:
OFFICE OF CHIEF EXECUTIVE OFFICER

PROGRAMME PURPOSE:

The Office of the Chief Executive provides strategic direction and leadership to the Executive management of the organisation and serves as a principal interface between the Board of Directors and the ELIDZ business units for enterprise governance and the deliberation and resolution of strategic matters. A company secretarial function is co-ordinated from within the office to support this activity and CEO Office component also directs the programme of the ELIDZ activity in Corporate Social Investment (CSI). In addition, the office of the CEO plays a vital role in directing and shaping the organisation's relationships with key strategic principals and business partners, in support of the realisation of the ELIDZ's vision and mission.

As a functional component, the Office of the CEO component guides several enterprise-wide strategic management disciplines under the direction of an Executive Manager in the Office of the CEO. These are

- Company Secretarial support;
- Corporate Strategy and Planning;
- Enterprise Risk Management;
- Project Portfolio Management
- Enterprise Quality Management; and
- Executive coordination and support of ELIDZ Special Projects (which are provincially enabled development programme initiatives housed with the ELIDZ as start-up ventures, but operating as distinctly resourced initiatives).
- Enterprise Performance Information Management

Currently active special projects supported by the ELIDZ include:

- Eastern Cape Innovation Initiative; and
- Science and Technology Park Project.

PROGRAMME PERFORMANCE

PERFORMANCE INDICATORS – DEPARTMENT OF ECONOMIC DEVELOPMENT (DEDEAT)

NONE

PERFORMANCE INDICATORS – INTERNAL OR OTHER STAKEHOLDERS

SHORT TITLE: Strategic Objective 6.4 | Optimise the ELIDZ's Corporate Social Investment Impact				
DEFINITION: 6.4 Optimise the East London IDZ's corporate social investment (CSI) impact per annum				
Programme Performance Focus Area: Drive transformation and empowerment initiatives (6B)				
Key Performance Indicator	**Performance Trends**			**Reason for Variance**
	Baseline (2012/13)	**Target (2013/14)**	**Actual (2013/14)**	
6.4.1 Cumulative Number of Corporate Social Investment (CSI) projects administered in ELIDZ CSI Programme	8	9	10	10 CSI projects have been implemented to date. The organisation planned to achieve 9 projects. The CSI projects increased to 10 as a result of savings from other 9 projects
6.4.2 Number of active bursaries in ELIDZ Bursary Award Programme	5	7	8	8 bursary applicants have been identified and awarded against a target of 7 bursaries. The Bursaries increased to 8 as a result of savings from the allocations to Ward 46 recipients

SUB-PROGRAMME: SPECIAL PROJECTS

STRATEGIC OBJECTIVE

Two Special Projects – the development of a pilot Science and Technology Park (STP) within the environs of the East London IDZ and the operationalisation of an Eastern Cape Innovation Initiative -- are co-ordinated and administered via the Office of the Chief Executive.

As initiatives with distinct industrial networking and programme advocacy mandates, these projects are recognised for their broad and long-term merits in mobilising and promoting the industrial potential and competitiveness of the city and region, in conjunction with the IDZ Operator and other stakeholders. In doing so, the projects resonate with the ELIDZ's strategic objective of the stimulation of innovation, productivity and industrial competitiveness, which is a focus area of activity supportive of the corporate strategic intents to Generate positive economic value and returns from the IDZ's industrial activities.

The special projects are both in their formative stages and it is expected that successful maturity of the projects should in due course lead to the delivery of performance measurable deliverables for inclusion with, or augmentation of, the ELIDZ's value proposition and market offering to prospective investors. At present, such deliverables and the scope of their performance indicator data remain subject to design and development with a variety of project stakeholders.

The respective performance intentions and resource deployment of the two special projects are further detailed below:

PROJECT: SCIENCE AND TECHNOLOGY PARK

PROJECT PURPOSE:

Contribute toward the growing of the regional economy through the:

- Establishment of an internationally recognized science and technology park to provide both the physical infrastructure and services to support high growth and technology-based businesses, and
- Facilitation of purposeful interactions of the region's universities, businesses, and government development and funding agencies to strengthen industrial innovation and competitiveness.

PROGRAMME PERFORMANCE

PERFORMANCE INDICATORS – DEPARTMENT OF ECONOMIC DEVELOPMENT (DEDEAT)

SHORT TITLE: Strategic Objective 6.3 | Develop and Operate a Science and Technology Park

DEFINITION: 6.3 Develop and Operate a Science and Technology Park with increasing services annually.

Programme Performance Focus Area: Stimulate innovation, productivity and industrial competitiveness (6C)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
6.3.1 Number of prototypes produced in the Science and Technology (STP) pilot park	2	2	2	100% Performance The two prototypes are the Water Desalination Plant and the Wind Turbine.
6.3.2 Number of entrepreneurs in the incubation programmes (in targeted sectors)	2	2	78	The ELIDZ has located 2 incubators in the Science and Technology Park, of which hosts 78 entrepreneurs in total. This is an over achievement in the KPI. The target was set low as it was created during the establishment of the Science and Technology Park. Progress to date has outstripped projections particularly because of the establishment of the two incubators, the ICT incubator and Chemical incubator, each of which hosts a number of entrepreneurs.

PROJECT: EASTERN CAPE INNOVATION INITIATIVE

PROJECT PURPOSE:

Set up and operationalize the Eastern Cape Innovation Initiative, to:

- Develop an Eastern Cape innovation strategy and framework;
- Set up the ECIH operationally and build strategic capacity to drive innovation across the Eastern Cape; and
- Coordination of the EC Innovation initiatives.

Reconciling Performance Targets with the Budgets and MTEF

Expenditure estimates	
SUB-PROGRAMME: Special Projects	
PROJECT: **Eastern Cape Innovation Initiative**	**Comment**
Project Expenses	The Eastern Cape Innovation Initiative is a provincial initiative managed by the East London IDZ as a Special Project administered through the Office of the CEO and is resourced with a provincially sourced dedicated budget allocation. Consequently, the project funding does not constitute part of the ELIDZ Core budget.

The Pilot Project Service Level Agreement came to an end at the end of March 2014 and the project has been handed over to the Department Of Economic Development, Environment and Tourism (DEDEAT)

PROGRAMME PERFORMANCE AND TREND REPORTS

CORPORATE AFFAIRS

PROGRAMME 4: CORPORATE AFFAIRS

PROGRAMME PURPOSE:

The activities that are combined within this composite programme relate to the management and direction of the corporate affairs of the East London Industrial Development Zone organisation in support of the core business of the organisation.

Functions co-ordinated under this programme include:

- Legal and Contracts Management;
- Corporate Marketing and Research;
- Corporate Communications;
- Records Management;
- Human Resources Management; and
- Information Communication and Technology Management.

PROGRAMME PERFORMANCE

PERFORMANCE INDICATORS – DEPARTMENT OF ECONOMIC DEVELOPMENT (DEDEAT)

SHORT TITLE: Strategic Objective 6.4 | Optimise the ELIDZ's Corporate Social Investment Impact

DEFINITION: 6.4 Optimise the East London IDZ's corporate social investment (CSI) impact per annum

Programme Performance Focus Area: Drive transformation and empowerment initiatives (6B)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
6.4.3a Number of Intern / Learnership contract opportunities offered per annum within the operations of IDZ-appointed Service Provider organisations (including construction contractors)	27	5	22	385% positive performance. Each contractor employed in the IDZ is required to take on interns as part of the contract. The target for this programme was not adjusted as it performance improved. The target for the next year has been adjusted.
6.4.3b Number of Intern / Learnership contract opportunities offered per annum within the operations of the ELIDZ organisation.	12	28	26	97% performance due to budget constraints and cost containment measures as instructed by National Treasury in the fourth quarter.

PERFORMANCE INDICATORS – INTERNAL OR OTHER STAKEHOLDERS

SHORT TITLE: Strategic Objective. 4.1 | Develop Business Unit Competency Levels

DEFINITION: 4.1 Develop organisational human resource complement to address assessed competency gaps and satisfy operational requirements by end of FY 2014/15

Programme Performance Focus Area: Implement employee development programmes (4C)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
4.1.1 Percentage of employment-related expenditure within the past quarter spent on targeted training initiatives to develop identified organisational core competency areas.	3.41%	3%	2.69 %	2.69% - only Project Management training took place out of all the planned transversal training. The Executive Management Coaching & Mentoring did not take place and is still under procurement process following unsuccessful first attempt to secure a service provider. The performance recorded herein under actual is cumulative throughout the year and not just the last quarter as reflected in the KPI. The KPI will be reviewed for 2014/15 FY to reflect "Percentage of employment-related expenditure spent on targeted training initiatives to develop identified organisational core competency areas"

SHORT TITLE: Strategic Objective 4.2 | Build Employee Satisfaction and Wellness

DEFINITION: 4.2 Attain set annual employee satisfaction and wellness targets

Programme Performance Focus Area: Maintain a stable, contented employee community (4D)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
4.2.1 Rate of staff turnover per annum	1.3%	8.00%	13.3%	Actual achieved is 13.3%.For the financial year, 11 employees have resigned. The industry norm is set at 8% and the target is set at a ceiling of the norm, the lower the percentage the more successful the performance achieved. The plan is to maintain a low staff turnover rate but due to changes that took place in the Finance business unit, the lower rate could not be maintained.

PROGRAMME PERFORMANCE AND TREND REPORTS

FINANCIAL MANAGEMENT

PROGRAMME 5: FINANCIAL MANAGEMENT

PROGRAMME PURPOSE:

- To enhance the ELIDZ financial administration and reporting capability ;
- To develop and expand ELIDZ's sources of funding and incrementally improve annual revenue generation in line with business planning forecast;
- To ensure compliance of the ELIDZ with corporate governance best practices, the Public Finance Management Act, Companies Act and accounting standards; and
- To adapt and transform ELIDZ business practices to improve organisation's contribution to BEE and SMMEs empowerment.

Functions co-ordinated under this programme include:

- Investments and Acquisitions Management;
- Financial Management, Reporting and Administration;
- Management and Cost Accounting; and
- Supply Chain Management.

PROGRAMME PERFORMANCE

PERFORMANCE INDICATORS – DEPARTMENT OF ECONOMIC DEVELOPMENT (DEDEAT)

NONE

PERFORMANCE INDICATORS – INTERNAL OR OTHER STAKEHOLDERS

SHORT TITLE: Strategic Objective 5.1 | Manage income receipts from own operations

DEFINITION: 5.1 Grow annual income from own operations to R 63.8m for all Zone Services by end of financial period 2014/15

Programme Performance Focus Area: Drive for financial self-sufficiency (5C)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
5.1.3 Average collection period in days for collection and receipting of monthly debtors income.	29 Days	30 Days	25 Days	No Variance Baseline has been maintained. This is an adjusted average collection period, and does not include debtors handed over to legal. The unadjusted Average collection period stands at –119 days

SHORT TITLE: Strategic Objective 6.1 | Maximise ELIDZ Targeted Procurement Impact

DEFINITION: 6.1 Maximise ELIDZ Targeted Procurement impacts to be supportive of broad-based black economic empowerment and the development of SMMEs and women-owned enterprises

Programme Performance Focus Area: Drive transformation and empowerment initiatives (6B)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
6.1.1 Assessed ELIDZ BBBEE Status (contribution level)	Level 3 status	Level 2 status	Level 3 status	The Level 3 status is due to reduced training expenditure and the late implementation of the SMME development programme.

SHORT TITLE: Strategic Objective 6.2 | Generate economic value and returns from approved investments

DEFINITION: 6.2 Generate positive economic value and returns per annum from the approved investments into the IDZ

Programme Performance Focus Area: Stimulate innovation, productivity and industrial competitiveness (6C)

Key Performance Indicator	Performance Trends			Reason for Variance
	Baseline (2012/13)	Target (2013/14)	Actual (2013/14)	
6.2.4 Percentage of annual Operating Budget utilised at year-end (inclusive of transacted expenditures and year-end financial commitments).	100%	100%	100%	No variance

PROGRAMME PERFORMANCE AND TREND REPORTS

HUMAN **RESOURCE** MANAGEMENT

HUMAN RESOURCE MANAGEMENT

EXPENDITURE

EXPENDITURE: Personnel Costs By Programme: 2013/14			
Programme	**Expenditure Total**	**Number of posts filled**	**Personnel cost per employee Average**
Office of the CEO	15 530 888	15	1 035 393
Corporate Affairs (Admin, Legal, Research , Records, Communications, ICT & HR)	13 192 724	20	659 636
Finance	7 778 983	12	648 249
Zone Development	10 513 032	15	700 869
Zone Operations	8 222 577	21	391 551
TOTAL	**55 238 205**	**83**	**665 521**

EXPENDITURE: Personnel Costs By Salary Bands: 2013/14		
Programme	**Expenditure Total**	**Personnel cost per employee Average**
Top management	2 618 170	2 618 170
Senior management	13 215 961	1 887 994
Professionally qualified and experienced specialists and mid-management	22 500 209	865 393
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	13 364 217	494 971
Semi-skilled and discretionary decision making	2 553 243	232 113
Unskilled and defined decision making	986 404	89 673
TOTAL	**55 238 205**	**665 521**

Salaries, overtime, home-owners allowance and medical assistance by programme
The ELIDZ does not pay a homeowners allowance
R 1 127.89 in overtime was paid during the Financial Year ended 31 March 2014

Salaries, overtime, home-owners allowance and medical assistance by salary bands
The ELIDZ does not pay a homeowners allowance
R 1 127.89 in overtime was paid during the Financial Year ended 31 March 2014

Number of employees whose salary positions were upgraded due to their posts being upgraded
None

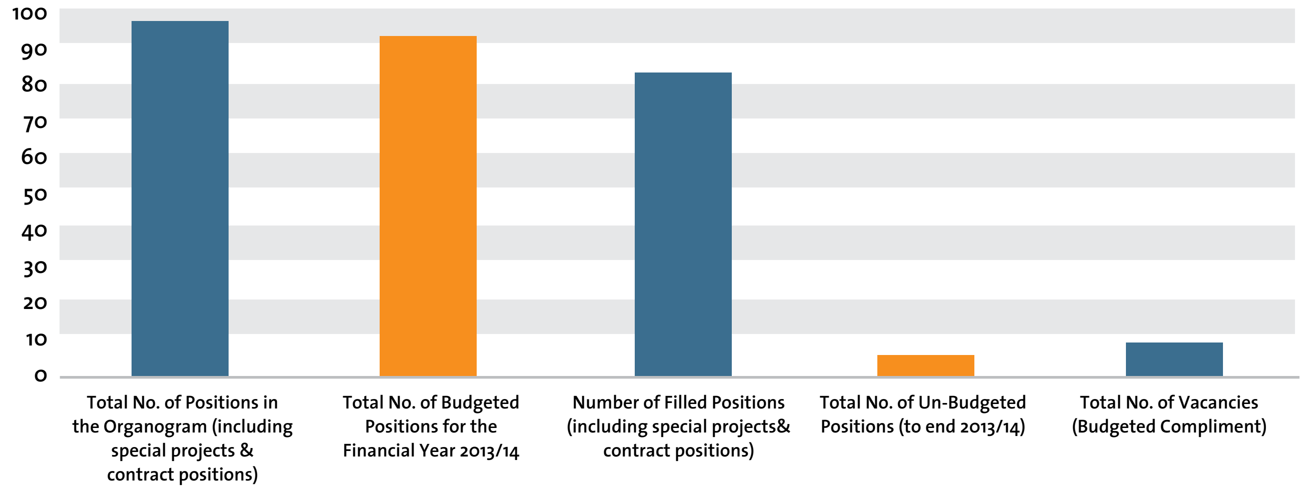
Employees whose salary level exceed the grade determined by job evaluation
None
None

EMPLOYMENT AND VACANCIES

ELIDZ ORGANISATIONAL ESTABLISHMENT (as at 31 March 2014)

CRITICAL OCCUPATIONS	Total No. of Positions in the Organogram (Including Special Projects & Contract Positions)	Total No. of Budgeted Positions for the Financial Year 2013/14	Number of Filled Positions (Including Special Projects & Contract Positions)	Total No. of Un-Budgeted / Frozen Positions (to end 2013/14)	Total No. of Vacancies (Budgeted Compliment)	Vacancy Rate for the Period Under Review %
Top management	1	1	1	-	-	0%
Senior management	7	7	7	-	-	0%
Professionally qualified and experienced specialists and mid-management	30	28	27	2	1	3.57%
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	33	32	30	1	2	6.25%
Semi-skilled and discretionary decision making	18	15	9	3	6	40%
Unskilled and defined decision making	9	9	9	-	-	-
TOTAL PERMANENT	**98**	**92**	**83**	**6**	**9**	**9.78%**
Temporary employees	-	-	6	-	-	-
GRAND TOTAL	**98**	**92**	**89**	**6**	**9**	**9.78%**

GRAPHICAL REPRESENTATION OF EMPLOYMENT AND VACANCIES



JOB EVALUATION

JOB EVALUATION: 01 April 2013 to 31 March 2014								
Salary band		Number of jobs evaluated	% of posts evaluated by salary bands	Posts upgraded		Posts downgraded		
				No.	% of posts evaluated	No.	% of posts evaluated	
Top management	1							
Senior management	7	-	-	-	-	-	-	
Professionally qualified and experienced specialists and mid-management	27	1	3.70%	1	3.70%	-	-	
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	30	1	3.33%	1	3.33%	-	-	
Semi-skilled and discretionary decision making	9	-	-	-	-	-	-	
Unskilled and defined decision making	9	-	-	-	-	-	-	
Total Permanent	**83**	**2**	**2.41%**	**2**	**2.41%**	**-**	**-**	
Temporary employees	6	-	-	-	-	-	-	
GRAND TOTAL	**89**	**2**	**2.41%**	**-**	**2.41%**	**-**	**-**	

EMPLOYMENT CHANGES

EMPLOYMENT CHANGES: Annual turnover rates by salary band & critical occupation for the period 01 April 2013 to 31 March 2014			
Salary band	**Number of employees per band as on 31 March 2014**	**Appointments and transfers into the company**	**Terminations and transfers out of the company**
Top management	1	-	-
Senior management	7	3	2
Professionally qualified and experienced specialists and mid-management	27	1	5
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	30	3	2
Semi-skilled and discretionary decision making	9	1	2
Unskilled and defined decision making	9	5	-
TOTAL PERMANENT	**83**	**13**	**11**
Temporary employees	6	-	-
GRAND TOTAL	**89**	**13**	**11**

EMPLOYMENT CHANGES: Reasons why staff are leaving		
Termination Type	**Number**	**% of total**
Death	-	-
Resignation	10	13.3%
Expiry of contract	1	-
Dismissal – operational changes	-	-
Dismissal – misconduct	-	-
Dismissal – inefficiency	-	-
Discharged due to ill-health	-	-
Retirement	-	-
Transfers to other public service departments	-	-
Other	-	-
Total	**10**	**13.3%**
Total number of employees who left as a % of the total employment	11	13.3%
PROMOTIONS BY CRITICAL OCCUPATION		
The ELIDZ has adopted a practice of advertising all vacant positions and if there are employees internally that qualify, they are appointed to those senior positions		
PROMOTIONS BY SALARY BAND		
The ELIDZ has adopted a practice of advertising all vacant positions and if there are employees internally that qualify, they are appointed to those senior positions		

EMPLOYMENT EQUITY

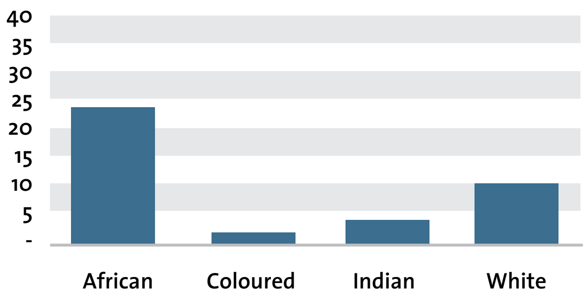
EMPLOYMENT EQUITY ANALYSIS (as at 31 March 2014)

OCCUPATIONAL BANDS	MALE					FEMALE					
	African	Coloured	Indian	White	Sub Total	African	Coloured	Indian	White	Sub Total	Grand Total
Top management	1	-	-	-	1	-	-	-	-	1	1
Senior management	3	-	-	2	5	2	-	-	-	2	7
Professionally qualified and experienced specialists and mid-management	12	-	2	3	17	7	1	1	1	10	27
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	5	1	1	5	12	15	1	1	1	18	30
Semi-skilled and discretionary decision making	1	-	-	-	1	6	2	-	-	8	9
Unskilled and defined decision making	1	-	-	-	1	8	-	-	-	8	9
TOTAL PERMANENT	**23**	**1**	**3**	**10**	**37**	**38**	**4**	**2**	**2**	**46**	**83**
Temporary employees	1	-	-	1	2	4	-	-	-	4	6
GRAND TOTAL	**24**	**1**	**3**	**11**	**39**	**42**	**4**	**2**	**2**	**50**	**89**

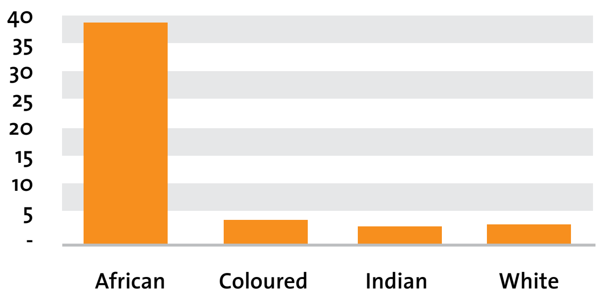
NOTE: We have one (1) white disabled male under the Middle Management & Specialists category

GRAPHIC REPRESENTATION OF EMPLOYMENT EQUITY

MALE



FEMALE



PERFORMANCE REWARDS

PERFORMANCE REWARDS: JULY 2013
During the year under review, the organization paid a total of R 5 133 477 to employees for performance bonuses

FOREIGN WORKERS

FOREIGN WORKERS
No foreign workers were appointed during the year under review

LEAVE UTILISATION

Salary Band	Total days	Number of Employees using sick leave	% of total employees using sick leave	Average days per employee
Top management	2	1	1.20%	0.02
Senior management	23	6	7.22%	0.07
Professionally qualified and experienced specialists and mid-management	74	12	14.46%	0.14
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	106	24	28.91%	0.29
Semi-skilled and discretionary decision making	28	9	10.84%	0.11
Unskilled and defined decision making	10	2	2.41%	0.02
GRAND TOTAL	**243**	**54**	**65.06%**	**0.65**

DISABILITY LEAVE (TEMPORARY AND PERMANENT) - APRIL 2013 TO MARCH 2014
No employee was involved in a disabling accident and as such, no Disability Leave was applied for or granted

CAPPED LEAVE - APRIL 2013 TO MARCH 2014
Capped leave does not apply to the ELIDZ

LEAVE UTILISATION: 01 APRIL 2013 TO 31 MARCH 2014 ANNUAL LEAVE		
Salary Band	**Total days**	**Average days per employee**
Top management	31	31.00
Senior management	102	14.57
Professionally qualified and experienced specialists and mid-management	415	15.37
Skilled technical & academically qualified workers, junior management, supervisors, foremen, and superintendents	652	21.73
Semi-skilled and discretionary decision making	127	14.11
Unskilled and defined decision making	90	10.00
GRAND TOTAL	**1 417**	**17.07**

LEAVE PAY-OUTS FOR THE PERIOD: APRIL 2013 TO MARCH 2014			
REASON	**Total Amount (R'000)**	**Number of Employees**	**Average payment per employee (R'000)**
Leave pay-out for 2013/2014 due to non-utilisation of leave for the previous cycle	-	-	-
Capped leave pay-outs on termination of service for 2013/2014	-	-	-
Current leave pay-outs on termination of service for 2013/2014	543 195	8	67 899
Total	**543 195**	**8**	**67 899**

HIV AND AIDS & HEALTH PROMOTION PROGRAMMES

HIV AND AIDS & HEALTH PROMOTION PROGRAMMES
HIV AND AIDS: Steps taken to reduce the risk of occupational exposure
Units / categories of employees identified to be at high risk of contracting HIV & related diseases (if any) - Key steps taken to reduce the risk

HIV AND AIDS: Details of health promotion and HIV and AIDS programmes (tick the applicable boxes and provide required information)			
Question	**Yes**	**No**	**Details, if yes**
Has the entity designated a member of the management to implement the policy?	Yes	-	The HR Manager is responsible for the Management
Does the entity have a dedicated unit or has it designated specific staff members to promote the health and well-being of your employees? If so, indicate the number of employees who are involved in this task and the annual budget that is available for this purpose	Yes	-	1 Staff Member Budget: R 230 000
Has the entity introduced an employee assistance or health promotion program for your employees? If so, indicate the key elements / services of this program	Yes	-	Annual Employee Wellness Program, Vitality Program and Medical GAP Cover Assistance Program
Has the department established (a) committee(s) as contemplated in Part VI E.5 (e) of Chapter 1 of the Public Service Regulations, 2001? If so, please provide the names of the members of the committee and the stakeholder(s) that they represent	Yes	-	We are not a Public Service Department although we have a unit dealing with issues of wellness
Has the entity reviewed its employment policies and practices to ensure that these do not unfairly discriminate against employees based on their HIV status? If so, list the employment policies / practices so reviewed	Yes	-	• Recruitment Policy • Human Resource Development Policy • Leave of Absence Policy • Integrated Performance Management Policy • Relocation Policy • Deviation Policy • Retention and Attraction Policy All the above listed policies do not unfairly discriminate
Has the entity introduced measures to protect HIV-positive employees or those perceived to be HIV positive from discrimination? If so, list the key elements of these measures	Yes	-	Awareness Programs, The HIV and Aids Policy are part of our Integrated Employee Health Policy. On recruitment, applicants are not subjected to health inspection
Does the entity encourage its employees to undergo voluntary counselling and testing? If so, list the results that you have you achieved	Yes	-	Out of 89 employees, about 79 went through the voluntary testing and none of them has been found to be HIV positive. The tests were done by professional nurses through Discovery Medical Aid
Has the entity developed measures / indicators to monitor & evaluate the impact of its health promotion program? If so, list these measures / indicators	Yes	-	During the Wellness Day employees get to be checked on various elements of health such as: • Diabetes • Cholesterol • High Blood Pressure • Body Mass Index • HIV AIDS • Healthy Eating Patterns After the assessments have been done, each employee receives a report which will indicate the areas of improvement. This has led to employees becoming frequent members of gyms to maintain their health status. The eating habits of employees also change as a result

LABOUR RELATIONS

CASE MANAGEMENT PRECAUTIONARY SUSPENSIONS:
Three (3) employees were suspended during the year under review:

LABOUR DISOUTES:
One Labour dispute which is still with the Labour Court

DISCIPLINARY CASES:
Four Disciplinary Cases: One for fraud and Two for poor performance and one for leave of absence.

STRIKE ACTIONS:
No industrial action took place within the ELIDZ during the year under review

SKILLS DEVELOPMENT

FORMAL / TERTIARY EDUCATION AND TRAINING

Occupational Band	Studies Enrolled	MALE African	MALE Coloured	MALE Indian	MALE White	FEMALE African	FEMALE Coloured	FEMALE Indian	FEMALE White	Total
SENIOR MANAGEMENT										
	-	-	-	-	-	-	-	-	-	-
Professionally qualified and experienced specialists and middle management										
	MPhil in Development Finance	2	-	-	-	-	-	-	-	**2**
	MBA	1	-	1	-	-	-	-	-	**2**
	Masters in Media Studies	-	-	-	-	1	-	-	-	**1**
	MBL	-	-	-	-	1	-	-	-	**1**
	BSc in Environmental Management	-	-	-	-	1	-	-	-	**1**
	Project Management Fundamentals	5	-	-	-	3	1	-	1	**10**

FORMAL / TERTIARY EDUCATION AND TRAINING										
		MALE				FEMALE				
Occupational Band	Studies Enrolled	African	Coloured	Indian	White	African	Coloured	Indian	White	Total
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents										
	MA Labour Relations & HR	-	-	-	-	1	-	-	-	**1**
	MBA	-	-	1	-	-	-	1	-	**2**
	BA Honours in Corporate Communication	1	-	-	-	-	-	-	-	**1**
	National Diploma in Records Management	-	-	-	-	1	-	-	-	**1**
	National Diploma in Management	-	-	-	-	1	-	-	-	**1**
	Project Management Fundamentals	3	1	-	1	7	-	-	-	**12**
Semi-skilled and discretionary decision making										
	National Diploma in Office Management & Technology	-	-	-	-	1	-	-	-	**1**
	BTech Human Resource Management	-	-	-	-	1	-	-	-	**1**
	National Diploma in Financial Accounting	-	-	-	-	-	1	-	-	**1**
	Bachelor of Accounting Science	1	-	-	-	-	-	-	-	**1**
	Higher Certificate in Economics and Management Science	1	-	-	-	-	-	-	-	**1**
	Project Management Fundamentals	-	-	-	-	3	-	-	-	**3**
Unskilled and defined decision making										
	Senior Certificate	1	-	-	-	-	-	-	-	**1**
TOTAL No.		**7**	**1**	**1**	**1**	**15**	**1**	**1**	**-**	**44**

INTERNSHIP (WORKPLACE EXPERIENCE)

CATEGORY: INTERNSHIP (WORKPLACE EXPERIENCE)									
	MALE				FEMALE				
Field of Exposure	African	Coloured	Indian	White	African	Coloured	Indian	White	**Total**
Human Resources	-	-	-	-	2	-	-	-	2
Records Management	1	-	-	-	1	-	-	-	2
Corporate Communication	1	-	-	-	-	-	-	-	1
Finance	3	-	-	-	3	-	-	-	6
Agro-Processing	-	-	-	-	1	-	-	-	1
Project Management	5	-	-	-	1	-	-	-	6
Supply Chain	-	-	-	-	1	-	-	-	1
Quality Management	-	-	-	-	1	-	-	-	1
Investment Analysis	-	-	-	-	1	-	-	-	1
Safety, Health & Environment	-	-	-	-	2	-	-	-	2
Automotive Sector	1	-	-	-	-	-	-	-	1
ICT System Analysis	1	-	-	-	-	-	-	-	1
Property Portfolio Management	-	-	-	-	1	-	-	-	1
TOTAL	**12**	**-**	**-**	**-**	**14**	**-**	**-**	**-**	**26**

INJURY ON DUTY

INJURY ON DUTY:
No injuries on duty were reported during the year under review

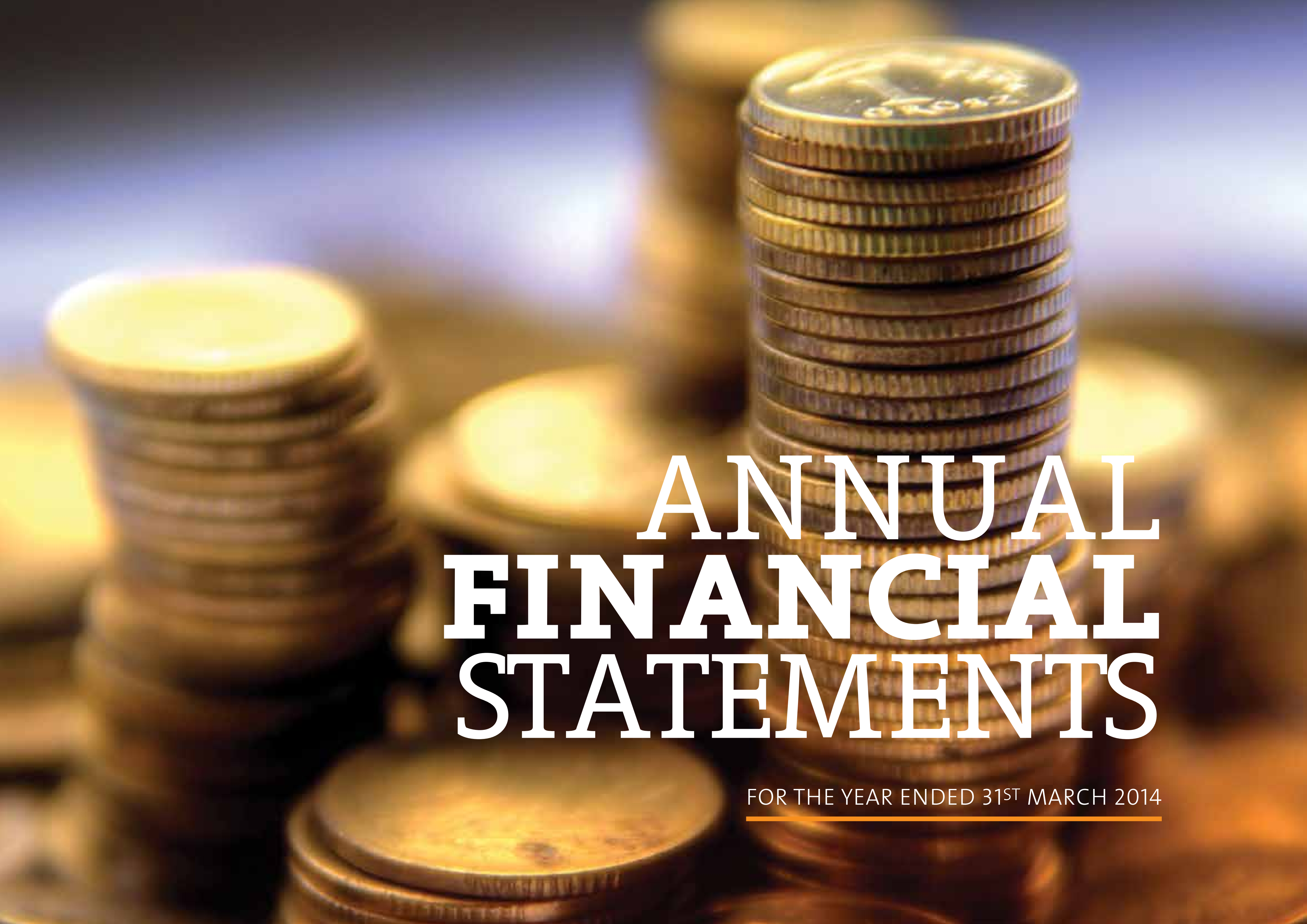
UTILISATION OF CONSULTANTS

SERVICE DELIVERY: CONSULTATION ARRANGEMENTS			
Type of arrangement	**Actual customers**	**Stakeholders**	**Actual achievements**
Developed Human Resource Policies	Management and all Staff	ELIDZ Board	100% Achieved No use of consultants
Human Resource Planning	Management and all Staff	Executive & Accounting Authority	100% Achieved No use of consultants
Organizational Development	Management and all Staff	ELIDZ Board	100% Achieved 100% use of consultants
Labour Relations	Management and all Staff	Department of Labour and ELIDZ Board	100% Achieved 60% use of consultants
Human Resource Development	Management and all Staff	ELIDZ Board	100% Achieved 100% use of consultants
Development of Human Resource Administrative Systems	Management and all Staff	ELIDZ Board	100% Achieved No use of consultants

SERVICE DELIVERY

SERVICE DELIVERY: ACCESS STRATEGY	
Policies placed on the network common drive	100%
Employees and management work-shopped on the policies	100%
Consultation and advice on a one-on-one basis	100%

SERVICE DELIVERY: SERVICE INFORMATION TOOL	
Types of information tool	**Actual achievements**
Network common drive	100%
Workshops	100%
One-on-ones	100%
SERVICE DELIVERY: COMPLAINTS MECHANISM	
Mechanism	**Actual achievements**
Grievance Procedure embodied in the Labour Relations Policy	100%



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2014

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The development of an industrial development zone in East London
Directors	Z. Tini N.I. Meinie-Anderson M. Saziwa S. Mase P. Nazo S. Mteto S. Caga A. Kanana P. Mzazi-Geja E. Jooste V. Sikwebu
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	Auditor-General of South Africa
Secretary	Gulshan Singh

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

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

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Directors are required in terms of the Companies Act 71 of 2008 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 Generally Accepted Accounting Practice (SA GAAP).

The financial statements are prepared in accordance with SA GAAP 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 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 Auditor-General of South Africa is responsible for independently auditing and reporting on the Company's financial statements.

The financial statements set out on page 77 to 130, which have been prepared on the going concern basis, were approved by the Board on 31 July 2014 and were signed on its behalf by:

Z. Tini
Board chairman

DIRECTORS' REPORT

The Directors have pleasure in submitting their report on the financial statements of East London Industrial Development Zone SOC Ltd (ELIDZ) for the ended 31 March 2014.

1. INCORPORATION

The Company was incorporated on 3 June 2003 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

The Company is engaged in the development of East London's Industrial Development Zone and investment management and operates principally in South Africa.

Full details of the financial position, results of operations and cash flows of the Company are set out in these financial statements.

3. SHARE CAPITAL

There have been no changes to the authorised or issued share capital during the under review.

4. DIVIDENDS

The company does not declare dividends.

5. DIRECTORATE

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

DIRECTORS	NATIONALITY	DESIGNATION	CHANGES
Z. Tini	South African	Non-executive	
N.I. Meinie-Anderson	South African	Non-executive	
M. Saziwa	South African	Non-executive	
S. Mase	South African	Non-executive	
P. Nazo	South African	Non-executive	
S. Mteto	South African	Non-executive	
S. Caga	South African	Non-executive	
A. Kanana	South African	Non-executive	
P. Mzazi-Geja	South African	Non-executive	
E. Jooste	South African	Non-executive	Appointed 24 October 2013
V. Sikwebu	South African	Non-executive	Appointed 24 October 2013
J. Brown	South African	Non-executive	Resigned 15 May 2013

6. EVENTS AFTER THE REPORTING PERIOD

The Special Economic Zone (SEZ) bill was promulgated into law on 19 May 2014. The act will affect how the entity is funded and also structured in terms of capital projects.

7. GOING CONCERN

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

8. AUDITORS

The Auditor-General of South Africa continued in office as auditors for the company for the 2013/ 2014 financial year. They will continue in office for the 2015 financial .

9. SECRETARY

The Company Secretary was Gulshan Singh in the 2014 financial year and the postal address as well as that of the registered office is:

Business and postal address: P.O. Box 5458, Greenfields, East London, 5208

10. CONSOLIDATION

EL IDZ did not prepare consolidated financial statements since the sole subsidiary, Monti Industrial Development Zone (Pty) Ltd, has been deregistered in the 2014 financial year.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	Notes	2014 R	2013 Restated R	2012 Restated R
Assets				
Non-Current Assets				
Investment property	3	1 280 060 308	1 012 357 671	771 984 440
Property, plant and equipment	4	474 434 519	445 420 214	416 429 166
Intangible assets	5	2 981 118	2 251 680	4 088 845
Investment in subsidiaries	6	-	100	100
Other financial assets	7	-	488 818	915 252
		1 757 475 945	**1 460 518 483**	**1 193 417 803**
Current Assets				
Loan to subsidiary	8	-	-	47 947 705
Other financial assets	7	658 586	581 198	578 300
Current tax receivable	28	-	-	93 183
Trade and other receivables	9	26 839 046	24 163 310	25 716 444
Cash and cash equivalents	10	119 945 994	148 998 745	370 932 617
		147 443 626	**173 743 253**	**445 268 249**
Total Assets		**1 904 919 571**	**1 634 261 736**	**1 638 686 052**
Equity and Liabilities				
Equity				
Share capital	11	1 000	1 000	1 000
Reserves	12	8 306 368	8 306 368	8 306 368
Retained income		152 228 517	(34 506 469)	(101 535 128)
		160 535 885	**(26 199 101)**	**(93 227 760)**
Liabilities				
Non-Current Liabilities				
Finance lease obligation		-	-	2 323 445
Deferred income	13	1 544 862 211	1 456 641 126	1 255 250 094
		1 544 862 211	**1 456 641 126**	**1 257 573 539**
Current Liabilities				
Current tax payable	28	-	266 544	-
Finance lease obligation		-	-	131 645
Trade and other payables	15	58 307 254	25 109 609	85 050 528
Deferred income	13	140 585 366	176 841 513	385 764 257
Provisions	14	628 855	1 602 045	3 393 682
Bank overdraft	10	-	-	161
		199 521 475	**203 819 711**	**474 340 273**
Total Liabilities		**1 744 383 686**	**1 660 460 837**	**1 731 913 812**
Total Equity and Liabilities		**1 904 919 571**	**1 634 261 736**	**1 638 686 052**

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2014 R	2013 Restated R
Revenue	16	63 102 800	59 892 607
Cost of sales	17	(33 211 829)	(29 613 321)
Gross profit		**29 890 971**	**30 279 286**
Other income	18	170 504 602	196 152 713
Operating expenses	19	(167 989 610)	(164 852 788)
Operating profit		**32 405 963**	**61 579 211**
Finance income	21	862 928	1 035 555
Fair value adjustments	22	156 172 947	4 701 390
Finance costs	23	(2 706 852)	(287 497)
Profit for the year		**186 734 986**	**67 028 659**
Other comprehensive income		-	-
Total comprehensive income for the year		**186 734 986**	**67 028 659**
Profit attributable to:			
Owners of the parent		138 183 890	49 601 208
Non-controlling interest		48 551 096	17 427 451
		186 734 986	**67 028 659**

STATEMENT OF CHANGES IN EQUITY

	Share capital R	Other NDR R	Retained income R	Total equity R
Opening balance as previously reported	1 000	8 306 368	(88 209 412)	(79 902 044)
Prior year adjustments	-	-	(13 325 716)	(13 325 716)
Balance at 01 April 2012 as restated	**1 000**	**8 306 368**	**(101 535 128)**	**(93 227 760)**
Restated profit for the year	-	-	67 028 659	67 028 659
Other comprehensive income	-	-	-	-
Total comprehensive income for the	**-**	**-**	**67 028 659**	**67 028 659**
Opening balance as previously reported	1 000	8 306 368	(101 676 498)	(93 369 130)
Prior year adjustments	-	-	67 170 029	67 170 029
Balance at 01 April 2013 as restated	**1 000**	**8 306 368**	**(34 506 469)**	**(26 199 101)**
Profit for the year	-	-	186 734 986	186 734 986
Other comprehensive income	-	-	-	-
Total comprehensive income for the	**-**	**-**	**186 734 986**	**186 734 986**
Balance at 31 March 2014	**1 000**	**8 306 368**	**152 228 517**	**160 535 885**
Notes	11	12		

STATEMENT OF CASH FLOWS

	Notes	2014 R	2013 Restated R
Cash flows from operating activities			
Cash generated from operations	27	137 115 307	9 595 326
Finance income		862 928	1 035 555
Finance costs		(2 706 852)	(287 497)
Tax (paid)/received	28	(266 544)	359 737
Net cash from operating activities		**135 004 839**	**10 703 121**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(51 039 052)	(46 720 670)
Sale of property, plant and equipment and intangible assets		15 600	287 056
Purchase of investment property	3	(122 984 689)	(236 461 841)
Sale of investment property	3	12 239 205	-
Purchase of intangible asset	5	(2 845 374)	(164 913)
Loan to subsidiary repaid		-	50 000 000
Repayment of financial assets	7	411 431	423 536
Proceeds from deregistration of subsidiary	38	145 290	-
Net cash from investing activities		**(164 057 590)**	**(232 636 832)**
Total cash movement for the		**(29 052 751)**	**(221 933 711)**
Cash at the beginning of the		148 998 745	370 932 456
Total cash at end of the	10	**119 945 994**	**148 998 745**

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with SA GAAP, and the Companies Act 71 of 2008 and the Public Finance Management Act No. 1 of 1999. The financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

Statements of SA GAAP were withdrawn by the APB from 1 December 2012. Treasury instructed ELIDZ to continue using SA GAAP until a more appropriate accounting framework is identified.

These accounting policies are consistent with the previous period.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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 judgements 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:

Trade receivables, held to maturity investment and loans and receivables
The Company assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, 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 trade receivables, held to maturity investments and loans and receivables is calculated on an individual debtor 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 specific debtor.

Provisions, depreciation and impairments
Provisions, depreciation and impairments were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14.

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.

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 forecasted 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 statement of financial position date could be impacted.

Investment property
Investment property is measured at fair value for financial reporting purposes EL IDZ engaged an independent valuer to determine the appropriate valuation technique and inputs for fair value measurement.

The properties management department of EL IDZ works closely with the engaged third party qualified valuers to establish the appropriate valuation technique and inputs to the model. The properties manager reports the valuation findings to the chief financial officer to explain the cause of the fluctuation in the fair value of the investment property.

The information about the valuation technique and inputs used in determining the fair value of investment property is disclosed in note3.

ACCOUNTING POLICIES - CONTINUED

1.2 INVESTMENT PROPERTY

Investment property is property held either to earn rental 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 administration 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.

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.

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

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its use or disposal.

Fair value

Subsequent to initial measurement investment property is measured at fair value annually.

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

Re-Classification

When the use of investment property changes such that it is reclassified as property, plant and equipment (PPE), assets reclassified as held for sale and inventory, its fair value at the date of reclassification as property becomes its cost for subsequent accounting.

Transfers

Transfers to, or from, investment property shall be made when, and only when there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- end of owner-occupation, for transfer from owner-occupied property to investment property.

Disposal

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in profit or loss.

1.3 PROPERTY, PLANT AND EQUIPMENT

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.

Property, plant and equipment is initially measured at cost.

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 initial 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, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciation of an asset begins when it is available for

ACCOUNTING POLICIES - CONTINUED

use; the depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Therefore, depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Land and buildings are separable assets and are accounted for separately, even when they are acquired together. Land has an unlimited useful life and therefore is not depreciated. Buildings have a limited useful life and therefore are depreciable assets.

The carrying amount of an item of property, plant and equipment shall be derecognised on disposal, or when no future economic benefits are expected from its use or disposal.

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

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

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Furniture and fixtures	10 years
Infrastructure: owner occupied	25 years
IT equipment	3 years
Laboratory equipment and other	5 years
Land	Indefinite
Motor vehicles	5 years
Office equipment	5 years
Plant and machinery	5 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 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 disposal 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 other comprehensive income. 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.

1.4 INTANGIBLE ASSETS

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

ACCOUNTING POLICIES - CONTINUED

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3

1.5 INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities that are controlled by the Company. Loans to subsidiaries are disclosed as balances owing at year end less any impairments. Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the stand alone financial statements of the Company.

1.6 FINANCIAL INSTRUMENTS CLASSIFICATION

The Company classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - held for trading

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Financial assets classified as at fair value through profit or loss which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through profit or loss category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

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 contractual arrangement.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss. Regular way purchases of financial assets are accounted for at trade date.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

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 rate 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 profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the bad debts account in profit or loss. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

ACCOUNTING POLICIES - CONTINUED

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 rate 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 difference between the proceeds (net of transaction costs) 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.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

1.7 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).

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).

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.

ACCOUNTING POLICIES - CONTINUED

1.8 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.

Finance leases
Assets held under finance lease are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Operating leases - lessor
Operating lease rentals are recognised as an income on a straight-line basis over the lease term.

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.

1.9 IMPAIRMENT OF ASSETS

The Company assesses at the end of each financial year 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.

Irrespective of whether there is any indication of impairment, the Company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, 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.

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 exists, the recoverable amounts of those assets are estimated.

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.

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 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.

ACCOUNTING POLICIES - CONTINUED

1.10 SHARE CAPITAL AND EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.11 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.12 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 of 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 31.

1.13 GOVERNMENT GRANTS AND DEFERRED INCOME

Government grants for core operations

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate. When the conditions attached to the government grants have been met and the grants have been received they are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs.

Government grants related to investment property shall be released from deferred income systematically over their useful life using the income method, whereas government grants related to PPE shall be released to profit and loss systematically over the useful life, using the straight line depreciation method.

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.

ACCOUNTING POLICIES - CONTINUED

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up 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 increasing the carrying amount of the asset or 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.

Government grants for special projects
Government grants received for special projects which are not part of the normal trading of the company are regarded as "grants for special projects". The income and expense relating to these grants are netted off and reported as other grants in the trade and other payables.

The assets that are bought using the grants and later used by EL IDZ are regarded as economic benefits to the entity.

1.14 REVENUE

Revenue comprises of services rendered to customers and is measured at the fair value of the consideration received or receivable i.e. the invoice amount exclusive of value added taxation.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.15 COST OF SALES

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.16 VALUE ADDED TAX (VAT) POLICY

VAT is accounted for on the ealier of invoice or payment. The entity is a category C VAT vendor.

NOTES TO THE FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

There were no new standards and interpretations that were issued, effective or adopted in the current financial year.

3. INVESTMENT PROPERTY

	2014			2013			2012		
	Cost / Valuation	**Accumulated depreciation & Impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation & Impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation & Impairment**	**Carrying value**
Investment property	1 280 060 308	-	1 280 060 308	1 012 357 671	-	1 012 357 671	771 984 440	-	771 984 440

Reconciliation of investment property - 2014

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	1 012 357 671	122 984 689	(11 455 000)	156 172 948	1 280 060 308

Reconciliation of investment property - 2013

	Opening balance	Additions	Disposals	Fair value adjustments	Total
Investment property	771 984 440	236 461 841	(790 000)	4 701 390	1 012 357 671

Reconciliation of investment property - 2012

	Opening balance	Additions	Disposals	Transfers	Fair value adjustments	Total
Investment property	817 928 917	128 571 534	(9 915 000)	(3 414 174)	(161 186 837)	771 984 440

The investment property values include market values as per 31 March 2014 valuation and initial costs of additions as reflected by the above reconciliation.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

3. INVESTMENT PROPERTY (CONTINUED)

Details of investment properties

A register containing the information required by section 28 and 29 of the Companies Act is available for inspection at the registered office of the Company.
A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company

Details of valuation

The effective date for the property valuations was 31 March 2014. Revaluations were performed by an independent and registered valuer, Mr Ryphun Madodandile Welkom, Reg. No. 4275/4, of Damita Holdings (PTY) Ltd, Reg No.: 2003/017039/07. Mr Ryphun Madodandile Welkom is not connected to the company and has recent experience in location and category of the investment property being valued. The methods used by the company to revalue the investment property are:

- The income capitalisation method- for income generating properties.
- The comparative sales method- for all vacant industrial land and agriculturally zoned farms.
- The cost method to value investment property which is under construction.
- The depreciation replacement value method has been used for properties that are used to provide services to EL IDZ tenants.

Prevailing open market rental values have been used for all the Income capitalization methodology with the appropriate capitalization rate as determined by the value with guidance from sources such as the Independent Property DataBank (IPD), Rode and Associates and South African Property Owners Association (SAPOA).

For the cost method the prevailing construction costs as derived from interaction with architects, quantity surveyors, DavisLangdon and to some degree Roden and Associates and SAPOA was used.

Change in estimate

EL IDZ used the lease agreements as a source for rental rates used for capitalising the income generating investment property in the prior year. In order to reflect a more accurate fair value of income generating investment property in the current year, EL IDZ used the rates of the most recent transactions in the industry.

EL IDZ can not quantify the effect of the change in estimate in the current year as there was no comparative valuation that was done using the rates per the lease agreement in the current year valuation.

Costs and income associated with the investment properties

	2014 R	2013 R
Rental Income from Investment property	32 620 009	35 050 758
Direct operating expenses from rental generating property	9 601 623	5 810 657
Direct operating expenses from non rental generating property	3 069 966	2 690 576
	12 671 589	8 501 233

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

4. PROPERTY, PLANT AND EQUIPMENT

	2014			2013			2012		
	Cost / Valuation	**Accumulated depreciation & Impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation & Impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation & Impairment**	**Carrying value**
Furniture and fixtures	4 592 428	(1 740 615)	2 851 813	4 362 580	(1 351 011)	3 011 569	4 253 527	(974 194)	3 279 333
Infrastructure: owner occupied	464 102 509	(97 589 673)	366 512 836	463 815 591	(79 026 738)	384 788 853	435 347 759	(62 541 208)	372 806 551
Infrastructure: work in progress	81 780 710	-	81 780 710	48 298 767	-	48 298 767	31 426 341	-	31 426 341
IT equipment	22 972 406	(6 563 359)	16 409 047	9 594 114	(6 176 403)	3 417 711	8 205 387	(5 054 729)	3 150 658
Laboratory equipment and other	3 593 452	(1 425 768)	2 167 684	1 659 641	(809 857)	849 784	1 659 641	(754 226)	905 415
Land	3 821 361	-	3 821 361	3 821 402	-	3 821 402	3 821 402	-	3 821 402
Motor vehicles	1 513 146	(843 866)	669 280	1 513 146	(665 793)	847 353	1 263 896	(673 870)	590 026
Office equipment	601 839	(412 023)	189 816	682 443	(381 562)	300 881	629 858	(314 212)	315 646
Plant and machinery	386 358	(354 386)	31 972	356 358	(272 464)	83 894	356 358	(222 564)	133 794
Total	**583 364 209**	**(108 929 690)**	**474 434 519**	**534 104 042**	**(88 683 828)**	**445 420 214**	**486 964 169**	**(70 535 003)**	**416 429 166**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Impairment loss**	**Total**
Furniture and fixtures	3 011 569	360 414	(53 049)	(467 121)	-	2 851 813
Infrastructure: owner occupied	384 788 853	286 918	-	(18 562 935)	-	366 512 836
Infrastructure: work in progress	48 298 767	33 481 943	-	-	-	81 780 710
IT equipment	3 417 711	14 930 786	(58 726)	(1 879 655)	(1 069)	16 409 047
Laboratory equipment and other	849 784	1 937 037	(108)	(619 029)	-	2 167 684
Land	3 821 402	-	(41)	-	-	3 821 361
Motor vehicles	847 353	-	-	(178 073)	-	669 280
Office equipment	300 881	11 954	(1 967)	(121 052)	-	189 816
Plant and machinery	83 894	30 000	-	(81 922)	-	31 972
	445 420 214	51 039 052	(113 891)	(21 909 787)	(1 069)	474 434 519

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Furniture and fixtures	3 279 333	109 050	-	-	(346 078)	(30 736)	3 011 569
Infrastructure: owner occupied	372 806 551	27 677 833	-	790 000	(16 485 531)		384 788 853
Infrastructure: work in progress	31 426 341	16 872 426	-	-	-	-	48 298 767
IT equipment	3 150 658	1 581 575	(31 540)	-	(1 282 982)	-	3 417 711
Laboratory equipment and other	905 415	-	-	-	(55 631)	-	849 784
Land	3 821 402	-	-	-	-	-	3 821 402
Motor vehicles	590 026	427 201	(8 000)	-	(161 874)	-	847 353
Office equipment	315 646	52 585	-	-	(67 350)	-	300 881
Plant and machinery	133 794	-	-	-	(49 900)	-	83 894
	416 429 166	**46 720 670**	**(39 540)**	**790 000**	**(18 449 346)**	**(30 736)**	**445 420 214**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Depreciation	Total
Furniture and fixtures	3 555 701	101 432	-	(377 800)	3 279 333
Infrastructure: owner occupied	330 970 304	56 298 769	672 538	(15 135 060)	372 806 551
Infrastructure: work in progress	12 040 660	20 058 219	(672 538)	-	31 426 341
IT equipment	2 418 009	1 739 391	-	(1 006 742)	3 150 658
Laboratory equipment and other	119 415	786 000	-	-	905 415
Land	407 229	-	3 414 173	-	3 821 402
Motor vehicles	736 015	-	-	(145 989)	590 026
Office equipment	292 002	88 589	-	(64 945)	315 646
Plant and machinery	191 614	-	-	(57 820)	133 794
	350 730 949	**79 072 400**	**3 414 173**	**(16 788 356)**	**416 429 166**

Encumbered assets: There are no assets that are encumbered or held as security for a debt that are included in the PPE.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

Change in estimate

During the year, the company revised the accounting estimates of the residual values of certain components of PPE with effect from 1 April 2013. Details of such revision are set out below:

Category of fixed assets	Percentage residual value before revision	Percentage residual value after revision	Depreciation before revision of residual value	Depreciation after revision of residual value	Net book value before revision of residual value	Net book value after revision of residual value
Plant and Machinery	20	-	18 622	81 922	95 272	31 972
Furniture and Fixtures	10	-	380 308	467 121	2 938 626	2 851 813
Office Equipment	15	-	71 344	121 052	239 524	189 816
IT equipment	15	10	1 705 933	1 879 655	16 583 741	16 409 047
Laboratory Equipment and Other (Average)	9	-	447 643	619 029	2 338 098	2 167 684
	-	**-**	**2 623 850**	**3 168 779**	**22 195 261**	**21 650 332**

The residual values were revised in order to fairly present the revised expected proceeds from the assets on disposal at the end of their respective useful lives. As a result of the revision, the depreciation charge of the company for the year ending 31 March 2014 increased by R544 929. Equity attributable to owners of the company and the net profit of the company for the year ending 31 March 2014 decreased by R544 929. The same effect in the current year is expected in the future.

Details of PPE

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

5. INTANGIBLE ASSETS

	2014			2013			2012		
	Cost / Valuation	**Accumulated depreciation & Impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation & Impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation & Impairment**	**Carrying value**
Computer software	11 662 562	(8 681 444)	2 981 118	10 689 289	(8 437 609)	2 251 680	10 524 376	(6 435 531)	4 088 845

NOTES TO THE FINANCIAL STATEMENTS *- CONTINUED*

5. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Disposals	Amortisation	Impairment loss	Total
Computer software	2 251 680	2 845 374	(12 814)	(1 783 791)	(319 331)	2 981 118

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Computer software	4 088 845	164 913	(2 002 078)	2 251 680

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software	6 028 463	171 400	(2 111 018)	4 088 845

Details of intangible assets
A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Company.

Change in estimate
During the year, the Company revised the accounting estimates of the residual value of intangible asset with effect from 1 April 2013. Details of such revision are set out below:

Category of fixed assets	Percentage residual value before revision	Percentage residual value after revision	Amortisation before revision of residual value	Amortisation after revision of residual value	Net book value before revision of residual value	Net book value after revision of residual value
Computer software	15	-	806 889	1 783 791	4 277 351	2 981 118

The residual values were revised in order to fairly present the revised expected proceeds from the assets on disposal at the end of their respective useful lives. As a result of the revision, the amortisation charge of the company for the year ending 31 March 2014 increased by R976 902. Equity attributable to owners of the company and the net profit of the company for the year ending 31 March 2014 decreased by R976 902. The same effect in the current year is expected in the future.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

6. INVESTMENT IN SUBSIDIARY

Monti IDZ Investment SOC Ltd	-	100

The subsidiary was de-registered in November 2013. There were no transactions of any significance in the dormant subsidiary up to the date of deregistration.

7. OTHER FINANCIAL ASSETS

Total other financial assets	**658 586**	**1 070 016**
Non-current assets		
Long term loan	-	488 818
Current assets		
Short term loan	658 586	581 198
	658 586	**1 070 016**

The loan is made up of the co-ordinated Material Handling Ltd t/a UTI Material Handling long-term loan and a short term debt. That was a result of the East London Industrial Development Zone's (ELIDZ) customer rescue program, where-in the Company assisted to sustain the operations of its logistics tenant,coordinated Material Handling Ltd t/a UTI Material Handling, on1 March 2010, by capitalising its debt of R 1 917 334. The loan is interest free and payable over the three year lease term. This is a result of the tenants' proven business underperformance directly linked to economic recession. The amount is the consolidated rental account owed by coordinated Material Handling Ltd t/a UTI material handling.

8. LOAN TO SUBSIDIARY

Monti investment	-	47 947 705
Loans - IAS 39	-	2 052 295
Loan settlement	-	(50 000 000)
	-	**-**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

9. TRADE AND OTHER RECEIVABLES

	2014	2013	2012
Trade receivables	27 265 853	17 416 583	10 772 989
Prepayments	4 428 212	1 288 705	1 741 085
Sundry debtors	20 808	21 076	18 250
VAT	-	7 322 600	7 048 662
Provision for Doubtful debts	(22 480 074)	(13 660 964)	(2 178 595)
Rental smoothing	13 842 672	10 425 092	4 513 544
Other receivables	2 553 372	432 578	469 000
BCMM Advance	1 208 204	917 640	3 331 509
	26 839 047	**24 163 310**	**25 716 444**

The carrying amount of accounts receivable approximate their fair value in terms of IAS39.
As at 31 March 2014 trade and other receivables to the value of R4 138 517 (2013: R4 932 164) were past due but not impaired and R25 042 867 (R2013: R13 344 345) were past due and impaired.

Movement on the provision for bad debts are as follows:

	2014 R	2013 R
At the begining of year	13 660 964	2 178 595
Current year provision	8 967 875	11 728 403
Bad debts writen off	(148 765)	(246 034)
	22 480 074	**13 660 964**

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2014 R	2013 R
Cash on hand	1 357	499
Bank balances	17 091 491	6 935 552
Short-term deposits	102 853 146	142 062 694
	119 945 994	**148 998 745**

Short term deposits yielded an average interest of 4.5%.
The carrying amount of cash and cash equivalents approximate their fair value in terms of IAS39.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

11. SHARE CAPITAL

	2014 R	2013 R
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 2014	100 000	100 000
Issued		
Ordinary	1 000	1 000

12. RESERVES OTHER NDR

	2014 R	2013 R
Balance at beginning of period	8 306 368	8 306 368

Other non distributable reserve (NDR) represents the net book value of assets and liabilities transferred from East London Industrial Development Corporation on 1 April 2004, that was changed to ELIDZ SOC Ltd, adjusted for cash later received in respect of VAT relating to East London Industrial Development Corporation.

13. DEFERRED INCOME

	2014	2013	2012
Balance at the beginning of the year	1 633 482 639	1 641 014 351 1	500 015 371
Grants received			
- Eastern Cape Development Corporation	114 907 000	46 051 000	141 614 000
- Department of Trade and Industry	130 374 719	150 000 000	171 282 000
-Interest on grant funding	5 529 070	12 224 149	18 246 326
South African Revenue Services - output VAT on grants	(30 122 315)	(24 076 436)	(38 425 825)
	1 854 171 113	**1 825 213 064**	**1 792 731 872**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014	2013	2012
Released to income	(112 799 512)	(140 725 789)	(110 171 358)
Investment property released from grants	(55 924 024)	(51 004 636)	(41 546 163)
	(168 723 536)	**(191 730 425)**	**(151 717 521)**
Balance at the end of year	1 685 447 577	1 633 482 639	1 641 014 351
Non-current liabilities	1 544 862 211	1 456 641 126	1 255 250 094
Current liabilities	140 585 366	176 841 513	385 764 257
	1 685 447 577	**1 633 482 639**	**1 641 014 351**

14. PROVISIONS

Reconciliation of provisions - 31 March 2014

	Opening balance	Additions	Utilised during the year	IAS 39 Adjustment	Total
Retentions	1 602 045	272 531	(1 367 391)	121 670	628 855

Reconciliation of provisions - 31 March 2013

	Opening balance	Additions	Utilised during the year	IAS 39 Adjustment	Total
Retentions	3 393 682	153 663	(1 785 665)	(159 635)	1 602 045

Retentions: These are project amounts withheld by the Company and are paid back to contractors when there are no latent defects to project work. These amounts are claimable within 12 months after the completion of the project.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

15. TRADE AND OTHER PAYABLES

	2014	2013	2012
Trade payables	33 959 373	16 534 762	76 155 668
VAT	5 172 601	-	-
Deposits received	2 005 803	1 828 234	1 709 821
Other grants (Note 29)	10 029 640	26 948	-
Other accrued expenses	503 296	519 375	388 143
13th cheque accrual	104 187	106 023	85 893
Leave pay accrual	5 042 310	4 384 135	3 410 086
Other payables	1 490 044	1 710 132	3 300 917
	58 307 254	**25 109 609**	**85 050 528**

16. REVENUE

	2014	2013
Rendering of services	30 482 791	24 841 849
Rental income	32 620 009	35 050 758
	63 102 800	**59 892 607**

17. COST OF SALES

	2014	2013
Rendering of services		
Services and operating	31 371 179	27 803 694
Telephone services	640 098	848 132
Conference facility	1 200 552	961 495
	33 211 829	**29 613 321**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

18. OTHER INCOME

Profit from deregistration of Monti IDZ	136 943	-
Donation BCMM	-	2 383 662
Gains on disposal of assets	681 347	247 525
Government grants	112 799 511	140 725 791
Grants released - Investment property	55 924 024	51 004 636
Sundry income	962 777	1 791 099
	170 504 602	**196 152 713**

19. OPERATING PROFIT

Operating profit for the year is stated after accounting for the following:

Equipment		
- Contractual amounts	(1 229 154)	(1 389 553)
Profit on sale of non current asset	681 347	247 525
Profit on deregistration of a subsidiary	136 943	-
Auditors remuneration	(2 698 383)	(2 626 431)
Impairments	(320 400)	(30 736)
Amortisation on intangible assets	(1 783 791)	(2 002 078)
Depreciation on property, plant and equipment	(21 909 954)	(18 449 346)
Employee costs	(70 403 279)	(54 872 343)

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

20. EMPLOYEE BENEFITS

The following items are included within employee benefits expense:

	2014 R	2013 R
Contributions to defined contribution plan	6 076 862	5 141 489

21. FINANCE INCOME

	2014 R	2013 R
Interest revenue		
Interest received	862 928	1 035 555

22. FAIR VALUE ADJUSTMENTS

	2014 R	2013 R
Investment property (Fair value model)	156 172 947	4 701 390

Refer to note 3 for the details of the valuation of investment properties

23. FINANCE COSTS

	2014 R	2013 R
Interest paid	2 706 852	287 497

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

24. TAXATION

	2014 R	2013 R
Major components of the tax expense		
Deferred		
Originating and reversing temporary differences	-	-
Tax provision - current year	-	-
	-	**-**
Reconciliation of the tax expense		
Taxable Income for the year		
Profit before tax	186 734 986	67 028 659
Permanent differences	(132 135 604)	(89 508 672)
Temporary differences	(102 513 161)	2 050 375
Capital gain	8 153 130	-
Current year tax loss	39 760 649	20 429 638
Taxable Income for the year	**-**	**-**
Assessed loss		
Assessed loss brought forward	20 429 638	-
Current year assessed loss	39 760 649	20 429 638
Assessed loss carried forward	**60 190 287**	**20 429 638**
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28,00 %	28,00 %
Permanent differences	(19,81)%	(37,39)%
Capital gains	1,22 %	- %
Deferred tax not raised	(15,37)%	0,86 %
Assessed loss	5,96 %	8,53 %
	- %	**- %**
	-	-
	-	-

No provision for tax has been made in 2014 financial year as the company has no taxable income. There was no deferred tax asset recognised in the current year since EL IDZ is not expected to generate taxable profit and taxable temporary differences in the future that are enough to utilise against the the deferred tax asset.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

25. AUDITORS' REMUNERATION

	2014 R	2013 R
Fees	2 698 383	2 626 431

26. BAD DEBTS WRITTEN OFF

	2014 R	2013 R
Bad debts written off during the year under the Company's debtors policy	148 765	246 034

27. CASH GENERATED FROM OPERATIONS

	2014 R	2013 R
Profit before taxation	186 734 986	67 028 659
Adjustments for:		
Depreciation of property, plant and equipment	21 909 787	18 449 346
Profit on deregistration of subsidiary	(136 943)	-
Interest received - investments	(862 928)	(1 035 555)
Finance costs	2 706 852	287 497
Fair value adjustments	(156 172 947)	(4 701 390)
Movements in provisions	(973 190)	(1 791 637)
Investment in subsidiary	-	-
Amortisation of intangible assets	1 783 791	2 002 078
Finance lease - BCMM donation	-	(2 455 090)
Impairment of property, plant and equipment	-	30 736
IAS 39 adjustments for loan from subsidiary	-	(2 052 295)
Impairment of assets	320 400	-
Profit on sale of non-current assets	(681 347)	(247 525)
Changes in working capital:		
Trade and other receivables	(2 675 737)	1 553 133
Trade and other payables	33 197 645	(59 940 919)
Deferred income	51 964 938	(7 531 712)
	137 115 307	**9 595 326**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

28. CURRENT TAX PAYABLE

	2014	2013	2012
Balance at beginning of the year	(266 544)	93 183	-
Current tax for the year recognised in profit or loss	-	-	(258 523)
Tax paid/(received)	266 544	(359 737)	351 706
	-	**(266 554)**	**93 183**

29. OTHER GRANTS

	2014	2013
Department of Environmental affairs		
Opening balance	26 948	2 338 002
Grants received	8 363 248	880 000
Expenditure for the year	(4 105 389)	(1 922 426)
VAT paid	-	(1 268 628)
	4 284 807	**26 948**
MERSETA		
Opening balance	-	-
Income received for the year	1 026 000	-
Expenditure for the year	(964 912)	-
	61 088	**-**
Stem Cell		
Income received for the year	2 192 982	-
Expenditure for the year	(786 086)	-
Release to other income	(328 414)	-
	1 078 482	**-**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

29. OTHER GRANTS (CONTINUED)

Wildcoast SEZ

Income received for the year	4 605 263	-

Other grants are funds from government to finance special projects. The Company is a conduit for the funds through the Department of Environmental Affairs, in the project for the Greening of the Company. The Company has received an additional funding from the Department of Economic Development Environmental Affairs and Tourism for the pilot project of Stem Cell in partnership with the Eastern Cape Health Department. In addition the company also received a grant for the initial implementation of the Wildcoast SEZ.

EL IDZ received grants from MERSETA for training interns.

Total other grants	**10 029 640**	**26 948**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

30. COMMITMENTS

	2014 R	2013 R
Authorised capital expenditure		
Contract work in progress		
Property, plant and equipment	25 960 539	42 655 657
Investment property	50 919 326	146 789 828
	76 879 865	**189 445 485**

This committed expenditure relates to infrastructure and other contracts, and will be financed by grants from the Department of Trade and Industry as well as the Department of Economic Affairs and Tourism - Eastern Cape. The commitment amounts are exclusive of VAT.

	2014 R	2013 R
Operating leases – as lessee (expense)		
Minimum lease payments due		
- no later than one year	1 019 460	1 019 469
- later than one year and not later than five years	84 955	1 189 381
	1 104 415	**2 208 850**

Leasing Arrangements

Operating leases relate to the lease of equipment with a lease term of 3 years. The Company does not have an option to purchase the leased equipment at the expiry of the lease periods

	2014 R	2013 R
Operating leases – as lessor (income)		
Minimum lease payments due		
- no later than one year	29 566 493	30 058 082
- later than one year and not later than five years	86 938 972	59 486 221
- later than five years	46 135 048	11 706 413
	162 640 513	**101 250 716**

Leasing Arrangements

Operating leases relate to the investment property owned by the Company with lease terms of between 5 to 10 years, with an option to extend for a further 10 years. All operating lease contracts constrain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. The operating leases include escalation clause.

Rental income earned by the Company from its investment properties and direct operating expenses arising on the investment properties for the year are set out in note 3.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

31. CONTINGENCIES

2014

(i) The company has entered into performance-based contracts with employees in terms of which performance bonuses may be paid out when the board has approved the payment normally after the audit results. The performance bonuses liability is estimated at R7 766 313.

32. RELATED PARTIES

Relationships	
Holding company	Eastern Cape Development Corporation
Subsidiary	Monti IDZ Investment SOC Ltd
Shareholder	Buffalo City Metropolitan Municipality
Members of key management	Mr S Kondlo
	Mrs NV Madyibi
	Mr T Zweni
	Mr J Burger
	Mr T Gwintsa
	Ms A Magwentshu
	Mr G Matengambiri
Directors	Z. Tini
	N.I. Meinie-Anderson
	M. Saziwa
	S. Mase
	P. Nazo
	S. Mteto
	S. Caga
	A. Kanana
	P. Mzazi-Geja
	E. Jooste
	V. Sikwebu

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

32. RELATED PARTIES (CONTINUED)

	2014 R	2013 R
Related party balances		
Amounts included in trade receivables		
Buffalo City Metropolitan Municipality	2 303 263	2 206 344
Amount included in trade payables		
Buffalo City Metropolitan Municipality	(8 572 009)	(5 296 695)
	-	-
Related party transactions		
Buffalo City Metropolitan Municipality		
Rates and taxes - expense	9 601 623	5 863 511
Electricity - expense	20 572 604	20 434 390
Water - expense	2 131 775	2 574 733
Sewerage - expense	651 673	411 329
Donation	-	2 383 662
Interest on long term lease	-	129 351
Grass cutting expense recovery	(418 765)	(377 700)
Eastern Cape Development Corporation		
Total grants received for the year	114 907 000	46 051 000
Compensation to directors and other key management		
Key management remuneration - executive	15 977 466	11 234 800
Key management remuneration - non executive	1 057 340	386 634
Monti IDZ Investments (Pty) Ltd - (assets from subsidiary/loan payback)	136 943	50 000 000

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

33. DIRECTORS' EMOLUMENTS

Executive

2014	Basic Salary	Allowances	Employer contribution to funds	Bonus	Total
S Kondlo	1 629 232	855 150	331 308	339 126	3 154 816
NV Madyibi	1 169 553	2 689 245	248 412	-	4 107 210
T Zweni	1 150 357	603 798	232 690	274 447	2 261 292
J Burger	989 941	519 600	178 522	172 396	1 860 459
T Gwintsa	1 150 357	603 798	244 950	217 831	2 216 936
A Magwentshu	966 623	507 361	207 197	152 588	1 833 769
G. Matengambiri - (5 months)	281 674	225 313	55 997	-	562 984
	7 337 737	**6 004 265**	**1 499 076**	**1 156 388**	**15 997 466**

2013	Basic Salary	Allowances	Employer contribution to funds	Bonus	Total
S Kondlo	1 454 069	802 957	125 324	382 851	2 765 201
NV Madyibi	1 045 058	576 406	96 351	286 807	2 004 622
T Zweni	1 025 683	566 946	91 699	245 148	1 929 476
J Burger	884 566	487 887	56 161	213 978	1 642 592
T Gwintsa	1 025 550	566 947	99 189	222 684	1 914 370
A Magwentshu	560 007	317 597	82 453	18 482	978 539
	5 994 933	**3 318 740**	**551 177**	**1 369 950**	**11 234 800**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

33. DIRECTORS' EMOLUMENTS (CONTINUED)

Non-executive

2014	**Directors' fees**	**Allowances**	**Total**
Z. Tini	190 628	4 466	195 094
S Mteto	84 767	4 047	88 814
M. Saziwa	101 908	2 982	104 890
N.I. Meinie-Anderson	189 437	2 130	191 567
P. Nazo	93 452	3 267	96 719
V Sikwebu	47 560	1 278	48 838
S. Caga	115 414	4 260	119 674
A. Kanana	104 947	3 408	108 355
E. Jooste	101 685	1 704	103 389
	1 029 798	**27 542**	**1 057 340**

2013	**Employer contribution to funds**	**Bonus**	**Total**
Z. Tini	83 477	22 693	106 170
N.I. Meinie-Anderson	70 462	5 559	76 021
M. Saziwa	24 432	16 140	40 572
M.A. Msoki	17 545	-	17 545
P. Nazo	41 439	4 913	46 352
S. Mteto	41 344	18 218	59 562
S. Caga	13 240	1 726	14 966
A. Kanana	21 046	4 400	25 446
	312 985	**73 649**	**386 634**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2013 R	2012 R

34. PRIOR PERIOD ERRORS

ADJUSTMENTS TO DISCLOSURE NOTES

The financial statements have been prepared in accordance with SA GAAP on a basis consistent with the prior year. Where adjustments were done in the current annual financial statements, management considered the impact on the opening balances of the earliest comparative figures and these were adjusted accordingly.

The aggregate effect of the prior period adjustment on the financial statements for the year ended 31 March 2014 is as follows:

Employee benefits: disclosure of contributions to defined contribution plans totaling R5 141 489 has been made in note 20.

Bad debts: disclosure of bad debts written off totaling R246 034 has now been made in note 26.

Related parties: adjustments to amounts reflected for Buffalo City Municipality – water expense (R3 948) and Buffalo City Municipality – rates and taxes (R1 816 635) have been made in note 32.

Cash flow statement: an error in the classification, calculation and disclosure of the movement in other financial assets of R423 536 has been corrected in the statement of cash flows.

Commitments - Authorised capital expenditure: The total value of capital commitments disclosed in the prior year was overstated by R50 386 667. The error has been corrected retrospectively under disclosure note 30.

Fruitless & wasteful expenditure: The following disclosure was omitted in the prior year:

The company incurred charges of interest and penalties to SARS in respect of income taxes amounting to R10 866 and R42 613 respectively. The company also incurred penalties and interest in respect of VAT during the 2013 financial year totalling R229 75. The error has been corrected retrospectively under disclosure not 36.

Commitments - Operating lease as Lessor(income). Note 30. :
During the recalculation of the operating lease payments due from the lessees as at 31 March 2014, it was noted that the prior year disclosure of minimum lease payments due from the lessee per 31 March 2013 annual report was not correct. The error was corrected retrospectively and the prior year disclosure was appropriately restated as follows;

Minimum lease payments due	31 March 2013 Annual Report	Adjustment	31 March 2013 Restated
- No later than one year	30 019 073	39 009	30 058 082
- Later than one year and not later than five years	58 976 085	510 136	59 486 221
- later than 5 years	11 316 412	390 001	11 706 413
	100 311 570	**939 146**	**101 250 716**

Irregular expenditure: Disclosure of irregular expenditure was omitted in the prior year. The error has been corrected retrospectively per the disclosure in note 37.

	2013 R	2012 R
Opening balance	-	-
Irregular expenditure for the year	4 172 990	-
	4 172 990	**-**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

34. PRIOR PERIOD ERRORS (CONTINUED)

ADJUSTMENTS TO ACCOUNT BALANCES

NON CURRENT ASSETS

	2013 R	2012 R
Investment Property		
Balance before restatement	1 023 286 612	772 051 440
Adjustment	(10 861 941)	(67 000)
Effect of prior year adjustment	(67 000)	-
	1 012 357 671	**771 984 440**

Incorrect rental rates and square metres were used to revalue income generating investment properties in prior year. This error has been corrected retrospectively and comparative figures have been appropriately restated. The effect of the error on the 2013 financial results is an increase in investment properties by R2 338 059.

A plant that was under construction was capitalised as investment property instead of being classified as property, plant and equipment. This error has been corrected retrospectively and comparative figures have been appropriately restated.The effect of the error on the 2013 financial results in a decrease in investment properties by R13 200 000.

A piece of owner occupied land with a fair value of R67 000 was incorrectly classified as investment property in 2012. This error has been corrected retrospectively and comparative figures have been appropriately restated

	2013 R	2012 R
Property, Plant and Equipment.		
Balance before restatement	433 983 719	420 857 601
Adjustment	13 686 727	(68 398)
Reclassification to intangible assets	(2 251 680)	(4 361 485)
Reclassification from investment properties	1 448	1 448
	445 420 214	**416 429 166**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2013 R	2012 R

34. PRIOR PERIOD ERRORS (CONTINUED)

ADJUSTMENTS TO ACCOUNT BALANCES - CONTINUED

Adjustments have been made for:

- reclassification of R1 448 from investment property to owner occupied land and reclassification of R2 251 680 (2012: R4 361 485) from property, plant and equipment to intangible assets;
- errors in the calculation of the depreciation;
- errors in assets that were disposed off or written off but for which depreciation continued to be charged; and
- the effect of the above two adjustments were an increase in PPE by R13 686 727 (2012: R68 398).

The errors have been corrected retrospectively and comparative figures has been appropriately restated.

Other financial assets

	2013 R	2012 R
Balance before restatement	489 175	-
Adjustment	(357)	-
	488 818	**-**

The IAS 39 adjustment has been recalculated after the changes in the prior year balances. The effect of the adjustment is the decrease in financial assets by R357. The error has been corrected retrospectively and comparative figures has been appropriately restated.

CURRENT ASSETS

Trade and other receivables

	2013 R	2012 R
Balance before restatement	27 028 970	29 807 864
Adjustment	1 225 760	(4 091 420)
Effect of prior year adjustment	(4 091 420)	-
	24 163 310	**25 716 444**

2013

Adjustments that relate to invoices that were in dispute with tenants in the prior years have been made. The receivables balance was reduced to be in line with amounts that are not disputed. The adjustments resulted in a R679 771 decrease in receivables.

The R1 905 531 increase in receivables balance is due to lease smoothing calculation error that was done in the prior year.

2012

R10 630 decrease in receivables relates to invoices that should have been reversed in the prior years as they were incorrectly debited to the debtors account. Value Added Tax (VAT) was overclaimed in the prior years; SARS subsequently deducted the overclaim on the VAT receivable balance in 2013 financial year. EL IDZ did not update the financial records with an amount of R4 080 790 that was deducted by SARS from a refund that the organisation was suppose to get. The errors have been corrected retrospectively and comparative figures have been appropriately restated.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

34. PRIOR PERIOD ERRORS (CONTINUED)

ADJUSTMENTS TO ACCOUNT BALANCES - CONTINUED

	2013 R	2012 R
EQUITY		
Retained earnings		
Balance before restatement	(101 676 498)	(88 209 412)
Adjustments	80 495 745	(13 325 716)
Effect of prior year adjustment	(13 325 716)	-
	(34 506 469)	**(101 535 128)**
NON CURRENT LIABILITIES		
Deferred income		
Balance before restatement	(1 448 201 621)	(1 258 757 616)
Adjustments	(11 947 027)	3 507 522
Effect of prior year adjustment	3 507 522	-
	(1 456 641 126)	**(1 255 250 094)**

In 2013 deferred income was understated by an over release to statement of comprehensive income of R11 947 027. The error was corrected retrospectively and comparative figures have been appropriately restated.

Deferred income was overstated by an under release to statement of comprehensive income of R3 507 522 in 2012. The error was corrected retrospectively and comparative figures have been appropriately restated.

	2013 R	2012 R
CURRENT LIABILITIES		
Deferred income		
Balance before restatement	(251 562 040)	(372 656 445)
Adjustment	87 828 339	(13 107 812)
Effect of prior year adjustment	(13 107 812)	-
	(176 841 513)	**(385 764 257)**

Adjustment has been made to deferred income that was utilised in the prior years but was not released to the statement of comprehensive income. The error has been corrected retrospectively and comparative figures have been appropriately restated. The effect of the adjustment was an increase in retained income by R87 828 339.

Adjustment has been made to deferred income that was over released to statement of comprehensive income in 2012. The error has been corrected retrospectively and comparative figures have been appropriately restated. The effect of the adjustment was a decrease in retained income by R13 107 812.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

34. PRIOR PERIOD ERRORS (CONTINUED)

ADJUSTMENTS TO ACCOUNT BALANCES - CONTINUED

	2013 R	2012 R
Trade and other payables		
Balance before restatement	(24 481 543)	(85 221 086)
Adjustment	(798 624)	170 558
Effect of prior year adjustment	170 558	-
	(25 109 609)	**(85 050 528)**

Creditors were omitted from the creditors listing in the prior year in error. The error has been corrected by including the omitted creditors in the listing and correcting creditors balances retrospectively with an increase of R798 624. The comparative figures have been appropriately restated.

In 2012 an error was due to overstatement of the creditors balance by R170 558 for an invoice that was disputed and was included as a payable but never paid. The error has been corrected retrospectively and comparative figures have been restated.

	2013 R	2012 R
Provisions		
Balance before restatement	(3 225 900)	-
Adjustment	1 623 855	-
	(1 602 045)	**-**

Retentions that were paid before year end were still reflected as provisions at the end of prior year in error. The error has been corrected retrospectively and comparatives figures have been appropriately restated. The effect of correcting the error is the decrease in provisions by R 1 623 855.

	2013 R	2012 R
Tax Liability		
Balance before restatement	-	(508 854)
Adjustment	-	602 037
	-	**93 183**

Tax was incorrectly calculated in the 2012 financial year. The error has been corrected retrospectively and comparative figures have been appropriately restated. The effect of the correction of the error is the decrease of the tax liability by R602 037.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

34. PRIOR PERIOD ERRORS (CONTINUED)

ADJUSTMENTS TO ACCOUNT BALANCES - CONTINUED

REVENUE

	2013 R	2012 R
Rental Income		
Balance before restatement	33 642 240	-
Reclassification from rendering of service	3 733	-
Adjustment	1 404 785	-
	35 050 758	**-**

As a result of the correction of the error in the rental smoothing calculation, rental revenue has been increased by R1 404 785. In addition rental revenue has been increased by R 3 733 which was classified as revenue from rendering of services in error instead of rental revenue.

The errors have been corrected retrospectively and comparative figures have been appropriately restated.

	2013 R	2012 R
Rendering of service		
Balance before restatement	25 110 314	-
Reclassification to rental Income	(3 733)	-
Adjustment	**(264 732)**	**-**
	24 841 849	**-**

The adjustment of R264 732 relates to:

- credit notes for R22 540 that were raised for invoices that were disputed in the prior year; and

- R242 192 was as a result of the change in the time value of money for revenue that was recalculated based on the restated balance.

In addition revenue from rendering of services has been decreased by a reclassification adjustment of R 3 733 which should have been classified as rental revenue.

The errors have been corrected retrospectively and comparative figures have been appropriately restated.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2013 R	2012 R

34. PRIOR PERIOD ERRORS (CONTINUED)

ADJUSTMENTS TO ACCOUNT BALANCES - CONTINUED

COST OF SALES

Balance before restatement	(29 603 071)	-
Adjustment	(10 250)	-
	(29 613 321)	**-**

An error was noted relating to an invoice that was processed twice in the prior year. The prior period error has been corrected retrospectively and comparative figures have been appropriately restated.

OTHER INCOME

Balance before restatement	120 108 597	-
Reclassification to other expenses and to finance income	(1 026 278)	-
Adjustment	**77 070 394**	**-**
	196 152 713	**-**

The adjustment of R77 070 394 relates to the following:

- incorrect calculation of the deferred income amortisation release in the prior year for an amount of R76 790 490 which was not released to statement of comprehensive income;

- the understatement of IAS39 adjustment by R130 838;

- an adjustment of the grant release relating to investment properties to statement of comprehensive income by R71 565; and

- an error in accounting for property, plant and equipment resulting in the understatement of profit on disposal by R220 631.

An amount of R1 420 was incorrectly classified as other income instead of operating expenditure, and R1 024 858 also as other income instead of finance income.

The errors have been corrected retrospectively and comparative figures has been appropriately restated.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

34. PRIOR PERIOD ERRORS (CONTINUED)

ADJUSTMENTS TO ACCOUNT BALANCES - CONTINUED

OPERATING EXPENSES

	2013 R	2012 R
Balance before restatement	(166 160 992)	-
Reclassification from Other Income	1 420	-
Adjustment	**1 306 784**	**-**
	(164 852 788)	**-**

Adjustment has been made for invoices that were omitted in the prior year expenditure for the services that we had received before year end.

An amount of R1 420 was incorrectly classified as other income instead of operating expenditure.

The errors have been corrected retrospectively and comparative figures have been appropriately restated.

FAIR VALUE ADJUSTMENT

	2013 R	2012 R
Balance before restatement	2 363 331	-
Adjustment	2 338 059	-
	4 701 390	**-**

Incorrect rental rates and square metres were used to value income generating investment properties in prior year. This error has been corrected retrospectively and comparative figures have been appropriately restated. The effect of the error on the 2013 financial results is an increase in investment properties by R2 338 059.

FINANCE COST

	2013 R	2012 R
Balance before restatement	(129 351)	-
Adjustment	(158 146)	-
	(287 497)	**-**

The adjustment was to correct the error in the calculation of the time value of money in the prior year. This error has been corrected retrospectively and comparative figures have been appropriately restated.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2013 R	2012 R

34. PRIOR PERIOD ERRORS (CONTINUED)

ADJUSTMENTS TO ACCOUNT BALANCES - CONTINUED

TAX EXPENSE

Balance before restatement	602 037	-
Adjustment	(602 037)	-
	-	**-**

EL IDZ incorrectly adjusted a 2012 tax calculation error in 2013 annual financial statements prospectively instead of doing it retrospectively. This error has been corrected retrospectively and comparative figures have been appropriately restated.

INTEREST RECEIVED

Balance before restatement	599 809	-
Reclassification adjustment	1 024 858	-
Adjustment	**(589 112)**	**-**
	1 035 555	**-**

R1 024 858 relating to an IAS 39 adjustment was incorrectly classified as other income in stead of being classified as finance income, and EL IDZ ommitted to charge interest of R589 112 from an outstanding amount from a debtor. The errors have been corrected retrospectively and comparative figures have been restated.

INTANGIBLE ASSETS

IT software

Balance before restatement	-	-
Adjustment	-	(272 639)
Reclassification from property, plant and equipment	2 251 680	4 361 484
	2 251 680	**4 088 845**

As a result of incorrect calculation of amortisation, the net book value of intangible assets was overstated by R272 639 in 2012 financial year. IT equipment and computer software were combined as property, plant and equipment. Only IT equipment should have been classified as property, plant and equipment and computer software should have been classified as intangible asset. A reclassification adjustment was performed to move the balances of computer software to intangible asset from property, plant and equipment. The errors have been corrected retrospectively and comparative figures have been restated.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

35. RISK MANAGEMENT

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern while maximising the return to stakeholders through the optimisation of the assets and the equity balance. The Company's overall strategy remains unchanged. The Company is not subject to any externally imposed capital requirements.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The entity manages liquidity risk by continuously monitoring forecast and actual cash flows. Liquidity risk is the risk that the entity may fail to meet its payment obligations as they fall due, the consequences of which may be the failure to meet the obligations to creditors. The institute identifies this risk through periodic liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps.

A maturity analysis of EL IDZ's financial instruments as at 31 March 2014 and 31 March 2013 is as follows:

At 31 March 2014	**On demand and less than one month**	**1 to 12 months**	**More than 12 months**	**Total**
Assets				
Other financial assets- short term	-	658 586	-	658 586
Trade and other receivables	-	26 839 047	-	26 839 047
Cash and cash equivalents	119 945 994	-	-	119 945 994
Total assets	**119 945 994**	**27 497 633**	**-**	**147 443 627**
Liabilities				
Trade and other payables	58 307 254	-	-	58 307 254
Liquidity gap	**61 638 740**	**27 497 633**	**-**	**89 136 373**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

35. RISK MANAGEMENT (CONTINUED)

At 31 March 2013	On demand and less than one month	1 to 12 months	More than 12 months	Total
Assets				
Other financial assets - long term	-	-	488 818	488 818
Other financial assets - short term	-	581 198	-	581 198
Trade and other receivables	-	24 163 310	-	24 163 310
Cash and cash equivalents	148 998 745	-	-	148 998 745
Total assets	**148 998 745**	**24 744 508**	**488 818**	**174 232 071**
Liabilities				
Current tax payable	-	266 544	-	266 544
Trade and other payables	25 109 609	-	-	25 109 609
Total liabilities	**25 109 609**	**266 544**	**-**	**25 376 153**
Liquidity gap	**123 889 136**	**24 477 964**	**488 818**	**148 855 918**

Interest rate risk

The Company's interest bearing assets are included under cash and cash equivalents. The Company's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with the South African prime rate. The Company's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus/deficit.

Interest charged on trade debtors in arrears is linked to South African prime rate.

NOTES TO THE FINANCIAL STATEMENTS *- CONTINUED*

	2014 R	2013 R

35. RISK MANAGEMENT (CONTINUED)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the potential change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

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

Estimated increase in rates

	2014 R	2013 R
Estimated increase in basis points	100	100
Effect on accumulated profit/ (loss)	1 199 460	1 489 987

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Trade receivables comprise mainly of amounts owing from tenants. Management evaluated credit risk relating to tenants before they were incorporated into the zone.

Credit risk consists mainly of cash deposits, cash equivalents, trade debtors and other financial assets.

The Company only deposits cash with major banks with high quality credit standing and limits exposure to any particular counterparty.

The carrying amounts of financial assets, represent the entity's maximum exposure to credit risk in relation to these assets. The Company's cash and cash equivalents and short-tem deposits are placed with high credit quality financial institutions.

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge a contract. Credit risk arises from cash equivalents, financial instruments and deposits with banks and financial institutions, as well as credit exposures to members, including outstanding receivables and committed transactions. For banks and financial institutions, only well-established institutions with sound financial positions are used. Credit exposures are closely monitored for indications of impairment.

EL IDZ tenants pay deposit at the beginning of their lease terms.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

35. RISK MANAGEMENT (CONTINUED)

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

	2014 R	2013 R
Trade and other receivables (excluding prepayments)	44 950 919	36 643 480
Cash and cash equivalents	119 945 994	148 998 745
Other financial assets - UTI	692 348	1 070 016
	165 589 261	**186 712 241**

The fair value of cash and cash equivalents and accounts receivables as at 31 March 2014 approximates the carrying amount.

Analysis by credit quality of financial assets is as follows:

	2014 R	2013 R
Neither past due nor impaired		
- Cash and cash equivalent	119 945 994	148 998 745
- Trade and other receivables	15 769 536	18 366 971
Past due and not impaired		
- Trade and other receivables	4 138 517	4 932 164
- Other financial assets - UTI	692 348	1 070 016
Past due and impaired		
- Trade and other receivables	25 042 867	13 344 345

36. FRUITLESS AND WASTEFUL EXPENDITURE

	2014 R	2013 R
Fruitless and wasteful expenditure	623 994	283 237

After the investigation on the fruitless and wasteful expenditure the organisation noted that there was no need to pursue disciplinary action against employees that were involved.

2014

The company incurred interest and penalties to SARS totaling to R623 994. The penalties and interest were as a result of VAT adjustments that were processed in the general ledger after the initial submission of VAT returns.

2013

The company incurred charges of interest and penalties to SARS in respect of income taxes amounting to R10 866 and R42 613 respectively. The company also incurred penalties and interest in respect of VAT during the 2013 financial year totaling R229 758.

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

	2014 R	2013 R

37. IRREGULAR EXPENDITURE

	2014 R	2013 R
Opening balance	4 172 990	-
Current year irregular expenditure	5 785 452	4 172 990
Irregular expenditure condoned	(9 958 442)	-
	-	**4 172 990**

ELIDZ incurred irregular expenditure totaling to R5 785 452 (2013: R4 172 990) due to non-compliance with SCM policies, the PFMA and Treasury Regulation. This expenditure has been paid and recorded on their relevant expenditure accounts. The above expenditure is not fruitless and wasteful expenditure as it was incurred to further the interest of the entity.

After the investigation on the irregular expenditure the organisation noted that there was no need to pursue disciplinary action against employees that were involved.

38. DEREGISTRATION OF SUBSIDIARY

Monti Industrial Development Zone (Pty) Ltd was 100% owned subsidiary of East London Industrial Development Zone.

The directors of EL IDZ resolved to deregister Monti IDZ (Pty) Ltd and transfer the assets and liabilities to EL IDZ. The effective date of deregistration was 30 November 2013. There is no consideration for the assets aquired since the subsidiary was 100% owned by EL IDZ as an investment with a cost value of R100. The difference between the fair value of the net identifiable assets transfered and liabilities assumed and the cost value of the investment in Monti IDZ (Pty) Ltd is the profit on the deregistration of the subsidiary.

The following are the identifiable assets transfered and liabilities assumed during the business combination.

	2014 R	2013 R
Recognised amounts of identifiable assets transfered and liabilities assumed		
Cash and cash equivalents	145 290	-
Trade and other payables	(8 247)	-
Fair value of assets transfered and liabilities assumed	137 043	-
Investment in Monti IDZ (Pty) Ltd	(100)	-
Profit on deregistration of subsidiary	**136 943**	**-**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

39. CATEGORIES OF FINANCIAL INSTRUMENTS

	Financial assets at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Assets				
Non-current assets				
Investment property	-	-	1 280 060 308	1 280 060 308
Property, plant and equipment	-	-	474 434 519	474 434 519
Intangible assets	-	-	2 981 118	2 981 118
	-	**-**	**1 757 475 945**	**1 757 475 945**
Non-current assets				
Other financial assets	658 586	-	-	658 586
Trade and other receivables	26 839 046	-	-	26 839 046
Cash and cash equivalents	119 945 994	-	-	119 945 994
	147 443 626	**-**	**-**	**147 443 626**
Total assets	**147 443 626**	**-**	**1 757 475 945**	**1 904 919 571**
Equity and liabilities				
Equity				
Share capital	-	-	1 000	1 000
Reserves	-	-	8 306 368	8 306 368
Retained income	-	-	152 228 517	152 228 517
	-	**-**	**160 535 885**	**160 535 885**
Liability				
Non-current liability				
Deferred income	**-**	**-**	**1 544 862 211**	**1 544 862 211**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

39. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Financial assets at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Current liabilities				
Trade and other payables	-	58 307 254	-	58 307 254
Deferred income	-	-	140 585 366	140 585 366
Provisions	-	-	628 855	628 855
	-	**58 307 254**	**141 214 221**	**199 521 475**
Total liabilities	**-**	**58 307 254**	**1 686 076 432**	**1 744 383 686**
Total equity and liabilities	**-**	**58 307 254**	**1 846 612 317**	**1 904 919 571**

Categories of financial instruments - 2013

Assets

	Financial assets at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Non-current assets				
Investment property	-	-	1 012 357 671	1 012 357 671
Property, plant and equipment	-	-	445 420 214	445 420 214
Intangible assets	-	-	2 251 680	2 251 680
Investment property	-	-	100	100
Other financial assets	488 818	-	-	488 818
	488 818	**-**	**1 460 029 665**	**1 460 518 483**
Current assets				
Other financial assets	581 198	-	-	581 198
Trade and other receivables	24 163 310	-	-	24 163 310
Cash and cash equivalents	148 998 745	-	-	148 998 745
	173 743 253	**-**	**-**	**173 743 253**
Total assets	**174 232 071**	**-**	**1 460 029 665**	**1 634 261 736**

***NOTES TO THE FINANCIAL STATEMENTS** - CONTINUED*

39. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Financial assets at amortised cost	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Equity and liabilities				
Equity				
Share capital	-	-	1 000	1 000
Reserves	-	-	8 306 368	8 306 368
Retained earnings	-	-	(34 506 469)	(34 506 469)
	-	**-**	**(26 199 101)**	**(26 199 101)**
Liabilities				
Non-current liabilities				
Deferred income	-	-	1 456 641 126	1 456 641 126
Current liabilities				
Current tax payable	-	266 544	-	266 544
Trade and other payables	-	25 109 609	-	25 109 609
Deferred income	-	-	176 841 513	176 841 513
Provisions	-	-	1 602 045	1 602 045
	-	**25 376 153**	**178 443 558**	**203 819 711**
Total Liabilities	**-**	**25 376 153**	**1 635 084 684**	**1 660 460 837**
Total equity and liabilities	**-**	**25 376 153**	**1 608 885 583**	**1 634 261 736**

DETAILED INCOME STATEMENT

	Notes	2014 R	2013 R
Revenue			
Rendering of services		30 482 791	24 841 849
Rental Income		32 620 009	35 050 758
	16	**63 102 800**	**59 892 607**
Cost of sales			
Cost of rendering of services		(33 211 829)	(29 613 321)
Gross profit		**29 890 971**	**30 279 286**
Other income			
Profit from deregistration of subsidiary		136 943	-
Fair value adjustments	22	156 172 947	4 701 390
BCMM Donations		-	2 383 662
Gains on disposal of assets		681 347	247 525
Government grants		112 799 511	140 725 791
Grants released - Investment property		55 924 024	51 004 636
Interest received		862 928	1 035 555
Sundry Income	21	962 777	1 791 099
		327 540 477	**201 889 658**
Expenses (Refer to page 53)		**(167 989 610)**	**(164 852 788)**
Operating profit	19	**189 441 838**	**67 316 156**
Finance costs	23	(2 706 852)	(287 497)
Profit before taxation		**186 734 986**	**67 028 659**
Profit for the year		**186 734 986**	**67 028 659**
Other comprehensive income		-	-
Total comprehensive income for the year		**186 734 986**	**67 028 659**

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

DETAILED INCOME STATEMENT *- CONTINUED*

	Notes	2014 R	2013 R
Operating expenses			
Advertising		(4 939 920)	(3 650 563)
Auditors remuneration	25	(2 698 383)	(2 626 431)
Bad debts and provision for bad debts		(9 079 975)	(11 726 984)
Bank charges		(62 045)	(82 780)
Board fees		(1 254 779)	(412 575)
Cell phones		(1 043 071)	(880 066)
Cleaning		(861 916)	(802 806)
Computer expenses		(286 539)	(128 978)
Consulting and professional fees		(9 656 050)	(17 663 168)
Depreciation		(21 909 954)	(18 449 346)
Development planning and related costs		(285 930)	(352 568)
Donations		(144 399)	(115 894)
Employee costs		(70 403 279)	(54 872 343)
Entertainment		(345 566)	(746 038)
Expenditure		3 464 822	1 576 514
Impairment of fixed and intangible assets		(320 400)	(30 736)
Lease rental		(1 229 154)	(1 389 553)
IT expenses		(672 325)	(562 574)
Insurance		(1 665 890)	(1 469 451)
Internal Audit		(932 161)	(420 310)
Legal expenses		(578 045)	(338 735)
Marketing brand management		(2 410 853)	(2 360 776)
Marketing and communications		(322 362)	(699 017)
Miscellaneous expenses		(70 160)	(183 048)
Non capitalised equipment		(935 606)	(807 358)
Amortisation of intangible assets		(1 783 791)	(2 002 078)
Penalties		(396 585)	-
Petrol, oil and repairs - motor vehicles		(67 828)	(65 249)
Placement fees		(572 200)	(1 215 972)

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

DETAILED INCOME STATEMENT *- CONTINUED*

	Notes	2014 R	2013 R
Postage		(16 110)	(37 626)
Printing and stationery		(155 522)	(262 339)
Project expense		(9 363 802)	(17 550 109)
Repairs and maintenance		(15 587 674)	(13 216 128)
Security		(5 847 675)	(5 487 093)
Subscriptions		(463 547)	(399 540)
Telephone and fax		(264 629)	(163 119)
Training		(1 336 535)	(1 558 110)
Travel - local		(1 119 015)	(1 751 451)
Travel - overseas		(863 273)	(2 255 350)
Utilities operating costs		(1 507 484)	306 960
		(167 989 610)	**(164 852 788)**

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